INTESA SANPAOLO

Half-yearly report as at 30 June 2023

This is an English translation of the original Italian document "Relazione semestrale al 30 giugno 2023". 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 of approval of this document. 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 2023

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

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THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

isybank

	Branches
NORTH WEST	1,089
NORTH EAST	707
CENTRE	736
SOUTH	626
ISLANDS	213

Figures as at 30 June 2023

Product Companies[1]

FIDEURAM VITA
INTESA SANPAOLO ASSICURA
INTESA SANPAOLO INSURANCE AGENCY
INTESA SANPAOLO RBM SALUTE
INTESA SANPAOLO VITA

Bancassurance and Pension Funds

PRESTITALIA

Consumer Credit[2]

EURIZON ASSET MANAGEMENT

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

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

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

AUSTRALIA/OCEANIA

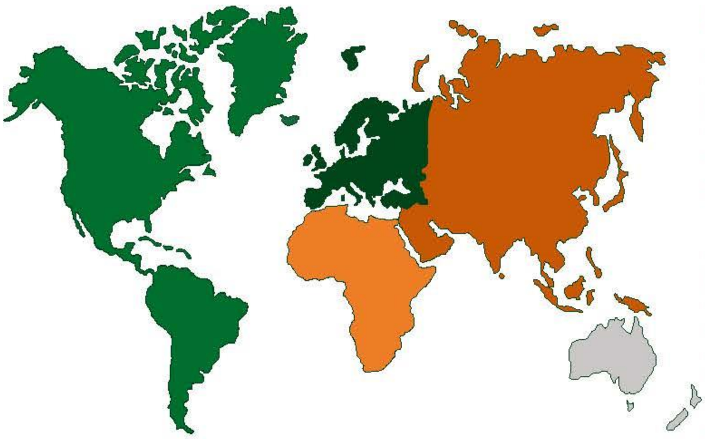
Direct Branches
Sydney

ASIA

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

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	34
Belgium	Intesa Sanpaolo Wealth Management	2
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	44
Croatia	Privredna Banka Zagreb	142
Czech Republic	VUB Banka	1
Hungary	CIB Bank	60
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Intesa Sanpaolo Wealth Management	2
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	147
Slovakia	VUB Banka	157
Slovenia	Intesa Sanpaolo Bank	40
Switzerland	Reyl Intesa Sanpaolo	3
Ukraine	Pravex Bank	43

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	173

Figures as at 30 June 2023
** European Regulatory & Public Affairs*

Product Companies

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

Wealth Management

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB OPERATING LEASING

Leasing

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

Board of Directors

Chair	Gian Maria GROS-PIETRO
Deputy Chair	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA (a)
Directors	Franco CERUTI Roberto FRANCHINI (*) Anna GATTI Liana LOGIURATO Maria MAZZARELLA Fabrizio MOSCA (*) Milena Teresa MOTTA (*) Luciano NEBBIA Bruno Maria PARIGI Bruno PICCA Alberto Maria PISANI (**) Livia POMODORO Maria Alessandra STEFANELLI Paola TAGLIAVINI Daniele ZAMBONI Maria Cristina ZOPPO (*)
Manager responsible for preparing the company's financial reports	Fabrizio DABBENE
Independent Auditors	EY S.p.A.

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

Half-yearly report on operations

Introduction

The Half-yearly Report as at 30 June 2023 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 Article 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) as well as 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 2023, subject to limited 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 contains 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 2022 Consolidated Financial Statements for a definition of these measures and their calculation methods[1], confirming that, with specific regard to the military conflict between Russia and Ukraine, in line with the ESMA guidance, no new measures have been added, nor have any changes been made to the measures used.
The Explanatory notes contain specific dedicated chapters that set out several detailed tables of the Income Statement and the Balance Sheet in the format established by Bank of Italy Circular 262 for the Notes to the annual financial statements, regarding the composition of the main financial statement captions concerning banking operations.

As the Interim Statement as at 31 March 2023, the Half-yearly Report as at 30 June 2023 has also been drawn up by applying IFRS 17 Insurance Contracts, published by the IASB in May 2017 and subsequently amended, endorsed by Regulation (EU) no. 2036/2021 of 19 November 2021. At the same time, the Insurance Companies of the Intesa Sanpaolo Group also apply IFRS 9 Financial Instruments, the application of which was deferred by virtue of the Deferral Approach.
In relation to that, in the “Accounting policies” chapter of the Explanatory notes a specific section was prepared, containing the following information:

- with regard to the insurance companies’ transition to the accounting standards IFRS 17 and IFRS 9, the illustration of the provisions of the standards, the choices made by the Group and the impacts deriving from the application of IFRS 17 and IFRS 9 for the insurance companies;
- the statements of reconciliation between the financial statements published in the 2022 Annual Report applying IFRS 4 and IAS 39 to the insurance area and the new financial statements set out in Circular 262 applying IFRS 17 and IFRS 9 (with the exception of the impairment model, applied starting on 1 January 2023), and the reconciliation of Shareholders' equity;
- an extract of the accounting policies published in the 2022 Annual Report as far as updated in relation to the application of IFRS 17 and the introduction of IFRS 9 by the insurance companies.

The structure of the consolidated financial statements has been adjusted and they have been updated to incorporate the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005[2], and the comparison periods modified following the retrospective application of the two standards. Specifically, the balance sheet balances were compared with the adjusted balance sheet as at 31 December 2022, while income statement balances were compared with the adjusted income statement for the first half of 2022.

To support the comments on results for the period, the Half-yearly report on operations also presents and illustrates reclassified income statement and balance sheet schedules.
In the reclassified statements, the figures are 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.
Breakdowns of restatements and reclassifications as compared to the accounting schedules established in Bank of Italy Circular 262 are provided in separate reconciliation tables included in the attachments to this report, as also required by Consob in its Communication 6064293 of 28 July 2006.

[1] The application of IFRS 17 and the end of the period of application of the Deferral Approach for IFRS 9, illustrated below, resulted in a change in the information content of the former caption Direct deposits from insurance business and technical reserves, now renamed Direct deposits from insurance business, and consequently of the aggregate Customer financial assets, as illustrated in this report.

[2] The main changes introduced by the 8th update concern the alignment of the consolidated financial statement formats and the related disclosure in the Notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS. Indeed, in order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the provisions issued by IVASS with regard to IAS/IFRS insurance financial statements (the reference is to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022). In particular, full reference is made to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to insurance companies included in the consolidation.

With reference to the application of IFRS 17 and the related end of the period of application of the Deferral Approach for IFRS 9 for the Group's insurance companies, it was ensured that the reclassified schedules were in line with the approach adopted in the past, for both the captions of the Balance Sheet and those of the Income Statement. In line with the amendment, within the consolidated financial statements, of the comparative figures as a result of the retrospective application of the two standards, the comparative figures in the reclassified financial statements have also been restated on a like-for-like basis, as well as the comparative figures for the summary data and indicators presented at the beginning of the opening chapter of this Report, unless otherwise stated.

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.

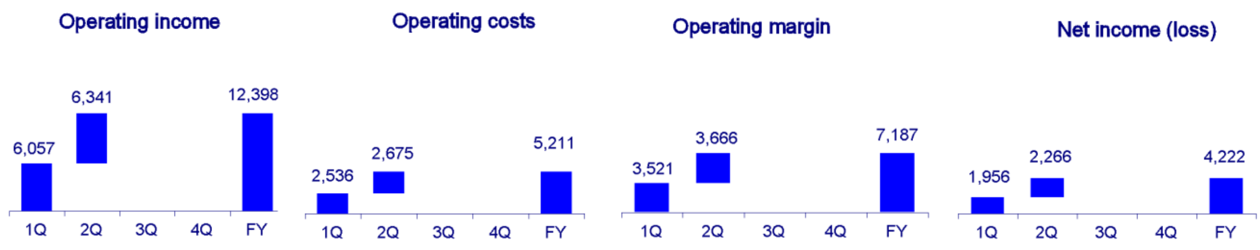
Overview of the first half 2023

Income statement figures and Alternative Performance Measures(°)

Consolidated income statement figures (millions of euro)			**Changes amount**	**%**
Net interest income	6,838	4,049	2,789	68.9
Net fee and commission income	4,353	4,544	-191	-4.2
Income from insurance business	856	841	15	1.8
Profits (Losses) on financial assets and liabilities designated at fair value	337	1,329	-992	-74.6
Operating income	12,398	10,755	1,643	15.3
Operating costs	-5,211	-5,164	47	0.9
Operating margin	7,187	5,591	1,596	28.5
Net adjustments to loans	-556	-1,432	-876	-61.2
Net income (loss)	4,222	2,346	1,876	80.0

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

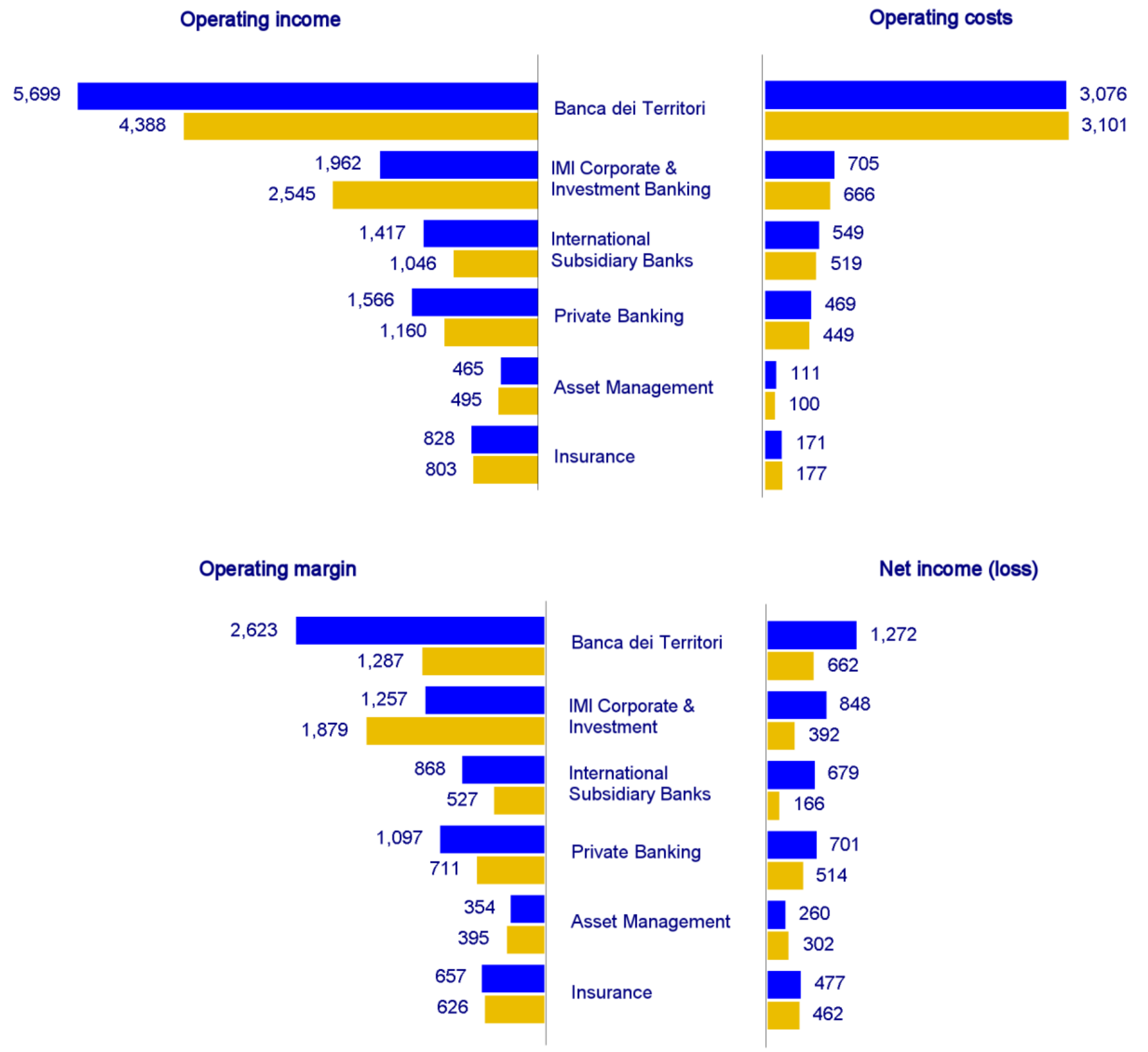
Quarterly development of main consolidated income statement figures
(millions of euro)



30.06.2023
30.06.2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report.

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



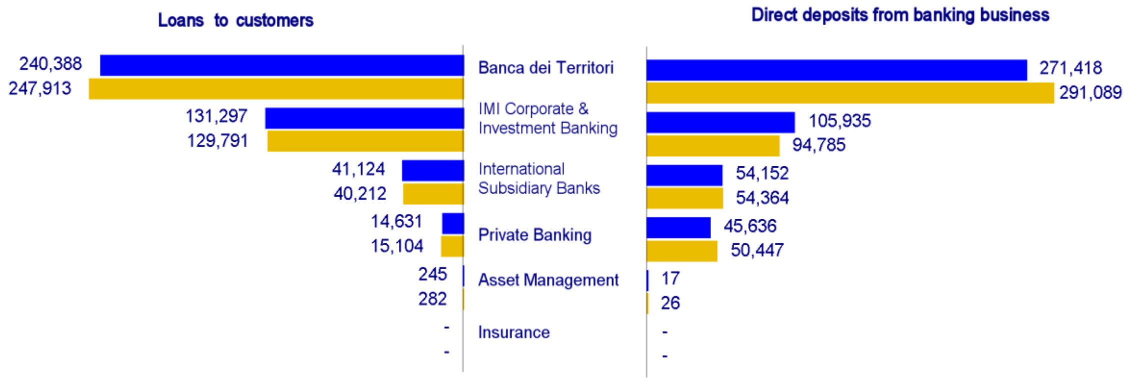
(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. 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)	30.06.2023	31.12.2022	Changes amount	%
Financial assets	167,855	147,244	20,611	14.0
Financial assets pertaining to insurance companies	174,207	172,847	1,360	0.8
Loans to customers	437,497	446,854	-9,357	-2.1
Total assets	955,205	974,587	-19,382	-2.0
Direct deposits from banking business	554,407	545,386	9,021	1.7
Direct deposits from insurance business	174,122	173,672	450	0.3
Indirect deposits:	693,217	656,663	36,554	5.6
of which: Assets under management	*437,839*	*430,165*	*7,674*	*1.8*
Shareholders' equity	62,309	61,103	1,206	2.0
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	78.9%	81.9%		

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



(*) Excluding Corporate Centre

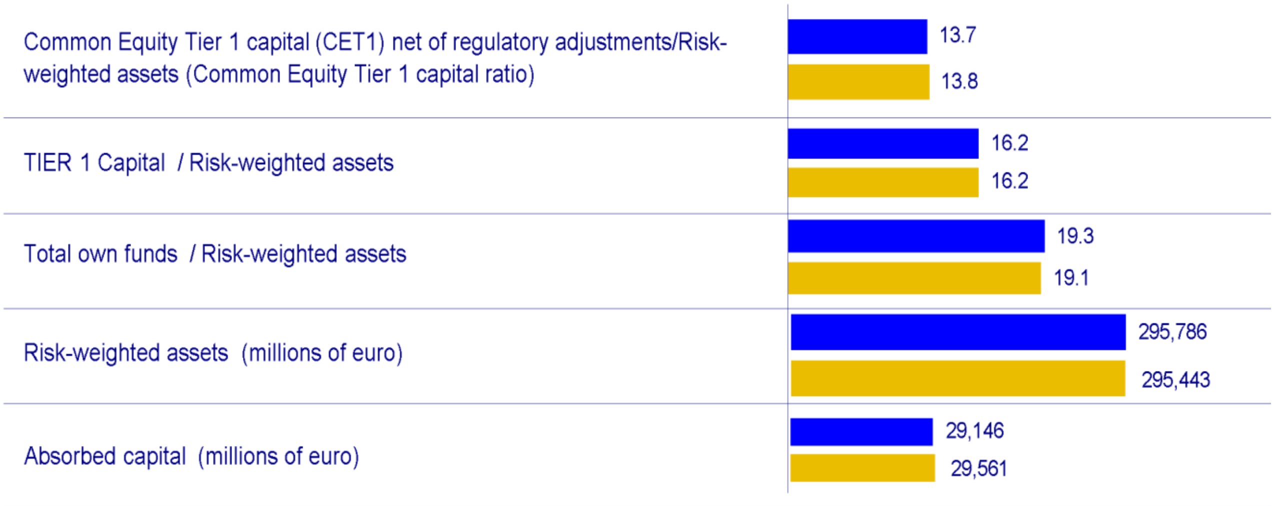
Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

30.06.2023
31.12.2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report. The application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9 resulted in a change in the information content of the former caption Direct deposits from insurance business and technical reserves, now renamed Direct deposits from insurance business, which includes Insurance liabilities, Financial liabilities and other types of insurance deposits among which subordinated liabilities.

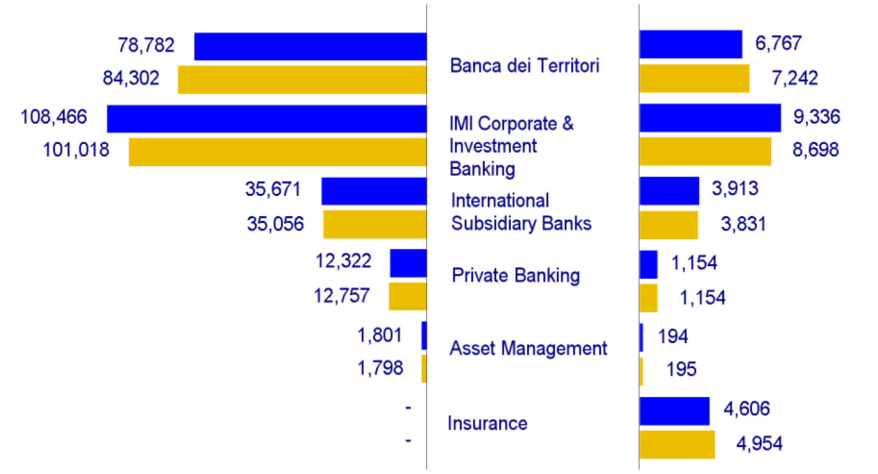
Alternative Performance Measures and other measures(°)

Consolidated capital ratios (%)



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

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



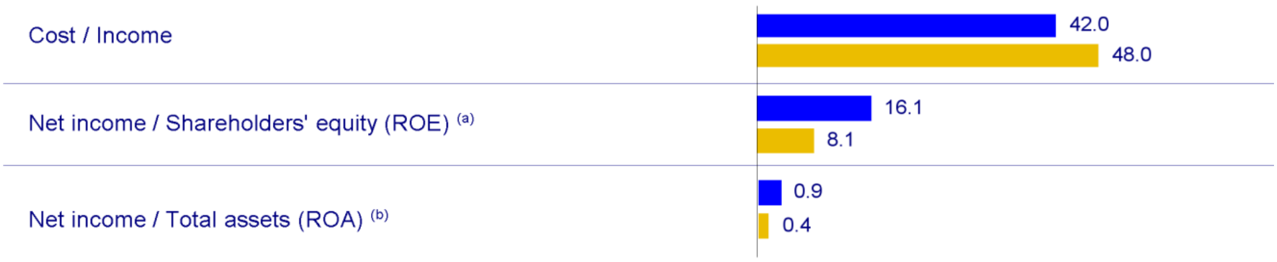
(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.
The comparative figures correspond to the "IFRS 9 transitional" amounts.

30.06.2023
31.12.2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report.

Consolidated profitability ratios (%)



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

(a) 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 net of the gains recognised in 2023 on the sale of the PBZ Card acquiring business line to the Nexi Group and on the sale of Zhong Ou Asset Management. The comparative figure has not been restated.

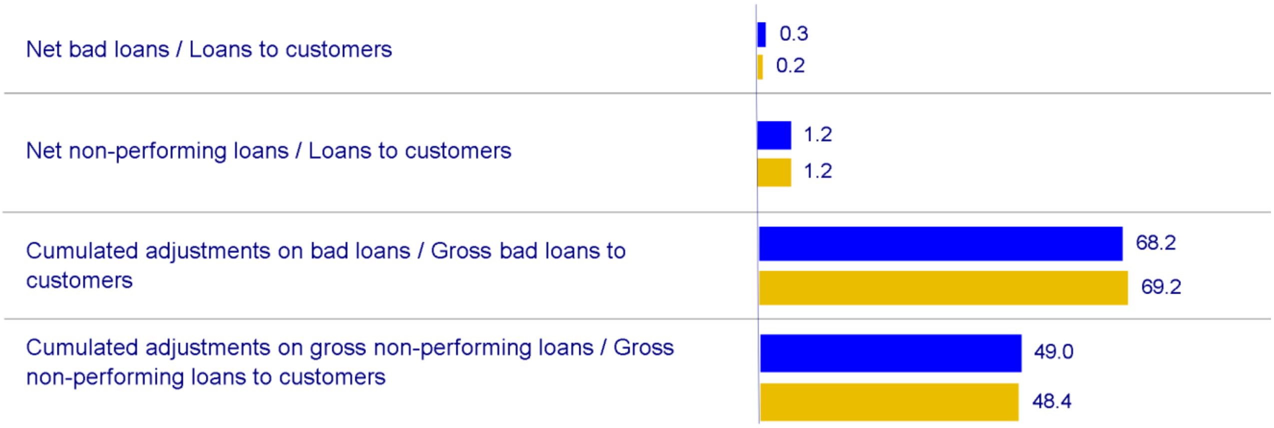
(b) Ratio between net income and total assets at the end of the period. The figure for the period has been annualised net of the gains recognised in 2023 on the sale of the PBZ Card acquiring business line to the Nexi Group and on the sale of Zhong Ou Asset Management. The comparative figure has not been restated.

30.06.2023

30.06.2022

Earnings per share (euro)

Consolidated risk ratios (%)



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

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

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

Operating structure	30.06.2023	31.12.2022	Changes amount
Number of employees (e)	**94,874**	**95,574**	**-700**
Italy	72,497	73,283	-786
Abroad	22,377	22,291	86
Number of financial advisors	**5,743**	**5,709**	**34**
Number of branches (f)	**4,316**	**4,565**	**-249**
Italy	3,371	3,611	-240
Abroad	945	954	-9

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

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

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

30.06.2023
30.06.2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

The first half of 2023

The macroeconomic situation

The economy and the financial and foreign exchange markets

In the first half of 2023, the global economy was characterised by contrasting forces. The easing of health restrictions led to a strong but short-lived recovery of economic activity in China. Monetary tightening by central banks in many advanced economies started to dampen domestic demand, while high inflation reduced household real disposable income and slowed down consumption. The impact of the Russian-Ukrainian conflict on energy prices has been largely reabsorbed. Overall, world GDP growth, and even more so growth in international trade, was weak and lower than in 2022.
In the US, the rise in official rates and the reduction in the Federal Reserve's securities portfolio have already led to a contraction in fixed investment, a fall in real estate prices, and a slowdown in the demand for labour by companies. At the same time, the unemployment rate has remained stable and wage growth has continued to be strong. Inflation fell to 4.1% year-on-year, but remains well above the Federal Reserve's target. Moreover, the slowdown in the inflation index excluding food and energy also appears to be much slower. In the half year, the central bank raised the fed funds target to 5.00-5.25% in May, with three hikes of 25 basis points each, while also continuing the balance sheet reduction. The crisis of several medium-sized regional banks linked to the technology sector intensified the reduction in bank deposits in favour of money market funds, temporarily increasing the demand for reserves by the banking system and prompting the Federal Reserve not to raise rates at its June meeting, although it signalled possible increases in the following months. After the end of the half year, the official interest rate was increased by a further 25 basis points on 26 July.
In the euro area, GDP remained unchanged in the first quarter. Growth is expected to have resumed in the second quarter, but at a modest pace. The trend in economic activity was very uneven: the business activity indicators were up in services, while the performance of manufacturing was negative, particularly in the transition from the first to the second quarter. The rapid monetary tightening implemented by the European Central Bank from the summer of 2022 is holding back the most interest-rate-sensitive components of demand, in particular residential construction. In addition, consumption is still being slowed down by the erosion of household real disposable income due to high inflation. Inflation is falling, but was still 5.5% in June, well above the central bank's target. Moreover, the annual change in the index without fresh food and energy, which is more indicative of the underlying pressures, was still 6.8%.
In Italy, industrial production fell continuously in the first four months of the year, only partially recovering in May. In construction, levels of activity are down sharply from a year ago, but remain high: in the face of a decline in building permits and confidence in residential construction, building activity is still being sustained by the tail end of the tax incentives for renovations. Lastly, economic surveys show a positive climate of confidence in services. Gross domestic product grew much more than expected in the first quarter, but sharply slowed down in the second quarter. The support to domestic demand from the National Recovery and Resilience Plan (NRRP) has been modest so far, due to the delays in implementing the investment plans included in the plan. The unemployment rate fell to 7.6%, in a context of rising labour force participation rates and robust growth in employment levels. Together with a moderate recovery in wages and falling inflation, the labour market dynamics allowed for a partial recovery in real household disposable income in the first quarter.
The European Central Bank has continued the tightening of monetary policy. Official interest rates were raised by a total of 150 basis points between February and June, bringing the ECB deposit facility rate to 3.5% and the rate on main refinancing operations to 4.0%. After the end of the half year, the official rates were raised by another 25 basis points on 27 July. The speed of the rate hikes has slowed down, reflecting growing indications of a vigorous pass-through to credit conditions. In addition to the rise in official rates, in March the ECB started the reduction of the APP (Asset Purchase Programme) portfolio at an average rate of 15 billion euro per month, through the reduction of the reinvestment of the principal payments from maturing securities, also announcing the complete interruption of said reinvestments from July. The excess reserves held by the euro area banking system were further reduced by the maturities of the long-term refinancing operations, which were only replaced to a minor extent by increased use of the ordinary refinancing facilities.
The rise in official rates had little effect on medium- and long-term yields, as these were offset by lower expectations regarding future interest rate trends. The ten-year spread between BTP and Bund fell from 211 to 166 basis points during the half year. The movements in the euro/dollar exchange rate were limited, with a moderate strengthening over the period.

In the first half of 2023, the performance of the international equity markets was generally positive, with a moderate decline in risk premiums, although there were large fluctuations over the period.
In the initial months of the year, markets experienced significant rises, driven by the reopenings in China and expectations of an end to the restrictive monetary policy cycle. Fears of a possible recession diminished, but inflation remained high. Investors consequently pushed back their expectations of a cut in central bank interest rates, resulting in a slowdown in the equity markets.
In March, the crisis of several regional banks in the US and the Credit Suisse crisis in Europe triggered a broad correction in share prices. Prompt action by governments and monetary authorities stemmed the effects of the crises, and the stock indices gradually regained their previous levels. Among the supporting factors were the satisfactory quarterly results in the euro area, despite concerns about the resilience of economic growth and lingering geopolitical uncertainties.

The Euro Stoxx index ended the half year up 12.5%. The CAC 40 posted positive performance (+14.3%), while the DAX outperformed, recording +16%, as did the IBEX 35 with +16.6%. Outside the euro area, the Swiss SMI market index closed the period at +5.1%, while the FTSE 100 index in the UK was almost unchanged (+1.1%).
The US equity market recorded robust gains: the S&P 500 index closed the half year at +15.9%, while the Nasdaq Composite technology stocks index recorded an even sharper rise (+31.7%). The performance of the main stock markets in Asia diverged: while the NIKKEI 225 index increased by 27.2%, China's benchmark SSE A Share index finished at +3.7%.
The Italian equity market outperformed the euro area benchmarks: the FTSE MIB index closed the half year at +19.1%, while the FTSE Italia All Share index posted +17.8%. For mid-cap stocks, the performance was only slightly positive at +2.6%.

The European corporate bond markets closed the first six months of 2023 in positive territory, with High Yield (HY) securities showing the strongest gains, while Investment Grade (IG) securities reported a smaller narrowing of spreads (measured as Asset Swap Spreads - ASW). The underlying driver was the restrictive policy of the central banks. In this respect, the stronger performance of the HY securities may be due to their lower sensitivity to the rise in interest rates.
After a positive start to the year (with the iBoxx indices reaching their lowest levels in the half year), the markets experienced a phase of high risk aversion in March. The following months were characterised by a gradual recovery, except for May when spreads widened slightly.
In terms of performance, IG securities closed the first half of the year at 97 basis points compared to 102 at the start of the year (source: IHS Markit iBoxx), with industrial issuers doing better than financials. HY securities performed better, with spreads closing at 366 basis points compared to 422 at the start of the year. It is worth noting that the latter have returned to the levels reached before the outbreak of the war between Russia and Ukraine (end of February 2022), while IG securities are still at higher levels (around +13%, in terms of ASW).
At primary market level, ESG corporate issuances in euro increased in volume compared to the first half of 2022 (+8%, Bloomberg data). Overall, the weight of ESG securities (predominantly green, and sustainability-linked bonds) within the total issuances continued to grow. The breakdown by type of sustainable bonds shows an increase in use-of-proceeds securities, with green bond issuances up 14% year-on-year (about 61% of the total issued). While "KPI-based" securities (sustainability-linked bonds) fell by around 12%.

The emerging economies and markets

In the main countries where ISP has a presence, in the first three months of 2023, GDP in Central and Eastern Europe (CEE) fell by 0.2% year-on-year (from +1.4% in the fourth quarter of 2022) in the wake of the decline in Hungary (-0.9%), the Czech Republic (-0.2%) and Poland (-0.3%). In contrast, South-Eastern Europe (SEE) recorded economic growth of 2.1% year-on-year (from +3.7%) thanks to the strong performance of Croatia (+2.8%) and Romania (+2.4%). During the same period in Eastern Europe (EE), GDP remained in highly negative territory (Ukraine -10.5% year-on-year, Moldova -2.4% and Russia -1.8%). Lastly, Egypt grew by 3.9%, maintaining the same rate of growth as in the previous quarter.
In line with the global scenario, there was a slowdown in inflation in the first half of the year. In June, the year-on-year change in the consumer price index was 12.2% in the CEE area and 9.0% in the SEE area. At individual country level, there were peaks of 20.1% in Hungary, 11.5% in Poland, 13.7% in Serbia and 9.3% in Romania. In Eastern Europe (EE) – thanks to a favourable statistical base effect – inflation rose by 4.2% year-on-year in June. Egypt, on the other hand, went against the trend, recording its highest peak in over 30 years (+35.7%).

Due to high levels of inflation, monetary policy has been characterised by official rate increases in various areas. In the CEE and SEE countries with an ISP presence, the central banks of Albania and Serbia increased their key interest rates during the half year by 25 basis points (to the current 3%) and 150 basis points (to 6.5%) respectively, while the other institutions left the rates unchanged. Over the same period, the key interest rate in Russia has been stable at 7.5% since September 2022. Given the gradual rise in inflationary pressures, the central bank is keeping open the prospect of more monetary tightening to stabilise inflation at around 4% in 2024 and beyond. In Ukraine, the policy rate has been stable at 25% since June 2022, while in Moldova, the central bank has made four cuts since the beginning of 2023, bringing the rate down from 20% to the current 6%. Lastly, in Egypt, the key interest rate was increased to 19.25% (from 17.25% at the beginning of 2023).

In the first half of 2023, the MSCI Emerging Markets Equity Index, expressed in US dollars, rose moderately (+3.5%).
Among the countries with an ISP presence, in the CEE/SEE area the local currency stock indices mostly recorded gains, with double-digit growth in Croatia, Slovenia, Poland and Hungary. Romania, the Czech Republic and Serbia posted more moderate rises, Bosnia Herzegovina and Slovakia were penalised by sales. The operations of Ukraine's stock market continued to be conditioned by the conflict between Kyiv and Moscow. In the MENA region, the Egyptian stock exchange ended the half year in highly positive territory.

In the foreign exchange markets, the Russian rouble weakened against the US dollar (USD/local currency) (+19.9%), while in the other countries in which ISP is present, all the main currencies appreciated in the CEE/SEE/EE area. In the MENA area, the Egyptian pound weakened significantly. In relation to the Euro, worthy of note among the CEE/SEE countries was the recovery of the Albanian lek, the Hungarian forint and the Polish zloty.

In the first six months of the year, the changes in yield spreads between emerging market government bonds and US government bonds (EMBI Plus +15 basis points), as well as the cost of credit risk protection (CDS -20 basis points), were marginal.

The Italian banking system

Interest rates and spreads

In the first half of 2023, the pass-through of the rise in official rates to bank interest rates continued. Interest rates on new loans to non-financial companies rose by around 1.3 percentage points from January to May, bringing the increase in the average rate to 3.6 percentage points since the end of 2021. In terms of level, the interest rates applied to non-financial companies have returned to the values of the end of 2008. The rate on new loans up to 1 million euro rose above 5% and the rate on larger transactions was 4.5% in May. With regard to mortgage lending to households for home purchase, the first half of 2023 saw steeper increases in the variable rate, whereas in 2022 the rise had a greater impact on the fixed rate. The variable rate has risen since July 2022 by 3 percentage points, about half of which since the beginning of 2023, to 4.4% in May, the highest since the end of 2008. The fixed rate has risen the least since the beginning of 2023, hitting 4.1% in May. As a result, since April, the variable rate has been higher than the fixed rate, while the volume of monthly fixed-rate disbursements was again greater than that of variable-rate mortgages, after a return of interest in the latter, including the forms with a rate cap, that emerged in 2022 due to the large positive spread between fixed and variable rates. As a result of the rate hikes on new transactions and on outstanding variable-rate loans, the increase in the average interest rate on outstanding loans to households and businesses continued, rising to above 4% in the second quarter, exceeding the level at the end of 2022 by around 1 percentage point.

Interest rates on deposits remained more resilient, particularly the average rate on overnight deposits, which increased slightly. The stickiness of the rates on demand deposits influenced the movement of the average interest rate on deposits, which rose slightly. In contrast, interest rates on new time deposits continued to be more responsive, with significant increases, as in the second half of 2022. The average rate offered on new time deposits for households and businesses rose by over 3%, to the highest level since the end of 2008. The moderate increase in the overall cost of funding from customers continued gradually, also reflecting upward movements in the average interest rate on bonds.

As a result, the spread between lending and funding rates increased significantly to over 3.2%, the highest since the end of 2008. The contribution of on-demand deposits also continued to improve considerably. Having only turned positive since September 2022, the mark-down rebounded very quickly nearing the record highs of 2007-08. The mark-up on short-term rates, on the other hand, remained at the lows reached in March, at around 1.6% in the three months to May.

Loans

The credit market in the first half of 2023 was marked by the impacts of the tightening of monetary policy, in particular the sharp and sudden rise in key interest rates which contributed to a significant fall in the demand for loans from businesses and households. From April, there was a sharp decline in loans to the private sector, the first seen since the beginning of 2016, which intensified slightly in the following two months, led by the rapid slowdown in loans to non-financial companies, whose rate of change went from zero in January to around -3% in May and June. Given the rising cost of credit, the decline reflects lower financing needs for investments and the recourse to internal sources, in particular the use of liquidity accumulated in past years on bank deposits. This resulted in a contraction in short-term loans to businesses, after the recovery seen in 2022, alongside continued weakness of the medium- to long-term component.

The stock of loans to households remained on the rise, albeit with a noticeable slowdown mainly linked to the deceleration in lending for home purchases, whose growth rate fell sharply during the first half of 2023, to below 2% in June, compared to around 5% in 2022. At the root of the deceleration is the double-digit decline in disbursements for new mortgages, a trend that began in the middle of last year, with the rise in official interest rates, and was accentuated in 2023 as a result of the decline in residential property sales underway since the last quarter of 2022.

With regard to the credit quality, there continue to be no particular signs of deterioration. The default rate in terms of annualised flow of non-performing loans in relation to total performing loans remained at a record low of 1% in the first quarter of 2023, in line with the previous quarter. Net bad loans as a percentage of total loans remained stable at 0.9% in May, as in previous months and throughout 2022. For the significant banking groups, the ratio of non-performing loans over total loans was unchanged in March at 2.4% in gross book value, and fell to 1.1% in net terms from 1.2% at the end of 2022.

Funding from customers

The tightening of monetary policy also had a significant impact on the performance of direct deposits from banking business. After robust growth for around a decade, household deposits also started to decline from February, following the fall in business deposits since the fourth quarter of 2022. This performance reflected the net outflows caused by the use of liquidity reserves held on overnight deposits, such as in the case of businesses, and the diversification of savings towards government securities and bonds, in view of the higher yields on offer. Within the deposits aggregate, the decline in overnight deposits was offset by inflows into time deposits, both from households and businesses, attracted by the higher remuneration offered by the forms of term deposits. The rebalancing of portfolios following the rise in interest rates also led to a rapid recovery in bank bonds, which have returned to growth since the beginning of the year, with double-digit rates of change since May. The performance of total funding, which has been declining since the fourth quarter of 2022, was influenced by the reduction in liabilities to the Eurosystem following the repayments of the TLTROs III, made for significant amounts at the end of the half year.

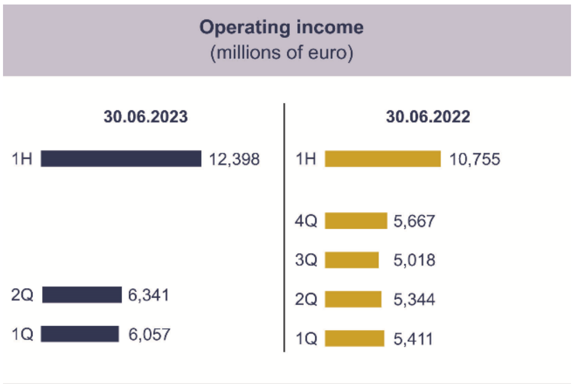
Indirect deposits and asset management

For assets under administration, the return of investor interest in government bonds and bank bonds led to a turnaround, interrupting the long period of contraction and initiating a recovery, underway since April 2022 and consolidated in the first half of 2023. Debt securities in custody posted strong growth, in particular those of households, which increased by almost 63 billion euro in the first five months of the year, compared to around +9 billion euro in the same period in 2022.
In contrast, in an environment of significantly higher yields on debt securities, assets under management remained weak. The net flows of mutual funds were slightly negative in the half year, despite inflows into equity and bond funds. In the first five months of the year, the new business for life insurance was still down, due to the continued contraction of unit-linked policies, while there was a recovery in the placement of traditional policies.

Consolidated results of Intesa Sanpaolo

Like the Interim Statement as at 31 March 2023, the Half-yearly Report as at 30 June 2023 has also been prepared in accordance with IFRS 17 Insurance Contracts. At the same time, the insurance companies of the Intesa Sanpaolo Group have also applied IFRS 9 Financial Instruments, as the deferral period under the deferral approach ended on 31 December 2022.
The commentary on the results for the first half therefore refers to the reclassified consolidated income statement, which presents the comparative figures for the first six months of 2022 adjusted in relation to the retrospective application of the two standards and the remaining quarters of 2022 restated accordingly. For the aspects more closely related to the application of the two standards, see the chapter “Accounting Policies” in the Notes to the Half-yearly condensed consolidated financial statements. For the impacts on the structure and contents of the reclassified consolidated income statement and balance sheet, see the chapters “Economic results and balance sheet aggregates” in this Half-yearly report on operations.

The consolidated income statement for the first half of 2023 posted *net income* of 4,222 million euro, up significantly on 2,346 million euro for the same period of 2022 (+1,876 million euro; +80%). This growth was enabled by the positive operating performance, particularly on the revenue side, but also by the lower adjustments to loans, following the significant provisions made in 2022 in relation to the exposures to Russian and Ukrainian counterparties (in the first six months of 2022, risk adjustments were recognised, mainly on loans, towards Russia and Ukraine totalling 1,126 million euro gross, equivalent to 922 million euro net of tax).

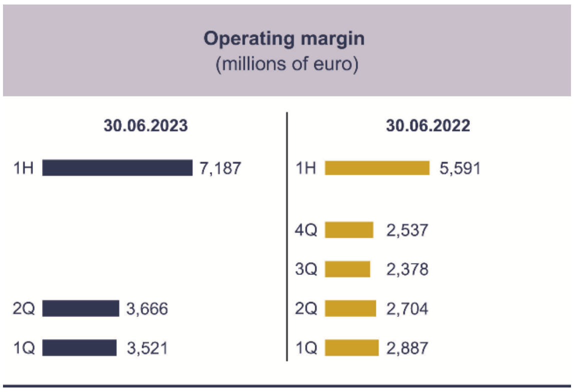


More specifically, *operating income* rose to 12,398 million euro, showing a strengthening year-on-year (+1,643 million euro; +15.3% compared to the first half of 2022).
Against a backdrop of repeated hikes in key interest rates decided by the ECB from July 2022 onwards[3], the performance of the aggregate was driven by net interest income, which grew by 68.9% to 6,838 million euro, equivalent to over 55% of total net income (around 38% in the comparison half year of 2022). Within the aggregate, customer dealing continued to be the driving component, alongside the increased contributions from interest on financial assets in the portfolio, which more than doubled, and other net interest income. Only the negative differential on hedging derivatives and relations with banks moved in the opposite direction. Despite an improvement between the first and second quarters, the positive contribution from relations with banks in the first half of the year declined significantly compared to 2022, mainly due to the ordinary business with banks in a context of very different market interest rates in the two comparison periods.
The increase in net interest income more than offset the decline in net fee and commission income and the fall in profits (losses) on financial assets and liabilities designated at fair value.
In particular, net fee and commission income, despite the recovery in the second quarter, fell to 4,353 million euro (-4.2%). The segment relating to management, dealing and consultancy activities reflected the volatility of the markets, which dampened the revenue items related to the assets under management in particular, against substantial stability in the fee and commission income from commercial banking activities, especially collection/payment services and debit/credit cards. Other net fee and commission income was also down, mainly in the revenue component related to loans.
Profits (losses) on financial assets and liabilities designated at fair value decreased to 337 million euro (-74.6%). This performance should be interpreted together with the sharp increase in the net interest income, with specific reference to transactions in certificates, which generated positive effects on the income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates. The decrease was caused in particular by the negative contribution from the “Profits (losses) on trading and on financial instruments under fair value option” (also due to the decrease in profits from foreign exchange and interest rate transactions) and lower profits on the disposal of assets.
Thanks to the growth in the second quarter, the income from insurance business strengthened to 856 million euro (+1.8%), having benefited from the improved contribution from the technical margin in the life business.
Lastly, the caption other operating income (expenses), which includes profits on investments carried at equity and other income/expenses from continuing operations, recorded a net positive balance of 14 million euro, compared to -8 million euro

[3] The average of the 1-month Euribor rose from -0.54% in the first half of 2022 to +2.75% in the first half of 2023.

in the first half of 2022, reflecting the decrease in net operating expenses and the increase in profits on investments carried at equity (32 million euro against 20 million euro in the comparison period).

Operating costs grew slightly to 5,211 million euro (+47 million euro; +0.9%) despite the inflationary environment and higher adjustments related to investments in technology and growth.
More specifically, (i) personnel expenses remained unchanged (-0.1%), with the effects of the reduction in average workforce (-2,107 people; -2.2%) having been offset internally by higher operating costs, including the variable component of remuneration; (ii) administrative expenses increased slightly (+1.7%), generally across nearly all the captions; and (iii) adjustments (+4.5%) incorporated an increase in the component relating to intangible assets, essentially investments in technology, only marginally offset by the reduction in the component relating to property and equipment, due to the effects of the real estate scale back underway.

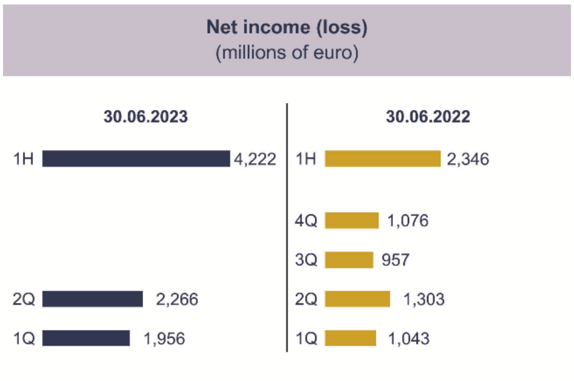


As a result of the revenue and cost performance described above, the *operating margin* increased to 7,187 million euro (+1.596 million euro; +28.5%) and the cost/income ratio fell by a 6 percentage points, from 48% to 42%.

Net adjustments to loans fell to 556 million euro, from 1,432 million euro in the first six months of 2022 (-876 million euro; -61.2%), which included the valuation effects related to exposures to Russian and Ukrainian counterparties amounting to 1,093 million euro only partially mitigated by an initial reduction in the management overlays covering the vulnerability of the moratoria resulting from the pandemic.
The decrease involved all the components. Specifically, the following were recorded: -236 million euro for adjustments to Stage 3 non-performing loans, concentrated at the unlikely to pay level; -490 million euro for Stage 2 performing loans; -40 million euro for Stage 1 performing loans; and -106 million euro at the level of allowances for credit risk associated with commitments and financial guarantees given.
The cost of risk, represented as the ratio of net adjustments to net loans, consequently fell, in annualised terms, to 25 basis points compared to 70 basis points for the full year 2022 (30 basis points when excluding adjustments for the Russia-Ukraine exposure and the additional adjustments for overlays and to favour de-risking, net of the partial release of generic provisions set aside in 2020 for expected COVID-19 impacts).
Other net provisions and net impairment losses on other assets rose to 191 million euro (+67.5%) which included:
(i) 97 million euro related to net provisions (36 million euro in the first half of 2022), which included 32 million euro as the estimated cost of the Reward prize contest “Intesa Sanpaolo 2024” launched to increase customer loyalty and engagement and 39 million euro, in addition to the 80 million euro already allocated in December 2022, posted on consolidation of the investee Banca Intesa Russia in order to write off its equity contribution to the consolidated financial statements;
(ii) 94 million euro attributable to net impairment losses on other assets (78 million euro in the first six months of 2022, including 33 million euro for Russia and Ukraine risk assessments on securities and real estate).

Other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, made a positive contribution of 304 million euro, thanks to gains of 116 million euro from the sale of the PBZ Card acquiring business line to Nexi in the first quarter and 157 million euro from the sale of the stake held in Zhong Ou Asset Management, completed in the second quarter (in the first six months of 2022, this caption totalled 143 million euro including the gain of 194 million euro from the sale of Intesa Sanpaolo Formazione and the one-off contribution to Intesa Sanpaolo’s people of 48 million euro to mitigate the impact of inflation).

As a result of the accounting entries described above, *gross income* showed significant improvement to 6,744 million euro (+2,556 million euro; +61%).
The change in the taxable base led to an increase in *taxes on income* for the period to 2,084 million euro, determining a tax rate of 30.9% (35.2% in the first six months of 2022).



Net of tax, *charges for integration and exit incentives* were recorded of 86 million euro (39 million euro in the first half of 2022) and *negative effects of purchase price allocation* of 90 million euro (64 million euro in the six months of 2022).
Charges aimed at maintaining the stability of the banking industry remained high, although decreasing: 239 million euro (344 million euro before tax) against the comparison figure of 278 million euro (400 million euro before tax). The amount mainly included the cost, for the full year 2023, of the ordinary contributions to the single resolution fund for the Group banks (221 million euro; 323 million euro before tax).
After the allocation of the net income of 23 million euro to minority interests (loss of 14 million euro in the first half of 2022), the consolidated income statement closed, as already stated, with *net income* of 4,222 million euro, compared with 2,346 million euro for the same period of 2022 (+80%).

In quarterly terms, there was also an improvement in the economic results. The consolidated income statement for the second quarter recorded an increase in operating income to 6,341 million euro (+284 million euro; +4.7% compared to the first quarter), primarily driven by the growth in net interest income (+10.1%) – including the income generated by financial assets in the portfolio and customer dealing – but also by the recovery in net fee and commission income (+3.7%), related to commercial banking and other net fee and commission income, and in income from insurance business (+15.6%), particularly in the life business. Together, these components more than offset the fall in profits (losses) on financial assets and liabilities designated at fair value.
Operating costs increased overall to 2,675 million euro (+139 million euro; +5.5%). The increase involved administrative expenses (+13.5%), as well as personnel expenses (+4.2%) due to the increased contribution from the variable component of remuneration.
As a result of the revenue and cost performance described above the operating margin rose to 3,666 million euro (+145 million; +4.1%) against a slight increase in the cost/income ratio from 41.9% to 42.2%.
Net adjustments to loans increased to 367 million euro, from the minimum levels of 189 million euro in the first three months. These included the decrease in adjustments to non-performing loans, which was more than offset by the new adjustments to performing loans and net provisions for credit risk associated with loan commitments and financial guarantees given, captions that reported recoveries in the first quarter.
Other net provisions and net impairment losses on other assets rose from 70 million euro to 121 million euro, reflecting both increased provisions – including 20 million euro for the write-off of the equity contribution of the Russian equity investment to the consolidated financial statements and 32 million euro for the above-mentioned prize contest – and higher adjustments to other assets.
The caption other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, doubled its positive contribution to 203 million euro, which included the above-mentioned gain of 157 million euro from the sale of Zhong Ou Asset Management.
As a result of the adjustments described, gross income improved slightly to 3,381 million euro (+18 million euro; +0.5%). After income taxes for the period of 1,000 million euro (which determined a tax rate of 29.6% compared to 32.2% in the first quarter), charges for integration and exit incentive costs of 44 million euro and negative effects of purchase price allocation of 44 million euro were recognised, net of tax, in both cases without any significant change from the comparison figures. The charges aimed at maintaining the stability of the banking industry amounted to 11 million euro (14 million euro before tax), after the 228 million euro recognised in the first quarter (330 million euro before tax), which consisted almost entirely of the estimated cost of the ordinary contributions to the single resolution fund for the Group banks for the full year 2023.
After the allocation of the net income of 16 million euro to minority interests (7 million euro in the first three months), the consolidated income statement for the second quarter closed with net income improving to 2,266 million euro (+310 million euro; +15.8%) from 1,956 million euro in the first quarter.

With regard to the balance sheet aggregates, loans to customers decreased to 437.5 billion euro (-9.4 billion euro; -2.1%) as at 30 June 2023 from 446.9 billion euro at the end of 2022. The performance was mainly attributable to commercial banking loans, which fell by 8.9 billion euro (-2.1%) to 410.8 billion euro, of which -7.6 billion euro attributable to the second quarter. This segment is being affected by the sudden rise in interest rates, which is dampening demand, particularly from businesses, which are preferring to use available liquidity to limit their use of bank loans. In terms of technical forms, the decrease was almost totally concentrated in the medium/long-term loans segment, which consequently saw repayments predominate over new disbursements, while short-term technical forms (current accounts and advances) remained substantially stable.
While short-term loans of a financial nature, represented by repurchase agreements, remained unchanged at 15.4 billion euro, the remaining components of the aggregate declined: -4% to 6 billion euro for loans represented by securities, and -3.6% to 5.3 billion euro for non-performing loans, object of continued de-risking.
In terms of credit quality, the NPL to total loan ratio remained stable at 2.3% in gross terms and 1.2% in net terms (2.3% and 1.2% respectively at December 2022)[4], while their coverage ratio increased from 48.4% to 49%.

The tightening of monetary policy also had an impact on the performance of funding. At the end of the first half of 2023, direct deposits from banking business amounted to 554.4 billion euro, an increase of 9 billion euro (+1.7%) compared to 545.4 billion euro in December. This change actually reflected contrasting movements among the different technical forms. Mirroring the ongoing trend at industry level, current accounts and deposits decreased to 402.6 billion euro (-30.4 billion euro; -7%), having been affected by both increasing use of liquidity by businesses and greater diversification of savings by households. Nevertheless, their stock continues to account for more than 72% of the aggregate, confirming their status as a strong point of the Group's liquidity position. The negative performance of current accounts and deposits was more than offset by the positive change in all the other captions: bonds (+28.7% to 67.4 billion euro); other deposits (+19.8% to 52.9 billion euro), in particular funding at fair value, almost all of which consisted of investment certificates and short-term institutional funding (commercial paper); subordinated liabilities (+8.1% to 13.5 billion euro), following a Lower Tier 2 issuance for a nominal 1 billion euro in February; and lastly certificates of deposit (+41.5% to 3 billion euro). At the same time, financial funding in the form of repurchase agreements also grew, rising to over 15 billion euro from 1.3 billion euro at the end of 2022.

Direct deposits from insurance business as at June 2023 were stable at 174.1 billion euro (+0.45 billion euro; +0.3%). Following the adoption of IFRS 17 and its retrospective application to the comparison figures, the aggregate consisted of 68.6% of insurance liabilities, which rose to 119.4 billion euro (+1.8 billion euro; +1.5%) in the half year due to the positive performance of the distribution of insurance policies, particularly in the life business.
Affected by the market volatility, which slowed down new subscriptions, financial liabilities fell to 53.2 billion euro (-1.05 billion euro; -1.9%). Entirely represented by unit-linked investment contracts included under Financial liabilities designated at fair value pertaining to insurance companies, they represent 30.5% of total direct deposits from insurance business.

[4] Based on the EBA definition, as at 30 June 2023 the NPL ratio was 1.9% gross and 1% net (respectively, 1.9% and 1% in December 2022).

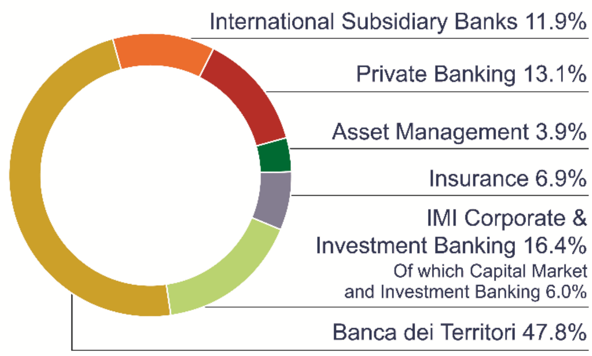
Lastly, the remaining portion (0.9%) consists of other insurance deposits, included in the caption Financial liabilities pertaining to insurance companies measured at amortised cost, which also incorporates subordinated liabilities. They decreased by 16.1% to 1.6 billion euro (-0.3 billion euro).

At the end of the half year, indirect customer deposits, measured at market prices, totalled 693.2 billion euro, up 36.6 billion euro (+5.6%) from the end of December. The environment of steadily rising interest rates influenced customer investment choices, changing the trends that had previously characterised the two main components of the aggregate. In the first half of 2023, there was a significant recovery in assets under administration, which rose to 255.4 billion euro, up by 28.9 billion euro (+12.8%). On the other hand, the growth in assets under management, which were more sensitive to the volatility shown by the markets during the period, was more moderate (+7.7 billion euro; +1.8%), reaching a total of 437.8 billion euro. The trend was common to funds (+2.8% to 154 billion euro) and portfolio management schemes (+4.4% to 76.8 billion euro). The performance of pension funds (+6.9% to 12.8 billion euro) and relations with institutional customers (+6.4% to 24.4 billion euro) was slightly stronger, although they still represent a small proportion of assets under management. Conversely, insurance liabilities and insurance financial liabilities decreased (-1.2%, to 169.8 billion euro).

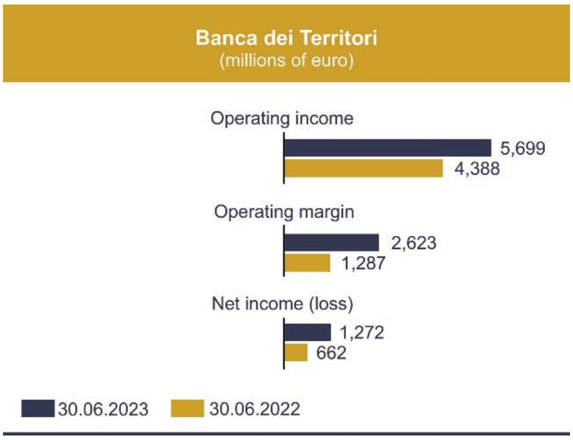
Results of the Business Units

The Intesa Sanpaolo Group organisational structure is based on six business units: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Private Banking, Asset Management 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 strategic ALM operations. As can be seen in the chart, the share of operating income attributable to each business segment (excluding the Corporate Centre) confirmed that commercial banking activities in Italy continue to account for the majority (47.8% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (16.4%), private banking (13.1%), commercial banking activity abroad (11.9%), insurance business (6.9%) and asset management (3.9%).
With regard to the application of IFRS 17 and the correlated end of the period of application of the deferral approach for IFRS 9 for the Group's insurance companies, in line with the change of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the division data for the periods presented for comparison were also restated on a like-for-like basis.
Where necessary and material, the division figures have been restated to reflect the changes in scope of the business units.

Operating income: Breakdown by business area[1]



(1) Excluding Corporate Centre



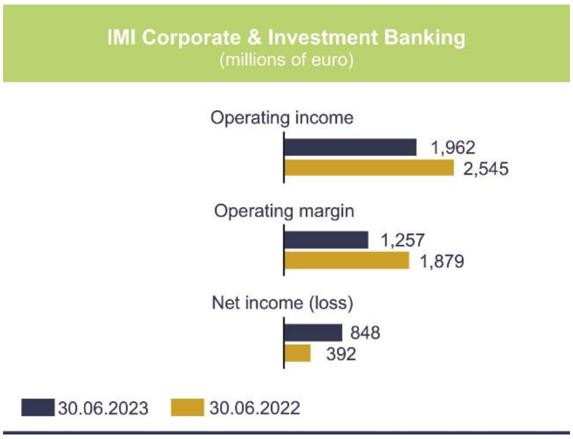
In the first six months of 2023, the operating income of Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – rose by 29.9% to 5,699 million euro.

Net interest income increased significantly (+68.5%), essentially due to customer deposits, which benefited from the increase in the mark-down due to the performance of market interest rates. On the other hand, net fee and commission income fell slightly (-0.6%), particularly in the asset management and bancassurance segments, which were affected by the fall in volumes due to the market environment, only partially mitigated by the growth in fees on the placement of certificates and on dealing in securities.

Operating costs, amounting to 3,076 million euro, were down slightly (-0.8%), due to the savings on personnel expenses related to the negotiated voluntary exits.

As a result of the changes described above, the operating margin more than doubled to 2,623 million euro, while the gross income came to 1,951 million euro (+94.7%). After the allocation of taxes of 642 million euro, charges for integration of 24 million euro and the effects of purchase price allocation of 13 million euro (both considered net of tax), the Division ended the half year with net income of 1,272 million euro (+92.1%).

The figures as at the end of June 2023 show a 5% drop in total intermediated volumes compared to the beginning of the year: loans (-3% to 240.4 billion euro) were affected by demand factors, induced by the rapid rise in interest rates, which acted on both the businesses and households side; and funding (-6.8% to 271.4 billion euro) recorded a drop in current account balances, which businesses used as a substitute to bank loans and households directed towards more remunerative forms of investment.

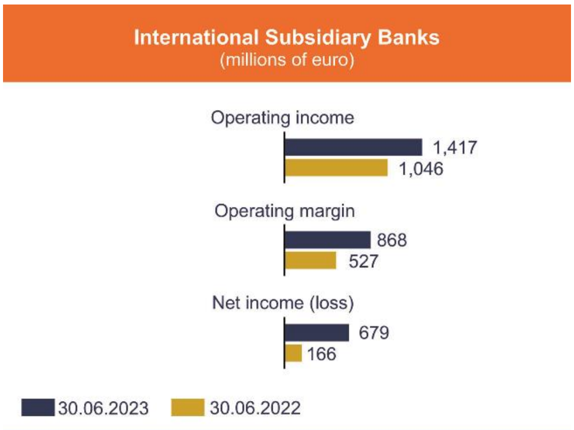


The IMI Corporate & Investment Banking Division posted operating income of 1,962 million euro, down 22.9% compared to the first six months of 2022.

While net interest income grew by 36.8%, mainly due to Global Market operations and the higher contribution from customer deposits, net fee and commission income only increased slightly (+0.9%), due to the resilient performance of investment banking. Profits (losses) on financial assets and liabilities designated at fair value decreased sharply (-91.6%) to be read in conjunction with the increase in net interest income particularly for transactions in certificates, which had positive effects on the margin in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates.

Operating costs rose to 705 million euro, an increase of 5.9%, attributable to personnel and administrative expenses. The revenue and cost performance described above led to a fall in the operating margin to 1,257 million euro (-33.1%). Gross income, on the other hand, improved significantly to 1,252 million euro (+67.6%), due to the absence of the significant value adjustments for the Russia and Ukraine risk that had characterised the first half of 2022. Net income came to 848 million euro, more than double the 392 million euro for the comparison period.

The Division's intermediated volumes grew by 5.6% over the six months, which included: on the loans side (+1.2% to 131.3 billion euro), short-term loans in Global Markets, driven by the performance of repurchase agreements, and loans to financial institution customers; and on the direct deposits side (+11.8% to 105.9 billion euro), amounts due to customers in Global Markets and securities issued by the Luxembourg and Irish subsidiaries.



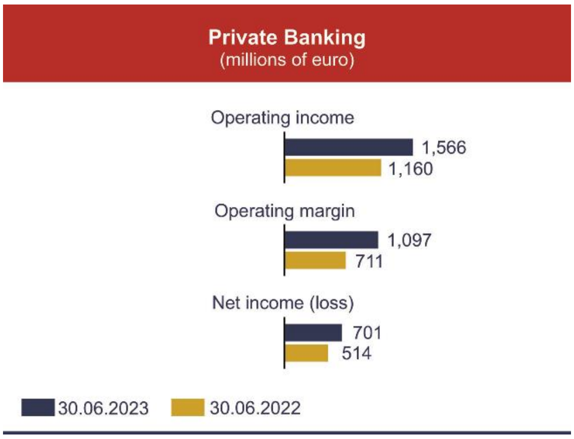
In the first half of 2023, the operating income of the International Subsidiary Banks Division – which is responsible for the Group's operations on international markets through commercial banking subsidiaries and associates that mainly carry out retail banking activities – amounted to 1,417 million euro, up 35.5% compared to the same period in 2022 (+47.5% at constant exchange rates). This performance was driven by net interest income (+54.3%), while net fee and commission income remained unchanged.

Operating costs, amounting to 549 million euro, increased by 5.8% (+14% at constant exchange rates), particularly at personnel and administrative expenses level.

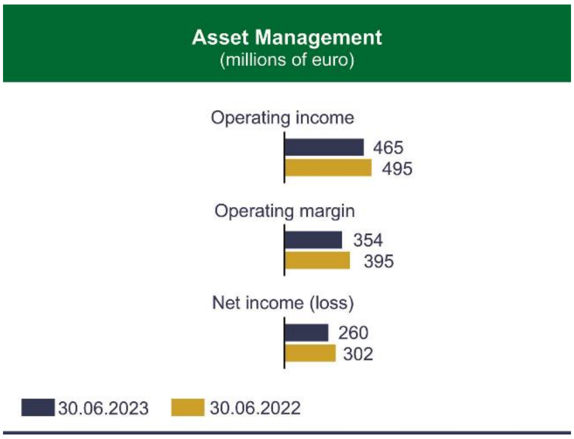
As a result of the difference in the revenue and cost movements, the operating margin increased by 64.7% to 868 million euro.

Gross income almost tripled to 922 million euro, having benefited from lower net adjustments to loans and the gain from the sale of the PBZ Card acquiring business line. The Division ended the first six months of the year with net income of 679 million euro,

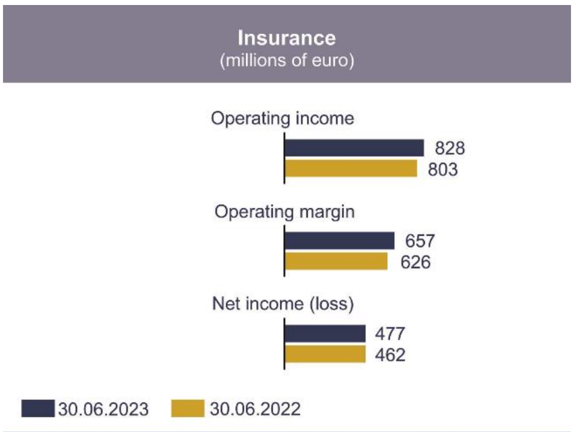
compared to 166 million euro in 2022.
Intermediated volumes increased slightly during the half year (+0.7%), attributable to loans to customers (+2.3%), particularly of the subsidiaries operating in Croatia, Hungary and Slovakia, while direct deposits from banking business remained substantially stable (-0.4%), despite the growth in Serbia and Hungary.



The Private Banking Division – which serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services – posted an increase in operating income of 35% to 1,566 million euro. The change was driven by net interest income, which rose to 602 million euro from 101 million euro in the first half of 2022, in a scenario of rising market interest rates, as a result of the higher contribution from investments in securities and intermediation with banks and customers. Net fee and commission income, on the other hand, decreased by 9%.
Despite higher operating costs (+4.5% to 469 million euro), mainly related to personnel expenses, the operating margin improved by 54.3% to 1,097 million euro. Gross income also increased by 48.3% to 1,069 million euro.
In the first half, the Private Banking Division posted net income of 701 million euro, up 36.4% compared to 2022.
As at 30 June 2023, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, totalled 288.8 billion euro, up by 16.3 billion euro from the end of December. This change was driven by the market performance, which had a favourable impact on assets, and only to a lesser extent by positive net inflows. The assets under management component amounted to 152.2 billion euro (+2 billion euro).



The Asset Management Division – which pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital SGR (and its subsidiaries) – posted operating income of 465 million euro, down 6.1%.
The decline was attributable to the performance of net fee and commission income (-11.4%), in particular management fees, due to the decrease in assets under management and placements, and to a lesser extent to performance fees.
Operating costs rose by 11% to 111 million euro, mainly due to an increase in administrative expenses in connection with the adoption of the new portfolio management and risk management system.
As a result of the revenue and cost trend, the operating margin fell to 354 million euro (-10.4%). The half year consequently ended with net income of 260 million euro (-13.9%).
As at 30 June 2023, the assets under management of the Asset Management Division totalled 311.3 billion euro, up by 7.5 billion euro (+2.5%) compared to December 2022, thanks to the appreciation of the assets under management as a result of the strong performance of the markets, which more than offset the net outflows (-3.4 billion euro).



The Insurance Division – whose mission is to synergistically develop the range of insurance products for the Group's customers – posted operating income of 828 million euro (+3.1%), almost entirely made up of the income from insurance business, which improved in both the life business and the non-life business.
This was accompanied by a reduction in operating costs (-3.4% to 171 million euro), particularly administrative expenses, which enabled the operating margin to reach 657 million euro (+5%).
The growth in gross income was even sharper, at 696 million euro (+11.2%), having benefited from some releases of provisions.
The net income achieved by the Insurance Division amounted to 477 million euro (+3.2%).

In the first six months of 2023, the Corporate Centre produced an operating margin that almost doubled to 331 million euro. This performance was essentially attributable to the growth in operating income, largely due to the trend in net interest income, which benefited from the significant rise and repositioning at positive levels of market interest rates. Operating costs decreased, due to lower personnel expenses and higher charge backs to the business units for pure services and guidance and control services, only partly attenuated by the increase in the adjustments related to technological investments. The gross income improved to 500 million euro (+35.1%). The half year ended with a net loss of -15 million euro compared to -152 million euro in 2022. It is recalled in this regard that the income statement of the Corporate Centre includes almost all of the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management, essentially related to the resolution funds. These charges amounted – net of tax – to 222 million euro (254 million euro in the first half of 2022).

Highlights for first half of 2023

The military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:

– *Joint-Stock Company Banca Intesa (Banca Intesa Russia)*, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International (Luxembourg). This is a Moscow-based corporate bank, part of the IMI Corporate & Investment Banking Division, which operates with 27 branches and 861 staff. The Group's presence in Russia dates back almost 50 years (at the time as a Representative Office). The bank participates in the financing of large national and international Russian projects but also offers a full range of banking services for small and medium-sized enterprises, retail customers and companies. The regional branch network extends from Kaliningrad to Vladivostok;
– *Pravex Bank Joint-Stock Company*, 100%-owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 43 branches mainly in the Kyiv region and employs 721 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

The analyses made in the 2022 Annual Report concerning Intesa Sanpaolo's continued control over the two entities still apply in full, for all the aspects examined at that time, also in light of the absence of any changes in the Russian regulations in this regard or negative developments concerning the governance of the Russian subsidiary, which continues to operate as directed by the Parent Company. Further evidence of control is provided by the appointment of the Board of Directors of Banca Intesa Russia by the Shareholders' Meeting of 30 June 2023, which fully maintained the composition of the outgoing Board in accordance with the indications contained in the Parent Company's Board of Directors' resolution of June 13.

Risk management

In light of the continuing military conflict between Russia and Ukraine, during the first half of 2023 the Group did not ease the internal controls that it implemented after the outbreak of hostilities in February 2022, as described in detail in the introductory chapter of the Report on operations of the 2022 Consolidated Financial Statements, which should be referred to for more details.

The two Task Forces – "Risk Management and Control" and "Operational Resilience", respectively chaired by the Chief Risk Officer and the Head of the International Subsidiary Banks Division – continued to meet with the aim, among others, of preparing relevant information for the Top Management, which was also shared with the ECB's Joint Supervisory Team (JST), as necessary.

The situation continues to be monitored both at Parent Company level and in all the Group banks directly involved in the conflict or close to it, where direct and continuous contacts are being maintained.

Appropriate information is also always prepared for the Board Committees and the Board of Directors.

The Risk Management and Control Task Force and the Crisis Unit

All the main actions carried out since the start of the emergency, both from an operational perspective and with specific regard to the monitoring of credit risk, in particular under the Credit Action Plan, were described in the 2022 Consolidated Financial Statements.

With regard to the first half of 2023, there are no significant new developments to report. As in the third and fourth quarters of 2022, no specific initiatives were implemented under the Credit Action Plan dedicated to the conflict between Russia and Ukraine. However, the specific diagnostic initiatives designed to prevent flows into non-performing status for exposures showing signs of difficulty, but without being past due, are still being implemented for companies in the energy and gas sectors that are particularly sensitive to fluctuations in the cost of energy, also linked to the current geopolitical crisis.

In light of the further tightening of the already heavy sanctions imposed on Russia by Western countries, in order to ensure regulatory compliance, the monitoring, started in 2022, continued through a specific dashboard at Group level, aimed at overseeing the changes in the lists of sanctioned persons and entities at European and international level, identifying sanctioned persons and entities for the purpose of blocking positions and payments, complying with the specific ban on accepting deposits above the threshold set by the European regulations, and identifying and blocking financial instruments subject to sanctions. As at 30 June 2023, the exposure to Russian counterparties subject to sanctions included in the OFAC SDN and/or EU asset freeze lists amounted to 0.35 billion euro (0.38 billion euro at the end of December).

Since the beginning of the conflict, the Group has continued to carefully monitor the evolution of the fallout of the Russian-Ukrainian crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of profitability and capital adequacy. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess, these analyses confirm the Group's ability to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

The Operational Resilience Task Force

The initiatives implemented from the initial stages of the conflict in relation to Pravex Bank's employees, in particular with regard to supporting the expatriation of these employees and their families, when required, were described in the 2022 Consolidated Financial Statements, which should be referred to for more details. From early March 2023, also as a result of a temporary improvement in the situation, a small but steady flow of colleagues and their family members hosted abroad began to return to Ukraine and this flow also continued in the second quarter. As at June, the number of colleagues and their families hosted in Italy in the 41 Group-owned flats and in the residential facilities made available in Bergamo had fallen to 126. They are mainly female staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law.

With regard to business continuity in Ukraine, also thanks to the actions taken in 2022, such as the transfer of the copy of the data to a cloud data centre in Germany from September[5], operations have always been guaranteed and the business is continuing without the need to implement continuity solutions.

To overcome the power supply problems that spread throughout the country in late 2022, it was decided in early 2023 to provide Starlink satellite equipment to ensure data connection, along with power banks distributed to the headquarters and colleagues with critical and strategic tasks. Power generators were also provided to all the operational branches However, there were no disruptions in our customer services.

The supply of electricity in the country returned steady again since February, partly due to the possibility of using several power plants that have been put into operation. The number of branches opened daily since the beginning of 2023 has gradually increased to around 90% of the available branches. Of the six branches that were damaged in 2022, currently only two, the Kharkiv branch and a branch in Kherson, which suffered more extensive damage, are still closed. In addition to these, the Mariupol branch is considered to have been lost. In fact, as was the case in 2014, branches in areas occupied by Russian troops could no longer be accessed. The other damaged branches suffered minor damage, which was repaired, allowing them to reopen to the public. The collapse of the Kakhovka dam in June did not result in any consequences or damage to our branches. The safety deposit boxes in the branches are all in order and controlled, except for the boxes in the Mariupol branch, which has not been accessible since the early stages of the conflict.

At Banca Intesa Russia, the systems have always remained up and running since the beginning of the hostilities and the branches have continued to work without any operational problems, also in 2023.

The monitoring is also continuing of the operations of Banca Comerciala Eximbank, the Group's Moldovan subsidiary, initiated in 2022. Even during the momentary worsening of the war situation in the area, the company's operations did not experience any difficulties, also during 2023.

In terms of cybersecurity, the monitoring and threat intelligence activities are continuing, alongside the strengthening of the cybersecurity controls throughout the Intesa Sanpaolo Group, particularly in relation to security checks and authentication methods for access to the corporate network. Work is underway to allow access to all company PCs without passwords but with more reliable security measures.

Specific educational initiatives on cyber risks, with a focus on phishing, continue to be regularly implemented to raise awareness among all the Group's staff.

Lastly, the additional costs incurred for business continuity and losses resulting from physical damage to premises/branches located in the conflict zone form part of the monitoring of the exposure to operational risk, including that relating to the Risk Appetite Framework.

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

The main accounting issues arising from the ongoing conflict between the Russian Federation and Ukraine and the Intesa Sanpaolo Group's approach to addressing them are summarised below. The situation of the Russian/Ukrainian crisis has been the subject of close attention since the outbreak of hostilities at the end of February 2022. In addition to cross-border exposures to counterparties resident in the Russian Federation, the Group has two direct subsidiaries in the warring countries, which are therefore particularly exposed to the consequences of the conflict: Pravex Bank Public Joint-Stock Company and Banca Intesa Russia. Within this context, at the outbreak of conflict, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers (net of Export Credit Agency - ECA guarantees). The de-risking, which the Group has been carrying out since the second half of last year, has therefore focused primarily on reducing these exposures. By the end of 2022, the total of these exposures had already been significantly reduced, with gross on-balance sheet exposures to counterparties resident in Russia and Ukraine (customers, banks and securities) falling by 2,493 million euro (-47% compared to the end of 2021). Further de-risking operations also continued in the first quarter of 2023 (with the almost complete divestment of the securities portfolio) and in the second quarter of the year, with significant divestments/liquidations of cross-border positions, particularly with regard to certain non-performing exposures. Off-balance sheet exposures were also further reduced in the half year. These additional de-risking manoeuvres and the continuing significant adjustments to the residual positions led to a further decrease in the overall net exposure[6] (customers, banks and securities) as at 30 June 2023 to counterparties resident in Russia and Ukraine, which now amounts to 1,757 million euro (2,116 million euro gross), down by 401 million euro (673 million euro gross) from 31 December 2022 (-19% for the net and -24% for the gross). More specifically, as at 30 June 2023, the remaining exposures amounted, in terms of gross values, to 257 million euro (142 million euro net) for Banca Intesa Russia (figures as at 30 June 2023, as described below) and 884 million euro (749 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 673 million euro (664 million euro net) and in securities totalling 11 million euro (10 million euro net)[7]. Exposures to customers resident in Ukraine amounted to 207 million euro (113 million

[5] The physical back-up of the data of Banca Comerciala Eximbank, the Moldovan subsidiary of the Group, was also carried out at the same data cloud in Germany in 2022, following the authorisation granted by the Central Bank of Moldova.

[6] The decrease in the book value of the rouble exposures in Banca Intesa Russia's portfolio also reflects the significant decline in the Russian currency, which accelerated in the second quarter of the year.

[7] There were also 69 million euro (60 million euro net) in off-balance sheet exposures to customers at Banca Intesa Russia and 34 million euro cross-border (with essentially no impact in terms of net values) with customers resident in Russia (net of ECA). This latter component was substantially reduced to zero in the first half compared to 232 million euro in gross values and 186 million euro of net values as at 31 December 2022. Lastly, there were 107 million euro (gross and net values) of cross-border positions with Russian resident banks.

euro net[8]), of which 93 million euro (book value nil in net terms) related to the subsidiary Pravex Bank (figures as at 31 March 2023, as described below), in addition to exposures to banks and in securities totalling 84 million euro (79 million euro net). That said, the situation as at 30 June 2023 is essentially the same as that described in the Annual Report as at 31 December 2022 (as well as the Interim Statement as at 31 March this year), given that:

– the two subsidiaries have continued to operate on the basis of the Parent Company's instructions in their respective environments;
– there are no new regulatory provisions with respect to those already considered for the 2022 Annual Report. Consequently, the main methodological choices – both in terms of consolidation of the two investees and valuation of the credit exposures – are essentially the same as those used in the 2022 Annual Report and duly described therein.

Before outlining the valuation choices regarding the two investee companies (for the valuation of the cross-border exposures, see the chapter on "Risk Management" in the Report on operations), a few preliminary observations need to be made about how Pravex Bank and Banca Intesa Russia contributed to the preparation of the consolidated financial statements as at 30 June 2023. In particular, for this Half-yearly Report, while it was possible to consolidate an accounting situation aligned to that of the Parent Company for Banca Intesa Russia (therefore, consolidated with reference to the results as at 30 June 2023), for Pravex, the specific situation in the city of Kyiv (where the bank is based) led to the conclusion that – in order to contain the "operational" risk – it was considered more appropriate to use the accounting situation produced by Pravex as at 31 March 2023 for the consolidation. The results of Pravex are therefore incorporated by means of the line-by-line consolidation of a consolidation package prepared in accordance with the IAS/IFRS for the previous quarter, in keeping with the approach already adopted for the 2022 Annual Report and the Interim Statement as at 31 March 2023. However, it is worth recalling here that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group. The above method of consolidation is also supported by the fact that the balance sheet management data as at 30 June 2023 do not show any significant differences – in the total aggregates – compared to those reported as at 31 March 2023. With regard to the valuation choices, for Pravex Bank, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of measuring the Bank's loan portfolio, of a specific approach, significantly based on prudent rationales, in light of the continuation of the conflict and the consequent repercussions on the Ukrainian economy. For the purposes of the Half-yearly Report as at 30 June 2023, as in the 2022 Consolidated Financial Statements, it was considered appropriate to maintain the full write down of Pravex Bank's on-balance sheet loans to customers, with consequent classification to Stage 3. As a result of that choice, for the purposes of the Group's consolidated financial statements, the equity of the subsidiary has been reduced to zero.
Also for Banca Intesa Russia, an approach to classifying and measuring performing loans continued to be adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, as was already the case in the 2022 Annual Report, the assessments carried out as at 30 June 2023 on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 40% of their gross value, in line with the coverage as at 31 December 2022. As in the past accounting closings, the provision aimed at reducing the equity of the investee to zero has been maintained for this Half-yearly Report, as already implemented in the 2022 Annual Report.
The significant adjustments on the credit exposures of Banca Intesa Russia and Pravex Bank, made on a prudential basis, reflect the war situation that generates the need for careful consideration of the above-mentioned country risk, with appropriate measurement of the risk that the capital invested abroad is exposed to, connected to the possibility that political or economic circumstances may result in non-repayment of the loan (irrespective of the specific credit risk of the individual counterparty).
Given the substantially unchanged valuation with respect to the 2022 Annual Report, the Group did not recognise any significant income statement impacts in the first half of 2023 arising from valuation effects on credit exposures to Russian or Ukrainian counterparties. The overall positive impact of 167 million euro recorded in the first half on loans and securities, before tax, was essentially due to proceeds from redemptions or disposals of exposures that took place in the first six months of 2023, net of the charge for the adjustment of 39 million euro made to the allowance for risks made upon consolidation of the investee Banca Intesa Russia, mainly aimed at writing off its equity contribution to the Group's consolidated financial statements. Consequently, the overall profit and loss impact in the half year can be estimated at 128 million euro. With regard to the first half of 2022, it should be noted that the valuation processes established for the preparation of the 2022 Half-yearly Report led to the recognition, before tax, of 1,093 million euro in adjustments to loans and 33 million euro in adjustments to securities and real estate, whereas in the full year 2022, again before tax, net charges were recognised totalling 1,415 million euro, of which 1,298 million euro in adjustments to loans, 36 million euro in adjustments to securities and 81 million euro in adjustments to other accounting items, including the above-mentioned provision made upon consolidation of the investee Banca Intesa Russia, to write off its equity contribution to the Group's consolidated financial statements.

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

Other highlights

A description is provided below of the other significant events that occurred during the first half of the year, together with several developments after the end of the period.

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

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

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

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

On 1 March 2023, the Board of Directors of Intesa Sanpaolo Vita, following the resolution passed by the Board of Directors of the Parent Company Intesa Sanpaolo on 28 February 2023, approved a settlement and share purchase agreement between RBHold S.p.A., pertaining to the Favaretto family (non-controlling shareholder of Intesa Sanpaolo RBM Salute S.p.A.) and Intesa Sanpaolo Vita which provided for:

- the amicable settlement, without any recognition of the mutually asserted claims, of the Arbitration initiated in July 2022 by the Favaretto family at the Chamber of Arbitration of Milan, agreeing to formalise the waiver of the respective claims at the Chamber;
- the purchase by Intesa Sanpaolo Vita of the entire equity investment held in Intesa Sanpaolo RBM Salute from the non-controlling shareholder, amounting to 26.21%, with the simultaneous termination of office of the members of the Board of Directors of Intesa Sanpaolo RBM Salute appointed by RBHold and termination of the put and call mechanisms originally subscribed. The purchase price was set at the market value of 360 million euro, the amount of which was confirmed by an independent third-party fairness opinion.

The signing of a new agreement (partially amending the one previously in force) was also envisaged for the service contract between Intesa Sanpaolo RBM Salute and Previmedical, aimed at strengthening Intesa Sanpaolo RBM Salute's oversight

and control of the activities outsourced to Previmedical, providing the company greater protection in the event of unsatisfactory service levels towards customers in the management of the insurance portfolio assigned to Previmedical.
The settlement agreement was signed by the parties on 1 March 2023 and the purchase of the non-controlling interest in Intesa Sanpaolo RBM Salute by Intesa Sanpaolo Vita was completed on the same date. As a result of this transaction, Intesa Sanpaolo Vita became the owner of 100% of the share capital of the company.

Within the strategic partnership between Intesa Sanpaolo Vita and Reale Group (through Blue Assistance, a service company of the Reale Group specialising in healthcare assistance) – completed and announced on 19 July 2022 and involving the new company InSalute Servizi[9] – the transfer of Blue Assistance's business line became effective on 1 April 2023, which implemented the reserved capital increase of InSalute Servizi. The business line mainly consists of the technological platform, the network of affiliated facilities, and employee contracts. On the same date, the sale to Intesa Sanpaolo Vita of certain InSalute Servizi shares issued as part of the above-mentioned capital increase was also completed, in order to achieve the corporate structure agreed between the parties. The company is now 65% owned by Intesa Sanpaolo Vita and 35% by Blue Assistance.
From an accounting perspective, the comparison between the value of the transferred business line, certified by a specific fairness opinion from an independent external third party, and the equity of the business line showed a difference to be allocated of around 40 million euro, which was provisionally allocated to goodwill for the purposes of the Half-yearly Report as at 30 June 2023. The final amount of goodwill, following the completion of the Purchase Price Allocation (PPA) in accordance with IFRS 3, which the standard does not allow to extend beyond 12 months from the acquisition date, will be available by the time of the 2023 Annual Report.
InSalute Servizi operates within Intesa Sanpaolo's Insurance Division for the management of claims and the development of a network of healthcare facilities with agreements (TPA – Third Party Administrator) in support of Intesa Sanpaolo RBM Salute's insurance offering, of which it will manage 75% of the portfolio in 2026. The company is engaged in the management of health and welfare services for Intesa Sanpaolo's captive customers, supplementary health funds, welfare funds, public health services, companies and other entities operating in the supplementary health and welfare sectors, strengthening the strategy of Intesa Sanpaolo's Insurance Division and its development plan for health insurance, launched in 2020 with the acquisition of Intesa Sanpaolo RBM Salute.

In line with the objectives of simplifying and streamlining the Intesa Sanpaolo Group's corporate structures set out in the 2022-2025 Business Plan, on 3 April 2023, the deed was signed for the merger by incorporation into Intesa Sanpaolo S.p.A. of the wholly owned subsidiary Intesa Sanpaolo Provis S.p.A., a registered financial intermediary pursuant to Article 106 of Legislative Decree 385 of 1 September 1993 (Consolidated Law on Banking), which acted as the Group's specialist centre for the management of legal lease credit recovery procedures and the value enhancement and sale of real estate and movable assets underlying terminated leases. This transaction was disclosed in the 2022 Annual Report, which should be referred to for more details. The transaction took legal effect from 17 April with accounting and tax effects from 1 January 2023. As a merger involving a wholly owned company, it was carried out in the simplified manner provided for in Article 2505 of the Italian Civil Code.

On 28 April 2023, the Ordinary Shareholders' Meeting of Intesa Sanpaolo was held, validly constituted, on single call, to pass resolutions as those in attendance through the appointed representative – in accordance with Article 106, paragraph 4, of Law Decree No. 18 dated 17 March 2020, converted by Law No. 27 dated 24 April 2020 (whose effects were most recently extended by Law No. 14 dated 24 February 2023) – counted 3,167 holders of voting rights attached to 10,897,630,179 ordinary shares without nominal value representing 57.38977% of the share capital. The Shareholders' Meeting voted in favour of all the items on the agenda.
The resolutions concerned:
- *the approval of the Parent Company's 2022 financial statements and the allocation of net income, with the distribution to the shareholders of a remaining dividend for 2022 corresponding to 8.68 euro cents per ordinary share, subject to increase as a result of the execution of the programme of purchase of own shares for annulment (buyback).* Following the annulment of the shares announced at the beginning of May[10], from 24 May 2023 (with coupon presentation on 22 May and record date on 23 May), the amount of 9.01 euro cents for each of the 18,282,798,989 ordinary shares[11] constituting the share capital was paid as a remaining dividend on the 2022 net income, for a total dividend distribution, taking into account the interim dividend of 1,399,608,167.99 euro paid in November[12], of 3,046 million euro, corresponding to a payout ratio of 70% of the consolidated net income;
- *the remuneration policies and incentive plans*. In particular, the Shareholders' Meeting approved the remuneration and incentive policies for 2023 as described respectively in chapters 4 and 1 of Section I of the Report on remuneration policy and compensation paid; it passed a resolution agreeing on the Disclosure on compensation paid in 2022 as described in Section II of the same Report; and it approved the 2023 Annual Incentive Plan, which provides for the assignment, for free, of Intesa Sanpaolo ordinary shares, to be purchased on the market;
- *the authorisation to purchase and dispose of own shares to serve the incentive plans and for trading purposes.*

[9] The company, which was established in February 2022 with the original name of Newco TPA S.p.A., changed its name to InSalute Servizi in the third quarter. As at 31 March 2023, as was the case at the end of 2022, it was included in the scope of line-by-line consolidation as it was wholly owned by Intesa Sanpaolo Vita.

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

[11] The total amount of the dividend paid was 1,646,462,490.59 euro net of 1,765,623.70 euro allocated to the Extraordinary Reserve in relation to the portion not distributed to own shares held by the Bank at the record date and the rounding differences arising during the calculation of the final amount of the dividend.

[12] Interim dividends are considered net of the portion not distributed to own shares held by the Bank at the record date, which is equal to 1,765,505.22 euro.

Also in April, the authorisation procedures were started with the competent Italian and Irish authorities in relation to a corporate rationalisation within the insurance group approved by the Boards of Directors of Intesa Sanpaolo, Intesa Sanpaolo Vita and Intesa Sanpaolo Life. The transaction, which is expected to be completed by 2023, involves:

(i) the cross-border merger of Intesa Sanpaolo Life, a company specialising in Class III (unit-linked) insurance investment products having its registered office in Dublin, with Intesa Sanpaolo Vita, its 100% controlling company, and the related transfer of the insurance portfolio. The merger will have no impact on the contractual benefits recognised to customers, who will continue to benefit from their rights arising from the contracts underwritten without any limitation;

(ii) the establishment of a branch of Intesa Sanpaolo Vita in Dublin, with the aim of maintaining an international hub with specialised expertise already in place, dedicated to the management of insurance products and the development of new business. The branch will start operations upon completion of the merger.

The rationalisation of the company will lead to the creation of a single product company, which will enable organisational, administrative and operational simplification, increased proximity of the product companies to the networks and customers, and the streamlining of supervisory obligations under a single authority (IVASS), in addition to benefits in terms of risk control thanks to the centralisation of the control functions.

Following the receipt of the authorisation from the Chinese Regulator, the sale was completed on 16 May 2023 to Warburg Pincus, a leading global private equity operator, of the 23.3% stake in Zhong Ou Asset Management Co. Ltd., an asset management company focused on the Chinese market resulting from the merger of the former UBI Banca. The transaction had been approved in November 2021 by the Board of Directors of Intesa Sanpaolo. Consequently, starting from the Annual Report for the year ended 31 December 2021, the investment has been reclassified to discontinued operations in accordance with IFRS 5. The sale generated a gain of around 157 million euro (around 154 million euro net of tax), which was recognised in the consolidated income statement for the second quarter.

On 15 June 2023, the Group officially presented Isybank[13], its new digital bank, a key project of the 2022-2025 Business Plan, aimed at combining the solidity and commercial offering of a bank with simple, fast services typical of a fintech company. The new company is aimed at the Group's customers who are mainly digital users of banking services and mobile banking-oriented, while maintaining the possibility of a direct relationship with the staff of the digital branch.

With Isybank, Intesa Sanpaolo enters the fintech world, marking its transition from incumbent to challenger, further improving customer service, while also creating innovative, flexible work opportunities. Isybank is based on cloud-native technology, adaptable to a multi-currency environment and multinational customers. Thought Machine – a core banking technology company based in the UK, with regional offices in New York, Singapore and Sydney – has been selected as the ideal partner to bring the new digital banking platform to life. The partnership was also strengthened by the GBP 40 million invested by Intesa Sanpaolo in the capital of the company.

On 19 July 2023, an agreement was signed with the trade unions regarding the transfer of two business lines from Intesa Sanpaolo to Isybank.

In response to the severity of the effects produced by the adverse weather conditions in Emilia Romagna and Marche, alongside the measures introduced by Law Decree 61 of 1 June 2023 – in relation to which instalments on all outstanding loans were suspended, for the months of May and June, with a two-month extension of the repayment plan – the Intesa Sanpaolo Group took action with a series of initiatives to help its customers through:

- the allocation of 2 billion euro to finance the restoration of damaged structures (homes, shops, offices, craft workshops, businesses) on subsidised terms, with the possibility of a grace period for companies of up to 36 months and access to public guarantees;
- the suspension for up to 24 months of the principal portion of the instalments of existing loans for households and businesses residing in the areas affected by the flooding, together with the refund of the interest to the most distressed households on first home mortgages on irreparably damaged properties, after twelve months from the suspension;
- the possibility for enterprises in all sectors, including non-profits, that have suffered damage to request zero commission on POS payments for transactions up to 30 euro and a zero usage fee for Mobile and Virtual POSs for one year;
- a contribution of 5 million euro to support the local population, channelled through the Cassa dei Risparmi di Forlì and Cassa di Risparmio in Bologna Foundations, which are active in the area and will identify the beneficiaries.

On 29 June, Fideuram - Intesa Sanpaolo Private Banking and Man Group, a global, technology-empowered active investment management firm listed on the London Stock Exchange, announced a strategic partnership in the asset management sector. The agreement, which is subject to the customary regulatory approvals, will see Man Group take an initial 51% interest in Asteria Obviam S.A. (Reyl Group), a Geneva-based, ESG-oriented asset manager, while 49% will remain to Fideuram – Intesa Sanpaolo Private Banking. The partnership, which is expected to become operational within 2023, will expand the offering to Fideuram - Intesa Sanpaolo Private Banking customers with innovative new investment opportunities.

In line with the strong push towards digitalisation that characterises the Intesa Sanpaolo Group's 2022-2025 Business Plan, at the beginning of July Fideuram - Intesa Sanpaolo Private Banking also officially presented Direct Advisory, the first digital financial advisory service for investment management, which leverages a team of Direct Bankers, professionals enrolled in Italy's sole register of financial advisors, operating in fully remote form through digital solutions. This service will enhance Fideuram Direct, the digital platform for those who want to operate independently on listed financial instruments and asset management products, offering itself in a complementary and synergistic way to traditional networks.

On 30 June 2023, an agreement was reached – through the signing of a number of non-binding termsheets – between parties comprising five leading Italian insurance companies (including Intesa Sanpaolo Vita), twenty-five distributor banks of Eurovita's policies and some of Italy's leading banks. The agreement involves a system-wide transaction aimed at protecting the policyholders of Eurovita, an insurance company that in recent months – particularly due to the recent and sudden

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

increase in interest rates and the "structure" of its commitments to policyholders – has experienced a progressive deterioration of its solvency indicators and has subsequently been subject to an order establishing its extraordinary administration and the dissolution of the company's management and control bodies. In this context, all surrender requests submitted during the period by the company's customers were suspended until 30 June 2023 – a term that was then extended until the end of October 2023 – with the aim of avoiding further exacerbation of the company's financial and economic distress.
In this connection, a comprehensive system-wide discussion was conducted to identify a rescue scheme with the primary objective of guaranteeing policyholders full repayment of their capital in the event of early surrender. In short, the transaction involves – on the one hand – the sale, at a symbolic price, of the business line comprising almost all of Eurovita's assets to a newco that will be acquired, through a dedicated capital increase, by five insurance groups operating in Italy (including Intesa Sanpaolo Vita) and – on the other hand – the granting of lines of credit to the newco by the financial institutions that are currently distributors of Eurovita's policies (assisted, moreover, by a pool of Banks for any further support required) to meet the potential surrenders of the Class I and V policies placed by each institution. The newco will act as a bridge-vehicle, and on completion of the transaction, which should take around 18 to 24 months, Eurovita's insurance portfolio will be taken over by the five insurance groups mentioned above. Finally, the preliminary agreements signed envisage a specific fee framework, in addition to the existing distribution agreements, that the distributor banks will pay to the newco in exchange for its servicing activities, aimed at enabling them to preserve and reactivate the business relationships with the customers who have subscribed to the policies.
Within the "system-wide" transaction described above, the Intesa Sanpaolo Group's "overall" involvement as at 30 June consequently consisted of the following:

a) Intesa Sanpaolo Vita Group, through the acquisition of a non-controlling interest in the newco;
b) Fideuram Group, as "distributor", through the provision of a loan at market conditions to the newco in the amount of 210 million euro;
c) Intesa Sanpaolo (Parent Company), through the disbursement of a liquidity facility at market conditions available to (smaller) distributor banks for a maximum amount of 350 million euro.

As at 30 June 2023, the termsheets signed between the parties were not binding and, therefore, did not entail the creation of a legal obligation for the Group that could have any valuation or other impact on the Half-yearly Report. In any event, at present, the terms of the transaction and the amounts involved have not yet been defined, and, based on the information currently known, the analysis of the commitments that may be made does not indicate any impact for the Group.

Lastly, to complete the disclosure for the first half of 2023, the voluntary exits plan, in accordance with the trade union agreements of 29 September 2020 and 16 November 2021, is confirmed and still ongoing.
There were 1,302 voluntary exits in the first six months of the year (1,234 in the first quarter and 68 in the second) for a total of 6,161 exits from the beginning of 2021, against the 9,200 exits expected to take place by the first quarter of 2025 under the terms of the two above-mentioned trade union agreements.
In the same period, there were around 900 hires (of which around 500 in the first quarter) as part of those agreements, for a total of around 2,200 from the beginning of 2021 compared with the 4,600 planned by the end of 2025.

* * *

Since 1 January 2023, innovative measures relating to remote working have been introduced on a voluntary basis – founded on increasing access to all the flexibility mechanisms, including by the people working in the Network – which are being welcomed by the staff potentially concerned, also as a result of the additions and improvements established in the trade union agreement of 26 May 2023. These measures involve:

(i) the possibility of working from home up to a maximum of 120 days per year (140 days for those working in shifts), with no more monthly limits, when planned and authorised in advance (the limits may not apply to people with certified disabilities or serious illnesses, or frail individuals), accompanied by the allocation to non-managerial staff of a daily meal voucher in electronic form for each day worked from home, and the extension of the trial to around 287 branches, of which 262 of the Banca dei Territori and 25 of the Private Banking Division;
(ii) the possibility of working between Monday and Friday on 4 days for 9 hours with equal pay (so-called short week, with variable day off), as well as alternating the short week with weeks of 7.5 hours a day on 5 days, together with the possibility, for staff not working in shifts, of having flexible start times for their working day. The application of the short week involves 40 large branches of the Banca dei Territori, while from 1 November, the staff of more than 250 smaller branches will be able to voluntarily apply for and take advantage of the short week on the closing day of the branch (between Tuesday, Wednesday and Thursday).

Again as part of the Next Way of Working project – aimed at implementing a new working model based on strengthening individual responsibility and improving work-life balance – activities are also continuing for the preliminary real estate and technological interventions aimed at constructing new workspaces designed to enhance the moments of presence in the office. The progressive extension of the Next Way of Working model throughout the country is proceeding according to the schedule envisaged for 2023: work is currently being completed on fitting out the interior spaces of the complex in Via Melchiorre Gioia 22 in Milan (the entry of the Private Banking Division has already been completed, while the transfer of the Insurance Division has been underway since the second half of July). The implementation work for the new model is being carried out in Naples, Turin, Bergamo and Jesi, while the planning for Rome, Bologna and Cuneo is being finalised. Lastly, the work in Como has been completed.
The renovation of the spaces will continue to be accompanied by the implementation of technological tools (release of the space booking function in the planning and reservation tool), together with specific targeted communication campaigns.

Finally, with regard to the safety and personal protection measures connected to the pandemic, in view of the epidemiological data that for months have confirmed COVID-19's progressive transition to endemic status, the prudential approach maintained despite the termination of the state of emergency in March 2022 has been substantially abandoned, with the support of the Coordinating Occupational Health Doctors.

Accordingly, from 1 March 2023, the internal rules on inter-personal distancing were suspended, resulting in the minimum distance of one metre being removed for all in-person activities, a return to the maximum ordinary capacities based on the configuration of the spaces and the removal of plexiglass barriers where present.
The importance of responsible individual behaviour has however been stressed, and in particular the recommendation to use FFP2 protective equipment in the most crowded contexts, proper hand and workstation hygiene, and room ventilation.
The company provisions implementing the legal requirements still remain in force: a 5-day isolation regime for COVID-19 positive cases and self-monitoring for close contacts, in both cases with compulsory use of FFP2 masks; and a ban on entering the workplace in cases of positive swab tests, fever and other flu symptoms.
Finally, greater attention continues to be paid to workers in vulnerable situations with the extension of remote working from home for those in special situations, providing more favourable conditions than those envisaged by law.

The 2022-2025 Business Plan

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

The Intesa Sanpaolo Group has demonstrated its solidity in recent years and in the future it will continue to benefit from its distinctive strengths, in particular its resilient profitability, a solid capital position, "zero NPL" Bank status, and high flexibility in managing operating costs.
Accordingly, the net income target of 6.5 billion euro in 2025 is confirmed, with the prospect of a higher net income mainly as a result of the increase in interest rates. The results for the first half of 2023 confirm that the Intesa Sanpaolo Group is able to generate sustainable profitability even in complex environments thanks to its well-diversified and resilient business model. The implementation of the Plan is proceeding at full speed, with the key industrial initiatives well underway.

Massive upfront de-risking, slashing Cost of risk
Intesa Sanpaolo is continually improving the quality of its assets both through credit risk transfers and capital efficiency measures. Since the start of the Plan, the Group has reduced the stock of gross non-performing loans by 4.8 billion euro, achieving gross and net NPL ratios, calculated according to the EBA methodology, of 1.9% and 1% respectively at the end of the first half of 2023.
Since the beginning of the year, the Active Credit Portfolio Steering (ACPS) unit has further expanded its credit risk coverage schemes for optimising capital absorption. In the second quarter of 2023, two new synthetic securitisation transactions were finalised for a total amount of around 4.4 billion euro (on a USD corporate loan portfolio and on a new loan portfolio to support the sustainability and development plans of Italian SMEs). At the end of the first half of 2023, the outstanding volume of synthetic securitisations, included in the GARC (Active Credit Risk Management) Programme, amounted to around 26.4 billion euro.
The ACPS unit also strengthened its capital efficiency initiatives and extended the scope of its credit strategy, directing 20 billion euro of new loans in 2022 and around 8.7 billion euro in the first half of 2023 towards more sustainable economic sectors with the best risk/return profile, and broadening the scope of alternative financing solutions for high-risk customers.
The credit assessment capabilities have been further strengthened with the introduction of a Sectorial Framework, which assesses the forward-looking profile of each economic sector on a quarterly basis across different countries. The sectorial view, approved by a specific management committee, feeds all the credit processes in order to prioritise credit decisions and action plans.
In the area of proactive risk management, cybersecurity fraud protection has been extended to new products and services for retail customers, also using artificial intelligence solutions. Open source intelligence solutions have also been adopted to enhance the response capacity to IT threats.
With the creation of the Anti Financial Crime Digital Hub (AFC Digital Hub), a national and international centre that will be open to other financial institutions and intermediaries in the industry, the Bank aims to combat money laundering and terrorism using new technologies and Artificial Intelligence. The aim is to create a public-private collaboration model which enables the introduction of innovation in business processes through applied research.
Intesa Sanpaolo has been recognised as the best innovative bank in Europe in the ESG securitisation sector, winning the "ESG Innovation of the year" category at the ESG Securitisation Awards promoted by Structured Credit Investor, for having applied the proprietary ESG Scoring model to its risk transfer transactions. The award is an important recognition of Intesa Sanpaolo's ESG commitments and achievements, confirming the high level achieved in active credit risk management.

With regard to the non-performing loans that were reclassified as assets held for sale as at 31 December 2022, all the related project activities, within the scope of the 2021-2022 de-risking plans, were completed in March 2023. As stated in the 2022 Annual Report, this was mainly a portfolio consisting of small ticket UTPs with a gross value of around 0.75 billion euro. Given the characteristics of this portfolio, the structure of the transaction identified involved the transfer to two Alternative Investment Funds (AIFs) via a solution that would ensure credit management policies primarily aimed at returning the borrowers to performing status. The transactions took place at values in line with the net book values that had already been aligned with the prices expected from the disposals in the 2022 Annual Report.
During the second quarter, new de-risking initiatives were launched, targeting not only portfolios classified as non-performing loans but also Stage 2 performing exposures.
It is recalled that in the 2022-2025 Business Plan, the Group intends to pursue a modular de-risking strategy, which was mostly launched during the previous Business Plan, placing it among the best in Europe in terms of non-performing loan ratio and stock and generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level,

due to the extensive reserves of provisions on loans and ongoing prudent credit management. As a result of the steps taken, and the conditions laid down in IFRS 5 having been met, at the end of the half year loans were classified as assets held for sale for 1.1 billion euro in gross value (0.3 billion euro of which referred to non-performing exposures, no material net) and 0.5 billion euro in net value, with the latter aligned to the expected proceeds from the sales.

Structural Cost reduction, enabled by technology

The streamlining of the retail network continues, with the closure of around 790 branches since the fourth quarter of 2021, together with the real estate scale back in Italy, with the release of around 425,000 square metres of owned or leased property. Since the beginning of the Plan, 73 owned real estate assets have been also sold for a total value of around 45 million euro.

The streamlining of the branch network is being enabled by continuous strategic investments in technology, which have led to a profound digital transformation over the years, strongly oriented towards customer relationship care, as evidenced by the Intesa Sanpaolo Mobile app, recognised by Forrester Research as the best banking app in the world.

Just over a year after the launch of the 2022-2025 Business Plan, Intesa Sanpaolo presented Isybank, the Group’s new digital bank, central to its customer service model and digital development strategy. The creation of Isybank enables a reduction in the cost-to-serve, which is instrumental in further strengthening its competitive advantage in cost management and achieving leadership in Europe in operational efficiency and customer service innovation.

The numerous other technological initiatives pursued by the Group include the:

- insourcing of core capabilities in IT, which has already led to the hiring of 950 people;
- establishment of the artificial intelligence laboratory in Turin (set-up of Centai Institute);
- activation of the digital platform for analytical cost management, with 33 efficiency initiatives already identified, through the integrated use of advanced analytics techniques and benchmarking analysis;
- implementation of the tools supporting the negotiation and scouting activities of potential suppliers and launch of the programme of procurement analytics;
- continuation of the digitisation strategy for E2E processes using both Process Intelligent Automation (e.g. with Artificial Intelligence and/or Robotic Process Automation) and traditional re-engineering methods;
- operational start-up of the new Cloud Region in Turin, in line with the SkyRocket plan, adding to the one in Milan;
- “go live” of the new core banking system in Egypt;
- continuation of the release of applications for the target platform in all the countries of the International Subsidiary Banks Division.

The digital transformation strategy also helps to compensate for the reduction in personnel due to voluntary exits, which amount to around 3,300 people from 2021.

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

The “Valore Insieme” advanced advisory service, dedicated to Affluent and Exclusive customers, has been strengthened with the offering of new insurance and asset management products. In the first half of 2023, around 27,600 new contracts were signed and new financial asset flows of around 8.7 billion euro were secured. Valore Insieme’s stock of financial assets amounted to 60.1 billion euro at the end of the first half.

The support to relationship managers has been improved with the introduction of new Robo4Advisor functions for generating investment advice on selected products (funds, certificates and insurance products). The BlackRock Aladdin Wealth and Aladdin Risk platforms have also been adopted for the investment services.

In Private Banking, new features have been developed for the UHNWI (Ultra High Net Worth Individuals) customer advisory tools, the service model for family offices has been strengthened, and development has begun of a new single advanced advisory service model, with particular attention to the full integration of sustainability principles.

The new We Add advanced advisory service for the Intesa Sanpaolo Private Banking network and the new Aladdin Robo4advisory functions for the Fideuram and former IW Bank networks have been released.

The expansion is continuing of Fideuram Direct (Fideuram’s digital wealth management service for investing in managed products and trading in over 50 cash and derivatives markets, with advanced services). Following the launch of the new brand and services to allow customers to open accounts and subscribe to asset management products themselves, the new remote advisory service (Direct Advisory) will allow customers to build investment portfolios with the help of direct bankers operating remotely.

Alpian, Switzerland’s first digital private bank with a mobile-only platform, including multi-currency services, asset management and support from experienced financial advisors, is fully operational. The merger of the two Private Banking companies in Luxembourg, with the establishment of Intesa Sanpaolo Wealth Management, has created the conditions for growth in fee income abroad together with the Division’s Swiss Hub.

The new strategic partnership with Man Group, aimed at generating innovative investment opportunities for Fideuram-ISPB’s customers, will focus on the creation of a wide range of alternative and strictly long-term investment strategies using cutting-edge technology.

Eurizon’s offering dedicated to captive and third-party distributors has been enriched, with the progressive enhancement of the ESG product offering for asset management and insurance, with a penetration of around 70% on Eurizon total assets under management. New traditional and private market mandates have also been acquired from institutional third parties.

InSalute Servizi, an Intesa Sanpaolo Insurance Division company, became fully operational thanks to the contribution of a business line by Blue Assistance (a Reale Group company), which includes a technological platform, a network of affiliated healthcare facilities, know-how and a team of specialised personnel. With this contribution, Blue Assistance has acquired a 35% stake in InSalute Servizi, with the remaining 65% stake held by Intesa Sanpaolo Vita.

There were numerous initiatives dedicated to companies and financial institutions:

- launch of the digital platform IncentNow to provide information to Italian companies and institutions on the opportunities offered by the public tenders related to the National Recovery and Resilience Plan along with webinars and workshops with clients aimed at educating and sharing views on key topics such as the digital transition;
- advisory initiatives focused on Infrastructure, TMT (Technology, Media & Telecommunications) and Energy corporate customers, linked to selected themes and post-pandemic recovery plans;

- origination and distribution activities, both in Italy and abroad, also through the enhancement of the Originate-to-share model[14];
- ESG advisory services to companies to steer the energy transition through a scalable approach, with a focus on energy, infrastructure and Automotive & Industrials sectors, also through supply chain with specialised partners;
- the enhancement of the digital platforms serving Corporate customers, with focus on Cash and Trade services and the Global Markets offering also through the launch of Cardea, an innovative and digital platform for financial institutions.

An ESG value proposition initiative was launched for the Corporate and SME customer segments of the Group's Banks in Slovakia, Hungary, Croatia, Serbia and Egypt, setting the priority sectors of the commercial strategy, and synergies are being developed between the IMI Corporate & Investment Banking Division and the Group Banks in Slovakia, the Czech Republic, Croatia and Hungary. The Master Cooperation Agreement has also been signed with a leading insurance group to distribute bancassurance products in Slovakia, Croatia, Hungary, Serbia and Slovenia and the related Local Distribution Agreements have been signed.
Lastly, also worthy of note was (i) the launch of a project between the International Subsidiary Banks (ISBD) and Banca dei Territori Divisions to further enhance cross-border business opportunities for mid-corporates operating in markets where the international subsidiaries are present, and (ii) the development of a joint initiative between the International Subsidiary Banks (ISBD) and Private Banking Divisions to develop and implement a new service model for the ISBD's High Net Worth Individual (HNWI) customers, aimed in particular at entrepreneurs with complex wealth management needs.

Significant ESG commitment, with a world-class position in Social Impact and strong focus on climate
As a large banking Group, Intesa Sanpaolo is aware that it has a considerable impact on the social and environmental context in which it carries out its business and chooses to act not only on the basis profit, but also with the aim of creating long-term value for the Bank and the community, in the knowledge that it can contribute to reducing the impact of phenomena such as climate change and social inequalities.
This awareness has led to the Group signing up to important international initiatives, such as the United Nations' Global Compact and the Equator Principles. The Intesa Sanpaolo Group is one of the few European financial groups to have signed up to all the major UN initiatives concerning the financial sector in relation to sustainability, aimed at achieving the UN Sustainable Development Goals. Furthermore, in 2021 it joined all Net-Zero alliances on own emissions, loan and investment portfolios, asset management and insurance.
In terms of ESG, the Group intends to further strengthen its role as a leading bank by pursuing and strengthening its social commitment through numerous initiatives, including interventions in favour of the needy, social lending and the commitment to develop one of the largest social housing programmes in Italy. The Group has also continued its strong commitment to the development of culture, support for the promotion of innovation, and strong focus on the green economy, circular economy and green transition, also in relation to the 2021-2026 National Recovery and Resilience Plan (NRRP).
The Group's commitment to ESG issues is also ensured through the reinforcement of ESG governance, which has led to the transformation of the Risks Committee into the Risks and Sustainability Committee, with the assignment of more ESG responsibilities.
For more information, see the paragraph below on Sustainability and Group strategy on Environmental, Social and Governance issues.

Innovation, digital transformation and cybersecurity
In recognition of the strategic value of innovation for the growth of the new economy, the Group aims to promote around 800 innovation projects over the period of the Business Plan, of which 99 were launched in the first half of 2023 by the Intesa Sanpaolo Innovation Center (300 from 2022).
The major initiatives for the growth of start-ups and the development of innovation ecosystems included the completion of the acceleration of the 10 start-ups selected for the fourth class of the "Torino Cities of the Future Accelerator" programme managed by Techstars (since its launch in 2019, 45 start-ups accelerated with 11 Italian teams, over 50 proofs of concept and other collaborations realised, more than 80 million euro of capital raised and more than 500 new people hired after acceleration); in Florence, the completion of the second class of the three-year "Italian Lifestyle Accelerator Program", managed by Nana Bianca, with 6 Italian start-ups accelerated (since its launch in 2021, 12 Italian start-ups accelerated, over 30 proofs of concept and other collaborations contracted and over 2 million euro of capital raised); in Naples, the acceleration is underway of 7 selected start-ups (over 130 candidates) for the second class of the "Terra Next" bioeconomy programme launched in 2022, promoted with Cassa Depositi e Prestiti, Cariplo Factory and several local scientific partners and under the patronage of the Ministry for the Environment and Energy Security (8 start-ups accelerated since 2022, with over 20 proofs of concept and other contractual collaborations realised, around 0.4 million euro raised in capital and more than 20 resources hired after the acceleration); and, lastly, the completion of the application phase in Venice (with 350 applicants) and the start in early April of the acceleration of the 8 start-ups of the first class of the three-year "Argo" programme (in the Hospitality and Tourism sector), sponsored by Banca dei Territori and Intesa Sanpaolo Innovation Center, and implemented by Cassa Depositi e Prestiti and Lventure, with the collaboration of the Ministry of Tourism.
Intesa Sanpaolo Innovation Center is also supporting the Banca dei Territori Division in the Next Age (Silver Economy) and Faros (Blue Economy) programmes promoted by Cassa Depositi e Prestiti. In Action ESG Climate is the initiative promoted by the Insurance Division with the support of Intesa Sanpaolo Innovation Center to promote the development of new solutions to combat climate change and support the green transition through technological innovation and the development of new business models. In July, the best four projects submitted (with over 140 candidates) were awarded a total of around 600,000 euro.
The second edition is underway of the Up2Stars initiative, aimed at 40 start-ups and built around four vertical pillars (Watertech; Renewable energy and energy efficiency; Artificial Intelligence - AI for business transformation; IoT - Internet of Things, Infrastructure and mobility). The selection of candidates for the first call in the "Watertech" sector has been completed,

[14] 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.

and the acceleration programme is expected to close by September. The first edition received 500 applications and 40 start-ups were accelerated.
In the area of applied research, 10 multidisciplinary projects are under development (8 in the area of neuroscience and 2 in AI and robotics). In the first half of 2023, two projects were also launched and four completed, including one in the field of neuroscience focusing on technostress and cognitive load, which led to the creation of a training programme for Group employees and was mentioned in the e-book "Top employees e-Book 2023". In addition, two patents, one of which in the second quarter of 2023, were obtained for industrial inventions in the area of artificial intelligence.
To help accelerate business transformation, 33 corporates were involved in Open Innovation programmes, four of which were involved in circular economy projects (two completed in 2022 and two in the first half of 2023). Two tech tours for corporates/start-ups were completed in Tel Aviv (Smart Mobility Tech Tour) and in San Francisco (in connection with SMAU, at INNOVIT, with the collaboration of ITA – Italian Trade Agency).
With the aim of spreading the culture of innovation, in the first half of 2023, a total of 17 positioning and match-making events were held[15] with the involvement of around 1,200 participants (a total of 49 events with around 3,300 participants from 2022). In the same period, six reports on innovation were published on technologies and sector trends (21 since 2022) and a contribution was made to the drafting of the White Paper 2023 "*Valore Acqua per l'Italia*" together with other partners, as well as the second "United Nations Environment Program – Finance Initiative" report.
Finally, in the first half of 2023, Neva SGR made investments of around 20 million euro in support of start-ups (74 million euro since 2022).

The Group's People as its most important asset

The Group continues its commitment to strengthening its human capital through a series of dedicated initiatives, underscoring the fact that people are the most important resource for achieving the Plan objectives and the enabler for future success. This is why Intesa Sanpaolo has set itself the objectives of continuous empowerment, growth and satisfaction of its employees and will continue to invest in talents, fostering diversity and inclusion, and creating a unique ecosystem of skills in line with the Bank's evolution.
The Group maintains its strong commitment to supporting its growth through generational change, in order to best meet the challenges of the coming years by developing and maintaining appropriate expertise. To this end, it is continuing the hiring of professionals and the re-skilling and training of its internal staff. Over the Plan period, 4,600 permanent hires will be made (around 2,200 professionals hired from 2021) and around 8,000 people will be re-skilled and retrained for priority and strategic initiatives (around 3,000 already involved since 2022).
The involvement of the Group's People in achieving the Plan's objectives is pursued, among other things, through long-term incentive plans that also foster individual entrepreneurship.
The International Talent Programme, now in its third year, continues to be strengthened by new talent selected from the external market. The targeted development and training initiatives dedicated to a selected number of key middle management staff also continue.
To respond to the needs for flexibility and work-life balance of the Group's employees, a new organisational framework has been set up that provides greater flexibility in terms of daily work schedule, smart working and the introduction of a four-day working week on a voluntary basis with no change in remuneration.
Italy's new leading education player, created through the combination between ISP Formazione and Digit'Ed, a Nextalia Fund company, is now operational. Training is a key aspect for the Group, especially in the current environment, which requires the continuous evolution of skills and flexibility. Since 2022, around 16.5 million hours of training have been delivered with respect to a target of 50 million hours over the Plan period.
Employee well-being (physical, emotional, psychological and social) is also pursued through a dedicated platform, which offers video content, podcasts, articles, tools and apps, complemented by events and initiatives organised both in-person and digitally.
Intesa Sanpaolo pursues the objective of fostering an inclusive working environment, promoting the respect and value of diversity and enhancing the multicultural heritage, experiences and characteristics of the Group's People. It is also committed to promoting people management and development policies based on fairness, meritocracy and nurturing each person's talent without discrimination of any kind. In addition, the collaboration with ISPROUD, the Group's first employee community, has been strengthened, and now includes LGBTQ+ and allied people.
The attention given by the Group to its people was recognised through the achievement of two important awards, Top Employer 2023, for the second year running, given to our Bank by the Top Employers Institute, and the Best Talent Acquisition Team award in LinkedIn's 2023 Talent Awards.
Intesa Sanpaolo is the only Italian bank listed in the Dow Jones Sustainability Indices, in the CDP Climate A List 2022 and in the 2023 Corporate Knights "Global 100 Most Sustainable Corporations in the World Index" and ranks first among the banks of the peer group by Sustainalytics and Bloomberg (ESG Disclosure Score) international assessments. Furthermore, Intesa Sanpaolo has been:

- included for the sixth consecutive year in the Bloomberg Gender-Equality Index 2023, obtaining a score well above the average of the global financial sector and of Italian companies;
- recognised in the Refinitiv Global Diversity and Inclusion Index 2022 as the first bank in Europe, the second worldwide, and the only one in Italy among the top 100 companies for diversity and inclusion;
- the first major Italian banking group to obtain the certification for gender parity "Prassi di Riferimento (PDR) 125:2022" envisaged by the National Recovery and Resilience Plan, thanks to its commitment to diversity and inclusion;
- among the first in Europe to receive the Gender Equality European & International Standard (GEEIS-Diversity), the prestigious international certification assessing the commitment to diversity and inclusion.

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

Sustainability and Group strategy on Environmental, Social and Governance issues

In the first half of 2023, the Intesa Sanpaolo Group continued the activities related to the objectives stated in the 2022-2025 Business Plan, in which ESG issues represent one of the four pillars for solid and sustainable value creation and for further strengthening Intesa Sanpaolo's leadership in sustainability. The projects and the main results achieved in the half year in relation to ESG are summarised below, while a more detailed description of the strategy and the general approach to ESG issues is provided in the specific disclosure in the Report on operations in the 2022 Consolidated Financial Statements.
The Group's strong commitment to sustainability is also demonstrated by its top positioning in the main indices and rankings: Intesa Sanpaolo is the only Italian bank included in the Dow Jones Sustainability Indices World and Europe, the CDP Climate A List 2022 and the Corporate Knights 2023 "Global 100 Most Sustainable Corporations in the World" index; it is also ranked first among its peers by Sustainalytics and Bloomberg (ESG Disclosure Score); in January 2023, Intesa Sanpaolo maintained its position in the Bloomberg Gender Equality Index; and in September 2022 it was ranked as the second bank worldwide in the Refinitiv Diversity & Inclusion Index. Intesa Sanpaolo also received a number of sustainability-related awards: in the 2022 ranking of Institutional Investors it maintained its first place in Europe for ESG aspects, and in February 2023 it was included in the S&P Global Sustainability Yearbook 2023 – Top 10% ESG Score.
The Group expresses its commitment through its participation in all the main international initiatives of the United Nations, including the Global Compact, concerning the financial sector[16], 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. As part of its strong commitment to combating climate change, the Group has also chosen to pursue the target of "Net Zero" by 2050 – for its own emissions, its loan and investment portfolios, and its asset management and insurance business – by joining the major Net-Zero alliances promoted by the Glasgow Financial Alliance for Net Zero (GFANZ), covering all the Group's main business lines.
In 2019, with the aim of consolidating Intesa Sanpaolo's leadership in sustainability, the Group launched a programme called ISP4ESG, a wide-ranging high-impact initiative, led by the Strategic Support Department and the CFO Governance Area, with the objective of integrating ESG into the Bank's business model and strategy, generating a concrete impact within the company and on society and leading to the establishment of the ESG Control Room in 2020. In the first half of 2023, the Group had numerous strategic sustainability-related projects, coordinated by the ESG Control Room: the continuation of the EU Taxonomy Green Enhancement project aimed at ensuring access to all the methodological and informational elements for the calculation of the Green Asset Ratio GAR and for actively directing the loan portfolios; the implementation of the ESG-Climate Credit Framework project for the introduction of ESG factors in the assessment of the Group's loan portfolios; and the supervision of the activities connected to the other Net-Zero Alliances (i. e. e. Net-Zero Asset Managers Initiative - NZAMI, Net-Zero Asset Owner Alliance - NZAOA, Net-Zero Insurance Alliance - NZIA) carried out by Group Companies that have joined them. In addition, the Target Setting project continued to identify further intermediate targets in the areas of the Net-Zero Banking Alliance (NZBA) and submit the targets for validation by the "Science Based Target Initiative".
The Group's major sustainability-related initiatives also include the multi-year ESG Reporting project launched in 2021, aimed at creating an integrated and transversal approach to the Group's ESG Reporting able to address the new regulatory requirements and emerging best practices. During 2023, the activities have mainly focused on the regulatory disclosure deadlines during the year and the managerial reporting (monitoring process for the ESG KPIs to oversee the achievement of Plan targets; 2023 Budget process for the relevant ESG KPIs).
The Group's Code of Ethics was also updated in the first half of 2023, adding to the text to reflect the Group's strengthened sustainability commitments.

Support for ESG/climate transition

The 2022-2025 Business Plan contains a strong focus on climate that envisages the Group's commitment to facilitating the transition to a low-emission economy through concrete actions to mitigate its direct and indirect emissions, and by supporting green initiatives and projects for its customers.
To this end, around 37.6 billion euro was disbursed in the period 2021-first half of 2023, out of the 76 billion euro in new lending in relation to the scopes of application of Mission 2 of the 2021-2026 National Recovery and Resilience Plan focused on support of the green economy, circular economy and green transition. In the first six months of 2023, around 0.7 billion euro of Green Mortgages were also disbursed for a total of 3.3 billion euro since 2022, with respect to the 12 billion euro of new green lending to individuals envisaged over the Plan period.
Under the 8 billion euro credit facility for the circular economy announced in the 2022-2025 Business Plan, in the first half of 2023, 204 projects were assessed and validated, for an amount of over 6.6 billion euro, with around 2.6 billion euro granted for 112 transactions (of which 1.6 billion related to green criteria) and 2.8 billion euro disbursed, taking into account amounts previously granted (of which 2.5 billion also related to green criteria). Overall, since 2022, 624 projects have been assessed and validated, for an amount of 15.6 billion euro, 342 transactions for an amount of over 7.3 billion euro granted (of which 4.2 billion euro related to green criteria) and 5.8 billion euro disbursed taking into account amounts previously granted (of which 4.7 billion euro related to green criteria). In April, the criteria for accessing the plafond were updated both for the circular framework, in agreement with the Ellen MacArthur Foundation, and for the green framework, in line with Intesa Sanpaolo's Green, Social Sustainability Bond Framework. In addition, the support activities for the Parent Company envisaged in the partnership agreement with the Ellen MacArthur Foundation are underway, as well as the Intesa Sanpaolo Innovation Center's activities envisaged in the collaboration agreement with Cariplo Factory in connection with the Circular Economy Lab.
To support customers through the ESG/climate transition, the Group offers ESG Laboratories to its corporate customers (11 have already been activated in Venice, Padua, Brescia, Bergamo, Cuneo, Bari-Taranto, Rome, Naples-Palermo and Milan), in collaboration with specialist partners such as Circularity, Nativa, CE Lab and others.
The success continues of the S-Loan product range dedicated to SMEs to finance projects aimed at improving their sustainability profile (five product lines: S-Loan ESG, S-Loan Diversity, S-Loan Climate Change, S-Loan Agribusiness and

[16] For more information on memberships and partnerships related to sustainability, see the dedicated section of the Group's corporate website https://group.intesasanpaolo.com/en/sustainability/sustainability-governance/international-standards-partnerships.

S-Loan Tourism), with around 0.9 billion euro disbursed in the first half of 2023 (4.4 billion euro since launch in July 2020). The offering also includes the Digital Loan (D-Loan) aimed at improving the digitalisation of companies (23 million euro disbursed since launch in October 2021) and the Suite Loan, aimed at upgrading hotel facilities and accommodation services (12 million euro disbursed since launch in December 2021).
The implementation of ESG/Climate evolution of the Non-Financial Corporate credit framework was completed, leveraging on ESG sectorial assessments and ESG sectorial strategy, ESG scoring at counterparty level and new guidelines on sustainable products. The methodology of analysis has also been defined for the transition plan for Oil & Gas customers, envisaging the gradual extension to other priority sectors.
A project is underway to verify the alignment of the existing portfolios (mortgages, bonds, non-financial corporate lending) with the EU Taxonomy criteria for the purpose of steering the Green Asset Ratio.
An accelerated ESG advisory service to companies is also envisaged, aimed at steering them towards the energy transition through a flexible and scalable approach, with a particular focus on the energy, infrastructure and industry & automotive sectors.
An ESG value proposition initiative has been defined for the corporate, SME and Retail segments of the Group banks in all the subsidiaries of the International Subsidiary Banks Division[17].

Sustainable investment products and sustainable insurance

Intesa Sanpaolo is also committed to further strengthening its offering of sustainable investment products, which combine financial criteria with environmental, social and governance (ESG) aspects, as stated in the 2022-2025 Business Plan.
Eurizon offers a diversified range across all the asset classes of funds classified according to Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR), with penetration having increased in the first half of 2023 to 70% of total assets under management (with the target of 60% by 2025 already having been exceeded). In addition, the investment options (Articles 8 and 9 of the SFDR) underlying the insurance products available to customers have been increased to around 75%.
Part of the efforts made by the Group Companies to contribute to the change towards sustainability is their engagement and involvement with issuers and customers. In the area of Stewardship, in the first half Eurizon Capital SGR took part in 1,123 shareholders' meetings (of which 93% are issuers listed abroad) and 292 engagement initiatives (of which 46% on ESG issues).
Lastly, Fideuram has worked on developing an advisory services model that includes ESG principles in the financial planning based on customer needs and to that end a comprehensive ESG certification training programme has been launched for financial advisors (over 38,500 hours delivered to around 1,300 participants in the first half of 2023) and for employed private bankers and agents (around 3,800 hours delivered to around 800 participants).

Support to address social needs

The social impact that Intesa Sanpaolo is committed to generating over the coming years is the natural continuation of the attention that it has always dedicated to the needs of the people and communities in which it operates. To this end, the 2022-2025 Business Plan envisages investments and donations of 500 million euro in favour of young and vulnerable people.
In order to promote employment and the right to education, Intesa Sanpaolo supports "*Giovani e Lavoro*", the programme created through the partnership between Intesa Sanpaolo and Generation Italy, with the objective of providing free training courses over the Plan period to over 3,000 unemployed young people aged between 18 and 29, in order to help them gain the skills that companies are seeking. In the first half of 2023, over 5,150 students aged between 18 and 29 applied to the programme, with over 1,200 students interviewed and around 550 trained and in training through 24 courses (over 3,500 trained and in training since 2019), involving around 2,350 companies since the launch of the initiative in 2019. The third "Generation4Universities" programme, which started in May, involves 94 students, 36 universities and 22 partner companies.
The Digital Re-start programme implemented by the Private Banking Division is also aimed at training and reintegrating unemployed people aged between 40 and 50 into the labour market, by funding 75 scholarships for the masters course in data analysis, which trains professionals in the analysis and management of data and information in support of decision-making processes. The first three editions of the programme ended in the first half of 2023, with 75 participants, 49 of whom found new jobs.
In the area of inclusive education programmes, during the year the partnerships have been strengthened with leading Italian universities and schools, involving over 450 schools and around 1,700 students in the first half, to support merit and social mobility (over 1,500 schools involved since 2022). In April, a new programme, "Futura", was launched promoted by Save the Children, Forum Disuguaglianze e Diversità and Yolk, with the collaboration of Intesa Sanpaolo, against female educational poverty, educational failure and early school leaving. The pilot project will run for two years in three areas with socio-economic disadvantages and promote the growth and autonomy through personalised training courses for 300 girls and young women, including 50 young mothers, and over 70 education plans have already been activated.
Under the food and shelter programme for people in need to counter poverty, a total of 28.1 million interventions were carried out in 2022 and the first half of 2023 (also in support of the humanitarian emergency in Ukraine), including 21.9 million meals, 2.9 million dormitories/beds, 3.1 million medicine prescriptions, and over 278,000 items of clothing.
The Plan's initiatives dedicated to the needs of the people and communities in which the Group operates include one of the most extensive social housing projects in Italy, which will create social housing and accommodation for students (around 6,000-8,000 units over the Plan period). The ongoing initiatives in terms of promoting housing units have been enhanced, also by identifying new partnerships with leading operators in the sector, for the achievement of the Plan targets.

Financial inclusion and supporting production

Intesa Sanpaolo confirmed its role as a key player in supporting Italy's economic system: in the first half of the year, the Bank allocated new medium/long-term lending to the real economy of around 29 billion euro, of which over 19 billion euro in Italy. It has also made available over 400 billion euro in medium/long term lending to businesses and households in support of Italy's

[17] Excluding Moldova and Ukraine.

National Recovery and Resilience Plan (NRRP), with the aim of strengthening the country's growth over the period 2021-2026.
In the first half of the year, 2.7 billion euro was granted for social lending (around 12 billion euro since 2022, with a target of 25 billion euro cumulative flows over the period of the Business Plan), allocated to non-profit activities, vulnerable people who have difficulty in accessing forms of lending or who have been affected by natural disasters, and urban regeneration.
These included in particular the loans provided in support of non-profit organisations totalling 133 million euro (471 million euro since 2022) and 30 million euro funds made available within the Fund for Impact, which provides direct support to households and individuals to ensure broader and more sustainable access to credit, with dedicated programmes such as: "per Merito", the first line of credit without collateral dedicated to all university students, "Mamma@work", a subsidised loan aimed at working mothers to help balance motherhood and work in the early years of their children's lives, "per Crescere", for the training and education of school-age children aimed at vulnerable families, "per avere Cura", to support families taking care of non-self-sufficient people, and other solutions (e.g. "Obiettivo Pensione" and "per Esempio").
Lastly, the new Business Plan envisages dedicated loans for the new theme of urban regeneration. In the first half, Intesa Sanpaolo made commitments of around 500 million euro of new loans (over 1.1 billion euro since 2022) to support investments in housing, services and sustainable infrastructure, in addition to the most important urban regeneration initiatives underway in Italy.

Commitment to Net-Zero and management of climate change risk

In the 2022-2025 Business Plan, the Group has set the reduction targets for 2030 emissions aligned to Net-Zero for Oil&Gas, Power Generation, Automotive and Coal Mining (phase out by 2025), which, at the time of publication in February 2022, represented over 60% of the financed emissions of the portfolio of Non-Financial Corporates in the sectors identified by the NZBA. The first reporting of the absolute emissions of the four sectors as at 31 December 2022 shows a decrease of 60% compared to 2021[18]. In relation to the targets described above, the Group has drawn up its first transition plan, in compliance with the requirements of the NZBA and following the guidance from the GFANZ.
Intesa Sanpaolo is also committed to achieving carbon neutrality for its own emissions by 2030 and to purchasing 100% of its energy from renewable sources (this target was already achieved in Italy in 2021; in 2022, 91% of the energy at Group level came from renewable sources).
On the asset management and wealth management front, following the subscriptions to the Net Zero initiatives in 2022, Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland and the Intesa Sanpaolo Vita Insurance Group published their first interim targets, aimed at achieving net greenhouse gas neutrality of the assets under management by 2050. The targets will be monitored and extended in line with the requirements of the various Net-Zero initiatives.
During 2023, the Intesa Sanpaolo Group has continued its participation in the various Net-Zero Alliances and GFANZ work groups. In particular, Intesa Sanpaolo has joined the new GFANZ "Mainstream Transition Finance workstream" group, continuing its participation in both the NZBA "Implementation Worktrack", originating from the unification of the "Data & Methodologies" and "Finance & Engagement" worktracks, and in the sectorial work groups. The Insurance Division has also continued its participation in the various NZAOA working groups, particularly those aimed at developing new methods concerning government securities, reporting and engagement.
Fideuram has also initiated the individual and collective engagement process by joining the Net Zero Engagement Initiative (NZEI) and the second phase of Climate Action 100+.
Intesa Sanpaolo's strategy is based on a clear awareness of the risks and opportunities associated with climate change. The range of risks and opportunities related to climate change are identified and analysed by Intesa Sanpaolo's Chief Financial Officer Area and Chief Risk Officer Area, with the support and involvement of the various Governance Areas and Divisions, where relevant, in order to integrate them into the normal risk assessment and monitoring processes (which lead to the management of climate risk, in the form of mitigation and adaptation) and credit strategies.
For an update on the monitoring and management of the main issues related to climate risk, as well as their integration within the Group's Risk Appetite Framework – namely, the general framework used for the management of enterprise risk – see the chapter on "Risk Management" in the Notes to the half-yearly condensed consolidated financial statements.

[18] For more details, see the 2022 TCFD report on the Group's website (https://group.intesasanpaolo.com/en/sustainability/sustainability-reporting/tcfd-report).

Progetto Cultura

Progetto Cultura is the multi-year programme of initiatives through which Intesa Sanpaolo actively expresses its direct and tangible commitment to promoting Italy's cultural and social growth. The activities are conceived and implemented by the Art, Culture and Historical Heritage Department in dialogue with the major public and private institutions, from the Ministry of Culture, to bank foundations, to Italian and international museums. As an integral part of the Business Plan, Progetto Cultura with Gallerie d'Italia is one of the Group's identifying features and strengthens its status as an impact bank.

Gallerie d'Italia

The Gallerie d'Italia are the Bank's exhibition spaces located in four venues: Milan, Naples, Turin and Vicenza. They are a major national-scale project that promotes Italy's cultural role on the international stage.
The number of visitors exceeded 400,000 in the first half of 2023 and admission is free up to the age of 18.

Exhibition Projects

In the first months of the year, six temporary exhibitions that had opened in 2022 continued and five new large exhibitions were opened (in addition to 3 dossier exhibitions). In Milan: *Una collezione inattesa*, curated by Luca Massimo Barbero, an exhibition dedicated to a selection of artworks from Intesa Sanpaolo's 20th-century collections. In Naples: *Mario Schifano*, curated by Luca Massimo Barbero, in collaboration with Archivio Schifano of Rome; plus the temporary presentation in the museum atrium of Jean Mirò's sculpture *Oiseau Solaire* from the Bank's collections. In Turin: *JR Déplacé.e.s*, curated by Arturo Galansino, in collaboration with the Fondazione Compagnia di San Paolo, the French artist's first solo exhibition in Italy, dedicated to the theme of the great migrations (accompanied by two public and participatory art initiatives in Piazza San Carlo: the "procession" of the giant photographs displayed in the exhibition that involved 2,000 people and the "Inside out" project); *Mimmo Jodice*, curated by Roberto Koch with the contribution of Mario Martone, the second chapter of the series "*La Grande Fotografia Italiana*". In Vicenza: *EX-Illustri for Elena Xausa*, in collaboration with Associazione Illustri di Vicenza, the first annual event dedicated to contemporary illustration and graphic design.
The activities relating to the permanent itineraries dedicated to Bank's collections, included the official presentation in Vicenza, with the extraordinary participation of Neri Marcorè, of the new display of the eighteenth-century sculpture *Caduta degli angeli ribelli* by Francesco Bertos.
Numerous promotional initiatives were organised dedicated to the precious Luigi and Peppino Agrati Collection, which has become part of Intesa Sanpaolo's art collections. In Milan, the placement in the Manzoni Garden of Arnaldo Pomodoro's *Sfera grande*; 40 artworks included in the exhibition *Una collezione inattesa*; five artworks by Dan Flavin exhibited for the first time to the public during Milano Museo City; exceptional opening of the vault, during Miart and Milano Art Week, which holds 500 works of modern and contemporary art, including masterpieces from the Agrati Collection. In Naples: 15 artworks included in the *Mario Schifano* exhibition (in addition, five artworks on loan for the exhibition *L'arte della moda* to the Musei di San Domenico in Forlì).
The Gallerie d'Italia also held exhibitions in other venues under partnership projects. As part of a long-term collaboration with the Fondazione Cassa di Risparmio di Firenze: presentation at Villa Bardini in Florence, the Foundation's exhibition venue, of the exhibition *Lisetta Carmi*, the first edition of our Turin series "*La Grande Fotografia Italiana*"; at Miart, Milan: staging of the exhibition *Supernova 23* curated by Luca Beatrice, at Fiera Milano City, dedicated to 7 young emerging artists working in Italy, in collaboration with Intesa Sanpaolo Private Banking.

Educational and inclusive activities, and cultural initiatives

A key part of the Gallerie d'Italia's programming is the relationship with the world of education and the theme of accessibility and inclusion. In the first half, a total of 2,380 educational workshops were held involving around 54,780 children and young people from local schools of all levels, in addition to 285 programmes specifically designed for vulnerable groups with the participation of 4,050 people living with disability and hardship. All the educational activities are free. There were also 570 guided tours and activities for adults and families and 200 cultural events (study days, meetings, book presentations, concerts, readings, press conferences) attended by a total of 28,720 people.
Among the initiatives aimed at opening up the Gallerie to the world of music were the original "Open Machine" music improvisation performances (5 events). The Gallerie d'Italia's permanent and temporary collections are also at the centre of the "Art & People" project aimed at directly involving colleagues, developed in collaboration with the various structures of the Group (the activities of the projects "*Insuperabili con arte*" with Disability Management, "*Arte e inclusione*" with Diversity & Inclusion, and "*Arte e Coaching*" with the Internal Coaching Academy were carried out during the half year).

Gallerie d'Italia kitchens

Continuing on from the openings of 2022, the gastronomy project within the Gallerie d'Italia was expanded with the creation of new areas dedicated to dining and socialisation. In Naples: the cocktail bar "Anthill" and the fine dining restaurant "177 Toledo" of chef Giuseppe Iannotti; in Turin: the fine dining restaurant "Scatto" of the Costardi brothers.

In addition, "Time" magazine, the most widely read American weekly in the world, included Naples in its list "World's greatest places 2023" as a must-see destination of the year, citing the visit to the Gallerie d'Italia.
Lastly, Progetto Cultura also includes the coordination of the activities of two museum venues located in Tuscany: the Palazzo degli Alberti Gallery housed in the historical building owned by the Bank in Prato and the Casa Museo dell'Antiquariato Ivan Bruschi in Arezzo.

Art Assets

Intesa Sanpaolo's art collections contain around 35,000 artworks, ranging from the archaeological to contemporary. In terms of size and quality, it is considered one of the most important corporate collections in the world, which is subject to continuous study, restoration and promotion. The sharing of the Bank's collections with the public takes place primarily within the Gallerie d'Italia museum itineraries. The main activities carried out during the half year are described below.

Agrati Collection and Cariplo Collection - assets under management
The signing of the loan for use agreement between Intesa Sanpaolo and Fondazione Banca e Cultura Onlus (administered by the Bank and registered in the National Register of the Non-Profit Sector) was authorised, assigning the Group the management and promotion of the 505 artworks of the Luigi and Peppino Agrati Collection, one of the most important private modern art collections in Italy and the world. In addition, a service contract was signed between Intesa Sanpaolo and Fondazione Cariplo for the protection and full management of the art collections of Fondazione Cariplo and Cariplo Iniziative (around 1,000 artworks).

Restoration
Restorations were carried out on 101 items during the half year, including 91 twentieth-century artworks mostly from the Luigi and Peppino Agrati Collection (ahead of the above-mentioned exhibitions *Una collezione inattesa* and *Mario Schifano* at the Gallerie d'Italia in Milan and Naples).

Fair Value and Art Advisory
In accordance with the applicable regulations, the value of the "valuable art assets" (15 thousand artworks) is periodically updated and monitored with the aid of specialist companies. The updated three-year fair value measurement of the "valuable" assets is scheduled for 2023. In preparation for this activity, a number of actions were completed during the half year (systematisation of the lists in the valuable assets register, investigations into the provenance and attribution of artworks, and inspections). The management of new acquisitions also continued.

Artwork Loans
The Bank's artworks are regularly requested on loan for temporary exhibitions in Italy and abroad. At the end of the half year, 288 artworks were on loan in 49 exhibitions, in venues such as the Museo del Novecento in Milan, Museo Nazionale Romano in Rome, Gallerie degli Uffizi in Florence, Peggy Guggenheim Collection in Venice, Jeu de Paume in Paris, and Musées des Impressionnismes in Giverny. Of particular note are the loans for exhibitions at the Brescia Castle and the MAT in Clusone (Bergamo) as part of Bergamo Brescia Italian Capital of Culture.

Loans for use
Through loans for use, the artworks are entrusted to entities that ensure their enjoyment by the public. During the first six months, 52 artworks were given on loan for use in response to requests from various localities, particularly in the areas of Bergamo and Brescia Capital of Culture (with the Municipality of Breno, the Municipality of Brescia, Fondazione Banca Popolare di Bergamo, Fondazione della Comunità Bergamasca, Fondazione Banca Popolare di Vigevano, Fondazione Ivan Bruschi of Arezzo, and Fondazione Giovanni Spadolini Nuova Antologia of Florence).

Promotional initiatives throughout Italy
Several initiatives to promote parts of the collections of particular relevance to the history and identity of their communities where the Bank is present, carried out in cooperation with local institutions, are worthy of note. In Arezzo, at the Casa Museo of Fondazione Ivan Bruschi: inauguration of the new permanent exhibition "*Da Pontormo a Fattori*. *Le stanze dell'arte*" with 11 Tuscan paintings from the Intesa Sanpaolo collections on loan for use. In Pistoia, among the projects shared with Fondazione Cassa di Risparmio di Pistoia e Pescia: presentation of two Intesa Sanpaolo artworks (a painting by de Chirico and an antique sculpture) as part of the "*In visita*" programme at Palazzo De' Rossi, home of Pistoia Musei.

Historical archive
Intesa Sanpaolo's Historical Archive is one of the first and most important bank archives in Europe. It holds 20 kilometres of documents from 1380 to the early 2000s and manages the Publifoto Archive of 7 million photographs. The ongoing activities of preservation, restoration, digitisation, cataloguing and promotion of the archive assets continued during the half year. The following were the main activities carried out during the half year in the various areas:

- Historical Map: completion of the genealogy of the UBI Banca Group (295 new records, of which 166 already published, with a focus on the banks of Bergamo and Brescia on the occasion of the celebrations of the 2023 Italian Capital);
- *Carte dell'arte*: recovery of purchase documentation concerning the 200 valuable artworks in the Bank's art collections (117 files, 90 Board minutes; 44 folders inventoried);
- Incorporation of the former UBI Archives: emptying of archives, restoration (243 registers, 50 letter copy books), acquisitions (1,077 boxes, 61 registers), discarding, inventorying (around 2,000 documents), and 413 records of publications in the Historical Library;
- Group Archives: acquisitions (3 folders, 1 register, 2 metres of papers, 4,100 photos, and 550 items in the iconographic section), restoration (around 150 folders, registers, photos, items in the iconographic section, 66 metres of papers), digitisation (over 40,000 pages, 500 videos, and 1,220 photos), cataloguing (around 760 records for photos and items in the iconographic section); document inventories (projects such as *Carte dei Vertici* and *Archivi che imprese!*; around 5,500 records); Digital Curation (45,124 documents saved in PAD-Progetto Archivi Digitali); Digital Library (446 files uploaded); consultations in the Study Rooms in Milan and Rome (170 study requests, 18 theses, 283 consultation days); and almost 40 thousand users and 46 thousand consultation sessions on the Archives' websites;
- Promotion: documents displayed in the exhibition *Attorno al Monumento di Giuseppe Tovini* at the Museo Camuno in Breno as part of Bergamo Brescia Italian Capital of Culture; participation in the Archivissima Festival in Turin; publications (including the volume *Difendere le storie*. *La memoria della persecuzione antisemita nell'Archivio Storico di Intesa Sanpaolo* on the occasion of the Remembrance Day); teaching projects (lectures for the University of Milan, Istituto Merini in Milan, training course for photography cataloguers); and participation in conferences on digital archives (in Venice and Rome);
- Publifoto Archive: restoration (4,030 photos), digitisation (2,306 photos), cataloguing (584 records), and publication in LOD format (5,100 negatives). As at 30 June, there were around 18,000 digitised photos available on the site. During the period, 64 requests for consultation were received (over 1,100 photos consulted). The promotional initiatives included the participation in the Archivissima Festival in Turin and the display of 43 photos in the exhibition *Una storia al futuro* for the

90th anniversary of the Museo Nazionale dell'Automobile in Turin. The Archive was the protagonist of teaching workshops at the Gallerie d'Italia - Torino (84 activities, 1660 students involved) and a course on Cataloguing, Archiving and Promotion of photographic assets for the CFP Bauer school in Milan. The Prints Project was started aimed at promoting the photographers in the Publifoto Archive with original vintage prints (more than 11,600 prints viewed and over 230 photographers' names identified).

Restituzioni

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

Preparations continue for the 20th edition (which will end in 2025): 400 restoration project proposals have been received from which 61 groups of artworks have been selected for a total of 115 items from all the Italian regions, with the involvement of 50 conservation bodies, 61 owner entities, 57 restoration laboratories, and around a hundred art historians.

The start of the restoration (included in *Restituzioni* 2025) of Ludovico David's 17th-century frescoes in the "*Giacomo Acqua*" Barracks in Rome, in cooperation with the Superintendency of Rome, was officially presented.

In the area of monumental *Restituzioni*: on the occasion of Bergamo Brescia Capital of Culture, the restoration project for Romanino's 16th century frescoes recently found in Brescia's Duomo Vecchio was presented, in cooperation with the Superintendency for the Provinces of Bergamo and Brescia; and the completion of the restoration of Jacopo Sansovino's 16th century monument *Madonna del Parto* in the Basilica of Sant'Agostino in Campo Marzio in Rome, in cooperation with the Superintendency of Rome, was officially presented.

Partnerships

Over the years, Progetto Cultura has built a network of partnerships with public and private, national and international institutions and museums for support to their activities and the joint production of initiatives. Below are the main collaborations in the first half of 2023:

- Intesa Sanpaolo is the main partner of "Bergamo Brescia Italian Capital of Culture" alongside the Bergamo Brescia Committee (composed of Fondazione Cariplo, the Foundations of the Comunità Bresciana and the Comunità Bergamasca, and the Municipalities of Bergamo and Brescia). In the first half, the two towns welcomed almost 5 million visitors. The programme included Progetto Cultura's promotional activities (loans of artworks, loans for use, promotion of archive assets, restoration projects, as well as special initiatives aimed at Group employees);
- in partnership with the Ministry of Culture-Museums Regional Directorate, support for the production of the prestigious volume published by Treccani for the exhibition at Palazzo del Quirinale in Rome dedicated to the recent archaeological discovery of the bronzes of San Casciano dei Bagni di Siena;
- ongoing relations with the bank foundations: under a multi-year plan shared with Fondazione Compagnia di San Paolo, support for prestigious Turin organisations (Filarmonica Teatro Regio, Fondazione 1563, and Polo del '900); shared projects with Fondazione Cariplo and Fondazione Cariparo (*Renoir* exhibition at Palazzo Roverella in Rovigo) a three-year agreement signed with Fondazione Cassa di Risparmio di Firenze that brings the exhibitions of the Gallerie d'Italia - Torino review "La Grande Fotografia Italiana" to the Villa Bardini in Florence; and support for the Fondazione Cassa dei Risparmi di Forlì exhibitions (*L'arte della moda* in the Musei di San Domenico in Forlì);
- the Bank was the main partner of the 27th Miart - International Modern and Contemporary Art Fair in Milan;
- support and collaboration with major museums, such as Castello di Rivoli Museo d'Arte Contemporanea, Pinacoteca di Brera in Milan, Museo Poldi Pezzoli in Milan, Fondazione Brescia Musei, Fondazione Palazzo Strozzi a Firenze, Museo Archeologico Nazionale in Naples (in particular for the exhibition *Alessandro Magno e l'Oriente*), and Museo e Real Bosco di Capodimonte in Naples;
- the Bank was the main partner of the 6th edition of Archivissima-Il Festival e La Notte degli Archivi in Turin;
- the promotion of books and reading took the form of support for the 35th edition of the Turin International Book Fair as main partner; the 3rd edition of *Un Libro Tante Scuole*, an initiative linked to the Fair in collaboration with the Ministry of Education and Merit (6,000 students from all over Italy involved, of which 1,060 were hosted in 4 lessons at the Gallerie d'Italia); Circolo dei Lettori a Casa Manzoni in Milan; the 4th edition of NapoliCittàLibro; the 11th edition of La Grande Invasione in Ivrea; and the 1st edition of Una Basilica di Libri in Vicenza;
- in the area of photography, support for CAMERA-Centro Italiano per la Fotografia in Turin of which the Bank is a founding partner; 1st edition of the Paul Thorel Foundation Prize in Naples dedicated to young photographers; and official presentation of EXPOSED. Turin Photo Festival (1st edition in 2024), promoted by the City of Turin, the Piedmont Regional Authority, Turin Chamber of Commerce, Fondazione Compagnia di San Paolo, Fondazione Cassa di Risparmio di Torino and Intesa Sanpaolo;
- support for the renovation and restoration of public assets under the Art bonus scheme: an installation project in the Museo dei Fori Imperiali in Rome and work on the Palazzi San Celso and San Daniele in Turin with Polo del '900;
- in the area of cultural diplomacy, the exhibition at the Louvre *Naples à Paris. Le Louvre invite le Musée de Capodimonte* includes two masterpieces by Lotto and Titian from the Museo di Capodimonte whose period frames were purchased and restored by the Bank.

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

Progetto Cultura dedicates initiatives to young people that take the form of expressive and educational opportunities in professions related to art and culture.

Gallerie d'Italia Academy

These are advanced training courses aimed at young professionals. The 3rd edition of the Course in *Management of Artistic and Cultural Heritage and Corporate Collections* was held with Fondazione Compagnia di San Paolo, Fondazione Cariplo, Ministero della Cultura-Fondazione Scuola dei beni e delle attività culturali, Digit'ed and Fondazione 1563: over 150 applications, 30 students, 8 scholarships, around 53 lecturers, and 162 hours of lectures at the Gallerie d'Italia. The new "short" course *Naples-Florence. The Art of Making Exhibitions* was launched with Fondazione Palazzo Strozzi:

90 applications, 24 students, and 36 hours of lectures at Gallerie d'Italia - Naples and Palazzo Strozzi. The *ALUMNI di Gallerie d'Italia Academy* project was launched, aimed at creating a community of former students.

Officina delle idee
Progetto Euploos continues with the creation of the digital catalogue of the Gabinetto dei Disegni e delle Stampe collection of the Uffizi Galleries in Florence (874 records and 2,544 images produced in the first half of the year). The educational programmes continue with Fondazione Centro Conservazione e Restauro "La Venaria Reale" as well as the Laboratory for the Restoration of Paper and Photography in the Degree Course in Conservation and Restoration of Cultural Heritage at the University of Turin (projects on paper artworks from the Intesa Sanpaolo collections and on historical machinery from the Historical Archives).

Gallerie d'Italia-Torino projects with Turin academic institutions
With IAAD - Istituto d'Arte Applicata e Design of Turin: completion of the class thesis project with students of the International Master's Degree Course in Digital Marketing & Communication Management. With IED - IstitutoEuropeo di Design of Turin: completion of the second stage of the three-year thesis project "*Bureau Metamorfosi*" entitled "*Il margine fa la pagina*" with students of the Photography Course. And with Scuola Holden of Turin: completion of the textual and visual storytelling project with students of the Story Design College.

Digital promotion
Progetto Cultura continues its commitment to the production of digital initiatives on the web and social channels of the Gallerie d'Italia and the Group, that complement and enhance the "physical" experience. They cover Gallerie d'Italia's initiatives (exhibitions, events, inclusion activities), the Bank's art and archive assets, and partnership projects, with interesting results in terms of views and interactions[19].

Publishing and musical initiatives
Within the Edizioni Gallerie d'Italia-Skira, 4 exhibition catalogues were edited and published (*JR Déplacé.e.s; Mario Schifano; Mimmo Jodice; and Supernova 23*). The support continues to musical events (such as Festival Milano Musica) and projects dedicated to young people, with a special focus on young people from disadvantaged groups (Esperienza Orchestra with Orchestra Filarmonica del Teatro Regio in Turin, and programmes with Associazione Alessandro Scarlatti in Naples). Musical events were staged at the Gallerie d'Italia, also linked to the collections and themes of the exhibitions hosted.

Main risks and uncertainties

The main information on risks and uncertainties to which the Intesa Sanpaolo Group is exposed is described in the Half-yearly report on operations and in the Explanatory notes to the Half-yearly condensed consolidated financial statements.
In the introduction to this chapter, as usual, the following has been provided (i) a summary of the macroeconomic context, with the main risks connected to the international situation, to be read in conjunction with the forward-looking indications contained in the chapter "Forecast for the year", as well as (ii) information on the main risk aspects for the ISP Group related to the military conflict between Russia and Ukraine. Further information in this regard, referring in particular to the valuation impacts of the exposures to the two warring countries, is provided in the chapter "Risk Management" of the Explanatory notes to the half-yearly condensed consolidated financial statements.
The information on risks in general and, more specifically, on financial risks (credit and market risks), liquidity and operational risks, as well as the risks of the insurance companies is, as always, contained in the above-mentioned chapter "Risk Management", which also provides updates on the main issues related to climate risk. On the other hand, the update on the activities related to the projects and the main objectives achieved in the six-month period in the ESG area are set out in the paragraph "Sustainability and Group strategy on Environmental, Social and Governance issues" of this chapter.
Finally, with regard to the capital position, the relevant information is provided in the specific section on own funds and solvency ratios in this Half-yearly report on operations. As usual, further details are provided in the update of the Basel 3 Pillar 3 Disclosure.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the Company and the Group will continue in operational existence in the foreseeable future and consequently have prepared the Half-yearly Report as at 30 June 2023 on a going concern basis. The Directors have not detected any uncertainties in the consolidated balance sheet and financial structure of the Group or in the performance of operations that question the going concern assumption.

[19] With regard to exhibitions that ended or opened in the first half, the digital and social content on Bank's channels generated 57.9 million impressions, 1.1 million interactions for *JR Déplacé.e.s* in Turin; 23.6 million impressions for Artemisia in Naples; 10.7 million impressions for *Dai Medici ai Rothschild* in Milan; 8.9 million impressions for *Elena Xausa* in Vicenza. For the exhibitions mentioned above, the Bank's web channels received a total of 157 thousand page views with 118 thousand unique users reached (data provided by Communications and Corporate Image Department). With regard the Gallerie d'Italia - Torino's apps: to date, 8,592 downloads of the digital app-guide, and 9,090 photos downloaded from the Archivio Vivo interactive wall.

Economic results and balance sheet aggregates

Economic results

General aspects

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

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

In line with the change of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the comparison data presented in the reclassified schedules have also been restated on a like-for-like basis.
Moreover, the first two quarters of 2022 have been restated to take account of the changes in the scope of consolidation, and specifically:

- the entry of Compagnie de Banque Privée Quilvest (Fideuram Group)[20] at the end of June 2022, resulting in the start of the consolidation of the income statement figures from July 2022, and
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022,

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

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

The reclassifications and aggregations of captions of the reclassified consolidated income statement refer to:

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

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

liabilities that contributes to the banking segment, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value, except for any amounts relating to adjustments on several portions of loans mandatorily measured at fair value, which relate to measurements of credit positions and are therefore reported in the caption Net adjustments to loans in order to provide a single presentation of the adjustments relating to the same position;

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

	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	6,838	4,049	2,789	68.9
Net fee and commission income	4,353	4,544	-191	-4.2
Income from insurance business	856	841	15	1.8
Profits (Losses) on financial assets and liabilities designated at fair value	337	1,329	-992	-74.6
Other operating income (expenses)	14	-8	22	
Operating income	**12,398**	**10,755**	**1,643**	**15.3**
Personnel expenses	-3,185	-3,189	-4	-0.1
Administrative expenses	-1,375	-1,352	23	1.7
Adjustments to property, equipment and intangible assets	-651	-623	28	4.5
Operating costs	**-5,211**	**-5,164**	**47**	**0.9**
Operating margin	**7,187**	**5,591**	**1,596**	**28.5**
Net adjustments to loans	-556	-1,432	-876	-61.2
Other net provisions and net impairment losses on other assets	-191	-114	77	67.5
Other income (expenses)	304	143	161	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**6,744**	**4,188**	**2,556**	**61.0**
Taxes on income	-2,084	-1,475	609	41.3
Charges (net of tax) for integration and exit incentives	-86	-39	47	
Effect of purchase price allocation (net of tax)	-90	-64	26	40.6
Levies and other charges concerning the banking industry (net of tax)	-239	-278	-39	-14.0
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-23	14	-37	
Net income (loss)	**4,222**	**2,346**	**1,876**	**80.0**

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

Quarterly development of the reclassified income statement

(millions of euro)

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

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

Operating income

The Intesa Sanpaolo Group achieved an excellent performance in the first half of 2023 in terms of profitability, liquidity and capital position. Operating income amounted to 12,398 million euro in the first half, up by 15.3% from 10,755 million euro in the same period of 2022. That trend was caused by the sharp increase in net interest income, which benefited from the interest rate hikes by the ECB, which was only partially offset by the decrease in profits (losses) on financial assets and liabilities designated at fair value and net fee and commission income. Income deriving from insurance business, as well as other net operating income also improved.

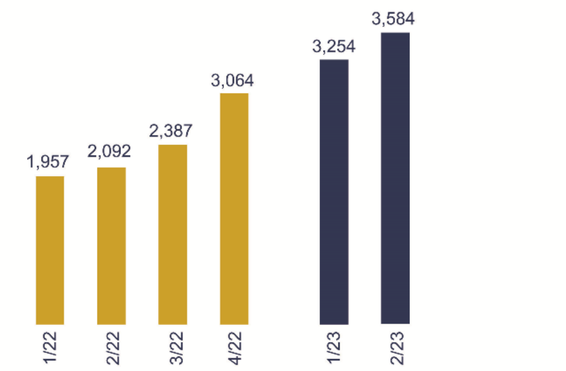
Net interest income

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Relations with customers	6,509	3,897	2,612	67.0
Securities issued	-1,371	-857	514	60.0
Customer dealing	**5,138**	**3,040**	**2,098**	**69.0**
Instruments measured at amortised cost which do not constitute loans	750	297	453	
Other financial assets and liabilities designated at fair value through profit or loss	97	-88	185	
Other financial assets designated at fair value through other comprehensive income	643	390	253	64.9
Financial assets	**1,490**	**599**	**891**	
Relations with banks	**76**	**379**	**-303**	**-79.9**
Differentials on hedging derivatives	**-326**	**-240**	**86**	**35.8**
Other net interest income	**460**	**271**	**189**	**69.7**
Net interest income	**6,838**	**4,049**	**2,789**	**68.9**

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

Quarterly development
Net interest income
(millions of euro)



Net interest income was 6,838 million euro, showing significant growth (+68.9%) on the first half of 2022. Specifically, increased contributions were made by customer dealing (+69%, equal to +2.1 billion euro), and financial assets, equal to 1,490 million euro, which more than doubled on the first six months of 2022, due to the positive performance of instruments measured at amortised costs as well as other financial assets measured at fair value through other comprehensive income and through profit and loss. Among other components, there was a worsening of negative differentials on hedging derivatives, up by 35.8%, and of net interest income on relations with banks, which decreased sharply (-79.9%) due to ordinary interbank operations, in highly different contexts of market rates between the two periods compared.
As a result of the sudden change of direction of monetary policy started from the second half of 2022, TLTRO operations with the ECB – outstanding for 45.1 billion euro at the end of June 2023 – gave rise to negative interest of 1,073 million euro in the first half of this year, compared to positive interest of 645 million euro recorded in the first six months of the previous year (referring to a stock of financing of 114.8 billion euro as at 30 June 2022), which benefited from the special interest rate period, with a rate of -1% applied up to 23 June 2022 (which then became -0.50% for the period from 24 June to the end of the half year).
In the first half of 2023, the excess liquidity deposited with the Central Bank generated positive interest of 1,473 million euro, benefiting from the rise in benchmark interest rates, aligned with the cost of funding in TLTRO, compared with interest expense of 283 million euro in the same half of 2022.
Lastly, other net interest income made a positive contribution of 460 million euro, compared to 271 million euro in the same period of the previous year.

(millions of euro)

	2023 Second quarter	2023 First quarter	Changes amount	Changes %
Relations with customers	3,394	3,115	279	9.0
Securities issued	-775	-596	179	30.0
Customer dealing	**2,619**	**2,519**	**100**	**4.0**
Instruments measured at amortised cost which do not constitute loans	441	309	132	42.7
Other financial assets and liabilities designated at fair value through profit or loss	52	45	7	15.6
Other financial assets designated at fair value through other comprehensive income	364	279	85	30.5
Financial assets	**857**	**633**	**224**	**35.4**
Relations with banks	**54**	**22**	**32**	
Differentials on hedging derivatives	**-204**	**-122**	**82**	**67.2**
Other net interest income	**258**	**202**	**56**	**27.7**
Net interest income	**3,584**	**3,254**	**330**	**10.1**

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

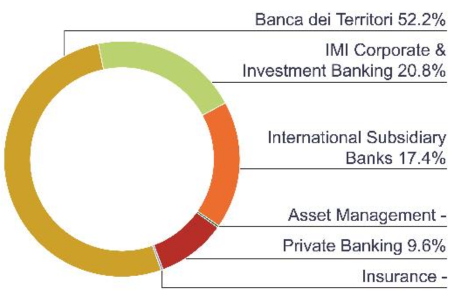
The flow of net interest income recorded in the second quarter of 2023 showed a value higher than that of the first (+10.1%), essentially due to the greater contribution of interest on financial assets and on relations with customers. The latter benefited from the interest rate hike by the ECB.

(millions of euro)

	30.06.2023	30.06.2022	Changes amount	Changes %
Banca dei Territori	3,281	1,947	1,334	68.5
IMI Corporate & Investment Banking	1,308	956	352	36.8
International Subsidiary Banks	1,094	709	385	54.3
Private Banking	602	101	501	
Asset Management	2	-	2	-
Insurance	-	-	-	-
Total business areas	**6,287**	**3,713**	**2,574**	**69.3**
Corporate Centre	551	336	215	64.0
Intesa Sanpaolo Group	**6,838**	**4,049**	**2,789**	**68.9**

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

Business areas
Net interest income



The Banca dei Territori Division, which accounts for 52.2% of operating business area results, recorded net interest income of 3,281 million euro, up sharply on the first half of 2022 (+68.5%, or +1,334 million euro), essentially due to customer deposits, which benefited from the performance of market rates, favouring the increase in the mark-down. Increased contributions to net interest income were also made by the Private Banking Division (+501 million euro), whose assets significantly benefited from the increase in interest rates, the International Subsidiary Banks Division (+54.3%, or +385 million euro), due primarily to the favourable performance of subsidiaries operating in Slovakia, Croatia and Hungary, and the IMI Corporate & Investment Banking Division (+36.8%, or +352 million euro), mainly attributable to the greater contribution from Global Markets.
The Corporate Centre's net interest income grew (+215 million euro), benefiting from the significant rise of market rates and their repositioning at positive levels.

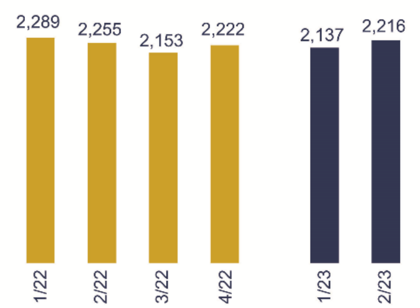
Net fee and commission income

(millions of euro)

	30.06.2023			30.06.2022			Changes	
	Income	Expense	Net	Income	Expense	Net	amount	%
Guarantees given / received	241	-166	75	215	-114	101	-26	-25.7
Collection and payment services	388	-68	320	376	-73	303	17	5.6
Current accounts	685	-	685	694	-	694	-9	-1.3
Credit and debit cards	435	-234	201	405	-214	191	10	5.2
Commercial banking activities	**1,749**	**-468**	**1,281**	**1,690**	**-401**	**1,289**	**-8**	**-0.6**
Dealing and placement of securities	558	-135	423	544	-163	381	42	11.0
Currency dealing	7	-3	4	8	-3	5	-1	-20.0
Portfolio management	1,739	-484	1,255	1,864	-484	1,380	-125	-9.1
Distribution of insurance products	799	-	799	824	-	824	-25	-3.0
Other	225	-99	126	220	-89	131	-5	-3.8
Management, dealing and consultancy activities	**3,328**	**-721**	**2,607**	**3,460**	**-739**	**2,721**	**-114**	**-4.2**
Other net fee and commission income	**585**	**-120**	**465**	**668**	**-134**	**534**	**-69**	**-12.9**
Net fee and commission income	**5,662**	**-1,309**	**4,353**	**5,818**	**-1,274**	**4,544**	**-191**	**-4.2**

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

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



The net fee and commission income earned in the first half of 2023 amounted to 4,353 million euro, down by 4.2% from the 4,544 million euro recorded in the same period of 2022.
That result was mainly due to the reduction in fees and commissions on management, dealing and consultancy activities (-4.2%, or -114 million euro). In detail, the contribution from portfolio management schemes decreased (-9.1%, or -125 million euro), and specifically collective portfolio management which was impacted by the decrease in management and subscription fees and commissions. To a lesser extent, fee and commission income on the distribution of insurance products decreased (-3%, or -25 million euro), and so did other management and dealing commissions (-5 million euro). Fee and commission income on dealing and placement of securities bucked the trend, recording an increase (+11%, or +42 million euro).
Other net fee and commission income also decreased (-12.9%, or -69 million euro), due to the decrease in the income components, specifically those relating to loans granted, only partly offset by the performance of expense items, primarily related to other banking services.
Commercial banking activities remained substantially stable (-0.6%): the decrease in fees on guarantees given/received and on current accounts was offset by the positive performance of collection and payment services and the credit and debit card service.

(millions of euro)

	2023		Changes	
	Second quarter	First quarter	amount	%
Guarantees given / received	41	34	7	20.6
Collection and payment services	164	156	8	5.1
Current accounts	344	341	3	0.9
Credit and debit cards	107	94	13	13.8
Commercial banking activities	**656**	**625**	**31**	**5.0**
Dealing and placement of securities	193	230	-37	-16.1
Currency dealing	2	2	-	-
Portfolio management	641	614	27	4.4
Distribution of insurance products	403	396	7	1.8
Other	69	57	12	21.1
Management, dealing and consultancy activities	**1,308**	**1,299**	**9**	**0.7**
Other net fee and commission income	**252**	**213**	**39**	**18.3**
Net fee and commission income	**2,216**	**2,137**	**79**	**3.7**

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

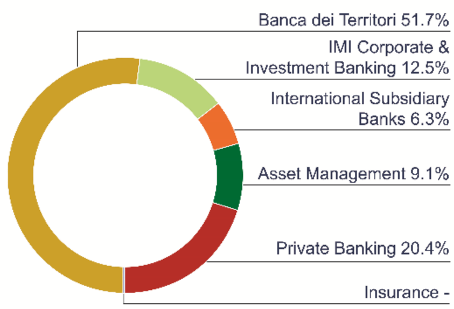
During the second quarter of 2023, this caption improved by 79 million euro on the first quarter, mainly due to commercial banking activities and other net fee and commission income.

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Banca dei Territori	2,360	2,375	-15	-0.6
IMI Corporate & Investment Banking	569	564	5	0.9
International Subsidiary Banks	290	290	-	-
Private Banking	931	1,023	-92	-9.0
Asset Management	418	472	-54	-11.4
Insurance	1	1	-	-
Total business areas	**4,569**	**4,725**	**-156**	**-3.3**
Corporate Centre	-216	-181	35	19.3
Intesa Sanpaolo Group	**4,353**	**4,544**	**-191**	**-4.2**

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

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for 51.7% of the fee and commission income of the business units, recorded a slight decrease (-0.6%, or -15 million euro) in fee and commission income in the first half of 2023, specifically that deriving from assets under management and bancassurance, conditioned by the decrease in volumes due to the market context. Fee and commission income decreased also for Private Banking (-9%, or -92 million euro), specifically recurring fee and commission income, due to the decrease in average assets under management, Asset Management (-11.4%, or -54 million euro), which was impacted by the decrease in management fees related to the reduction in assets under management and placements and, to a lesser extent, performance fees collected during the period. The IMI Corporate & Investment Banking Division increased slightly (+0.9%), due to the performance of the investment banking segment. Fee and commission income of International Subsidiary Banks remained in line with that of the same period of 2022.

The increase in fee and commission expense of the Corporate Centre was mainly attributable to the increase in costs relating to synthetic securitisations carried out to optimise the Group's capital profile.

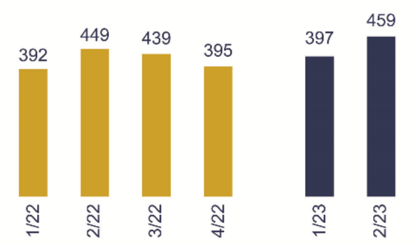
Income from insurance business

(millions of euro)

Captions	30.06.2023 Life	30.06.2023 Non-life	30.06.2023 Total	30.06.2022 Life	30.06.2022 Non-life	30.06.2022 Total	Changes amount	Changes %
TECHNICAL MARGIN	**611**	**228**	**839**	**488**	**231**	**719**	**120**	**16.7**
Contractual service margin release	600	41	641	601	26	627	14	2.2
Claims, expected expenses and other amounts	282	526	808	422	589	1,011	-203	-20.1
Insurance revenue	**882**	**567**	**1,449**	**1,023**	**615**	**1,638**	**-189**	**-11.5**
Total actual claims and expenses	-325	-307	-632	-539	-361	-900	-268	-29.8
Other Insurance Expenses	54	-32	22	4	-23	-19	41	
Insurance expenses	**-271**	**-339**	**-610**	**-535**	**-384**	**-919**	**-309**	**-33.6**
NET INVESTMENT RESULT	**-13**	**8**	**-5**	**98**	**-6**	**92**	**-97**	
Net financial income and expenses related to insurance contracts issued	-2,647	-1	-2,648	1,758	29	1,787	-4,435	
Net interest income	1,004	13	1,017	1,088	1	1,089	-72	-6.6
Dividends	231	-	231	216	-	216	15	6.9
Gains/losses on disposal	-309	2	-307	-380	-1	-381	-74	-19.4
Valuation gains/losses	1,574	-	1,574	-2,789	-34	-2,823	4,397	
Net fee and commission income	134	-6	128	205	-1	204	-76	-37.3
Income from insurance business gross of consolidation effects	**598**	**236**	**834**	**586**	**225**	**811**	**23**	**2.8**
Consolidation effects	**22**	**-**	**22**	**30**	**-**	**30**	**-8**	**-26.7**
INCOME FROM INSURANCE BUSINESS	**620**	**236**	**856**	**616**	**225**	**841**	**15**	**1.8**

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

Quarterly development
Income from insurance business
(millions of euro)



Income from insurance business includes the cost and revenue captions of the insurance business, including the reinsurance component, of the Group's life and non-life companies. In the first half of 2023, this income came to 856 million euro, slightly up on the same period of 2022 (+1.8%, or +15 million euro). The change between the first half of 2022 and the same period of the current year is mainly attributable to the increase in the non-life business, which came to 236 million euro (+11 million euro), while in the life business, the improvement in the technical margin offset the declining trend in the net investment result.

(millions of euro)

Captions	2023 Second quarter	2023 First quarter	Changes amount	Changes %
TECHNICAL MARGIN	**431**	**408**	**23**	**5.6**
Contractual service margin release	273	368	-95	-25.8
Claims, expected expenses and other amounts	357	451	-94	-20.8
Insurance revenue	**630**	**819**	**-189**	**-23.1**
Total actual claims and expenses	-186	-446	-260	-58.3
Other Insurance Expenses	-13	35	-48	
Insurance expenses	**-199**	**-411**	**-212**	**-51.6**
NET INVESTMENT RESULT	**18**	**-23**	**41**	
Net financial income and expenses related to insurance contracts issued	-1,264	-1,384	-120	-8.7
Net interest income	592	425	167	39.3
Dividends	154	77	77	
Gains/losses on disposal	-33	-274	-241	-88.0
Valuation gains/losses	507	1,067	-560	-52.5
Net fee and commission income	62	66	-4	-6.1
Income from insurance business gross of consolidation effects	**449**	**385**	**64**	**16.6**
Consolidation effects	**10**	**12**	**-2**	**-16.7**
Income from insurance business	**459**	**397**	**62**	**15.6**

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

Income from insurance business, including the life and non-life/health businesses, increased by 62 million euro in the second quarter compared to the first, resulting from the contribution of:

- a net increase of 23 million euro in the technical margin, as a result of the lower contribution of the release of the contractual service margin (-95 million euro), due to a different financial revaluation at the respective dates, and lower actual costs compared to expectations, mainly due to the trend in claims and expenses;
- an increase of 41 million euro in the net investment result, inverting the trend of the negative result (-23 million euro in the first quarter) to a positive result (+18 million euro in the second quarter), mainly due to the gains on financial instruments in the free assets.

(millions of euro)

Business	30.06.2023	*of which new business*	30.06.2022
Life insurance business	**7,691**	***7,532***	**6,630**
Premiums issued on traditional products	5,925	*5,867*	1,105
Premiums issued on unit-linked products	623	*535*	1,072
Premiums issued on multi-line products	750	*741*	4,074
Premiums issued on pension funds	390	*387*	375
Premiums issued on capitalisation products	3	*2*	4
Non-life insurance business	**764**	***155***	**735**
Premiums issued	764	*155*	735
Premiums ceded to reinsurers	**-47**	***-1***	**-76**
Net premiums issued from insurance products	**8,408**	***7,686***	**7,289**
Business on unit-linked contracts	1,077	*1,055*	1,653
Total business from investment contracts	**1,077**	***1,055***	**1,653**
Total business	**9,485**	***8,741***	**8,942**

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

In the first half, business in the insurance segment amounted to near 9.5 billion euro, up on the business recorded in the same period of 2022 (8.9 billion euro). The increase in premiums was driven by traditional products in the life business (+4.8 billion euro), partially offset by the downturn in multi-class policies (-3.3 billion euro) and unit-linked policies, both class

III products of a primarily financial nature (-0.6 billion euro) and those of a primarily insurance nature (-0.4 billion euro). New non-life business, in which the non-motor segment performed well, recorded moderate growth. New business totalled 8.7 billion euro, accounting for over 90% of the total collected premiums of the Group's insurance companies.

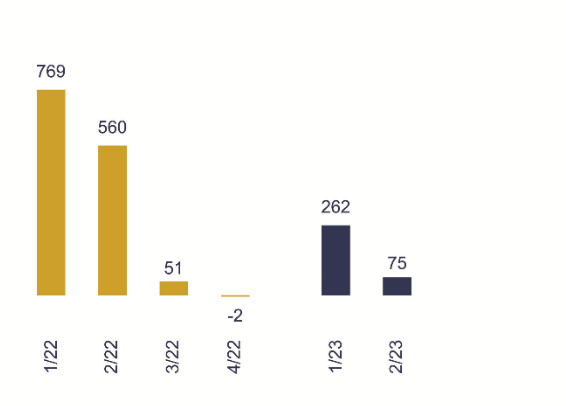
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Profits (losses) on trading and on financial instruments under fair value option	-44	532	-576	
Profits (losses) on hedges under hedge accounting	-56	46	-102	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	144	115	29	25.2
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	276	646	-370	-57.3
Profits (losses) on the buyback of financial liabilities	17	-10	27	
Profits (Losses) on financial assets and liabilities designated at fair value	**337**	**1,329**	**-992**	**-74.6**

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

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



In the first half of 2023, profits on financial assets and liabilities designated at fair value, amounting to 337 million euro, declined sharply on the same period in 2022. That performance should be interpreted along with the sharp increase in the net interest income, with specific reference to transactions in certificates, which generated positive effects on the income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates.
The decrease, amounting to 74.6%, is attributable to profits (losses) on trading and on financial instruments under fair value option (-576 million euro), specifically foreign exchange and interest rate transactions as well as the lack of positive impact from the debt value adjustment (DVA), due to the tightening of the Intesa Sanpaolo credit spread in the first half of the current year, and the profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (-370 million euro), which in the first six months of 2022 benefited from higher gains on the sale of HTC debt securities, mainly government securities. Profits (losses) on hedges under hedge accounting also fell (-102 million euro).

(millions of euro)

	2023		Changes	
	Second quarter	First quarter	amount	%
Profits (losses) on trading and on financial instruments under fair value option	-40	-4	36	
Profits (losses) on hedges under hedge accounting	-42	-14	28	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	50	94	-44	-46.8
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	97	179	-82	-45.8
Profits (losses) on the buyback of financial liabilities	10	7	3	42.9
Profits (Losses) on financial assets and liabilities designated at fair value	**75**	**262**	**-187**	**-71.4**

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

The result of the second quarter of 2023 was significantly lower than the first quarter of the current year and compared with the first two quarters of 2022, due to the losses on trading and hedging and the decrease in profits on other components.

Other operating income (expenses)

In the first half of 2023, other net operating income came to 14 million euro, compared to expenses of 8 million euro in the same period of 2022. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The increase is attributable to the reduction in other operating expenses, which amounted to -18 million euro in the first six months of 2023 (-28 million euro in the same period of the previous year), and the greater contribution from dividends and profits on investments carried at equity (+12 million euro).

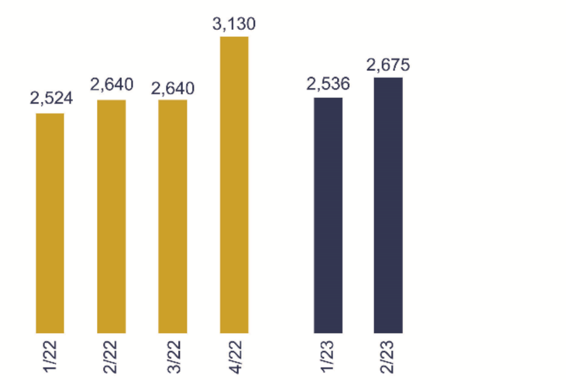
Operating costs

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Wages and salaries	2,209	2,259	-50	-2.2
Social security charges	569	573	-4	-0.7
Other	407	357	50	14.0
Personnel expenses	**3,185**	**3,189**	**-4**	**-0.1**
Information technology expenses	416	404	12	3.0
Management of real estate assets expenses	184	146	38	26.0
General structure costs	202	201	1	0.5
Professional and legal expenses	125	139	-14	-10.1
Advertising and promotional expenses	58	52	6	11.5
Indirect personnel costs	79	71	8	11.3
Other costs	228	258	-30	-11.6
Indirect taxes and duties	97	96	1	1.0
Recovery of expenses and charges	-14	-15	-1	-6.7
Administrative expenses	**1,375**	**1,352**	**23**	**1.7**
Property and equipment	278	283	-5	-1.8
Intangible assets	373	340	33	9.7
Adjustments	**651**	**623**	**28**	**4.5**
Operating costs	**5,211**	**5,164**	**47**	**0.9**

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

Quarterly development Operating costs
(millions of euro)



In the first six months of 2023, despite the continued high levels of inflation, operating costs amounted to 5,211 million euro, slightly higher than the figure recorded in the first half of 2022 (+0.9%).
Personnel expenses, amounting to 3,185 million euro, decreased slightly on the same period of 2022, mainly due to the savings on negotiated exits, almost fully offset by higher operating costs.
Administrative expenses amounted to 1,375 million euro, up by 1.7%. Specifically, the increases were mainly recorded in property management expenses, especially related to higher energy costs, information technology expenses and indirect personnel costs, against savings on other expenses, especially on services rendered by third parties and legal and professional fees.
Adjustments to property, equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+4.5%) on the first half of 2022, attributable to the intangible assets due to technology investments.
The cost/income ratio fell further in the first half of 2023, to 42% compared to 48% in the same period of 2022.

	2023		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	1,130	1,079	51	4.7
Social security charges	290	279	11	3.9
Other	205	202	3	1.5
Personnel expenses	**1,625**	**1,560**	**65**	**4.2**
Information technology expenses	217	199	18	9.0
Management of real estate assets expenses	92	92	-	-
General structure costs	103	99	4	4.0
Professional and legal expenses	71	54	17	31.5
Advertising and promotional expenses	39	19	20	
Indirect personnel costs	42	37	5	13.5
Other costs	127	101	26	25.7
Indirect taxes and duties	47	50	-3	-6.0
Recovery of expenses and charges	-7	-7	-	-
Administrative expenses	**731**	**644**	**87**	**13.5**
Property and equipment	137	141	-4	-2.8
Intangible assets	182	191	-9	-4.7
Adjustments	**319**	**332**	**-13**	**-3.9**
Operating costs	**2,675**	**2,536**	**139**	**5.5**

(millions of euro)

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

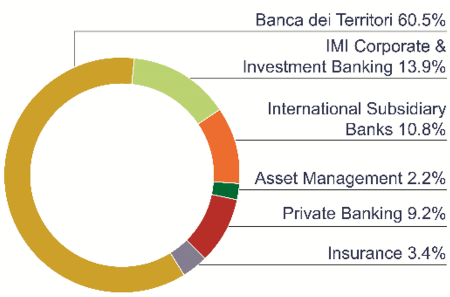
The quarterly comparison shows higher operating costs in the second quarter than in the first, due to the trend in the two main components.

	30.06.2023	30.06.2022	Changes	
			amount	%
Banca dei Territori	-3,076	-3,101	-25	-0.8
IMI Corporate & Investment Banking	-705	-666	39	5.9
International Subsidiary Banks	-549	-519	30	5.8
Private Banking	-469	-449	20	4.5
Asset Management	-111	-100	11	11.0
Insurance	-171	-177	-6	-3.4
Total business areas	**-5,081**	**-5,012**	**69**	**1.4**
Corporate Centre	-130	-152	-22	-14.5
Intesa Sanpaolo Group	**-5,211**	**-5,164**	**47**	**0.9**

(millions of euro)

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

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori, which accounts for over 60% of costs for the business areas, reported a slight decrease on the first six months of 2022 (-0.8%, or -25 million euro), due to savings on personnel expenses, mainly attributable to the decrease in the workforce as a result of agreed exits. By contrast, there were cost increases in IMI Corporate & Investment Banking (+5.9%, or +39 million euro), International Subsidiary Banks (+5.8%, or +30 million euro), in relation to greater administrative and personnel expenses, and in Private Banking (+4.5%, or +20 million euro), specifically for personnel expenses. Asset Management also increased (+11%, or +11 million euro), mainly due to administrative expenses. Moreover, there was a decrease in operating costs in Insurance (-3.4%, -6 million euro), fully attributable to administrative expenses, and in the Corporate Centre (-14.5%, or -22 million euro).

Operating margin

The operating margin in the period in question amounted to 7,187 million euro, up by 28.5% on the amount recorded in the first half of 2022, due to an increase in revenues, and a moderate increase in operating costs.

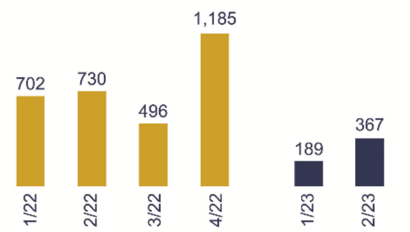
Net adjustments to loans

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Bad loans	-185	-105	80	76.2
Unlikely to pay	-282	-624	-342	-54.8
Past due loans	-151	-125	26	20.8
Stage 3 loans	**-618**	**-854**	**-236**	**-27.6**
of which debt securities	*-3*	*-*	*3*	*-*
Stage 2 loans	**88**	**-402**	**490**	
of which debt securities	*-*	*-9*	*-9*	
Stage 1 loans	**-61**	**-101**	**-40**	**-39.6**
of which debt securities	*18*	*2*	*16*	
Net losses/recoveries on impairment of loans	**-591**	**-1,357**	**-766**	**-56.4**
Profits/losses from changes in contracts without derecognition	**3**	**-1**	**4**	
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**32**	**-74**	**106**	
Net adjustments to loans	**-556**	**-1,432**	**-876**	**-61.2**

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

Quarterly development
Net adjustments to loans
(millions of euro)



Net adjustments to loans amounted to 556 million euro, decreasing sharply on the 1,432 million euro recorded in the first half of 2022, which included the adjustments made to Russian and Ukrainian counterparties for 1,093 million euro.
The performance of the caption mainly reflects an improvement of 490 million euro on loans in Stage 2 (88 million euro in recoveries compared to -402 million euro in adjustments in the first six months of 2022) and a reduction of 236 million euro in adjustments to non-performing loans in Stage 3, as a result of a significant drop in adjustments to unlikely-to-pay loans (-342 million euro), only partly offset by an increase in bad loans (+80 million euro) and on past-due loans (+26 million euro). Furthermore, adjustments to loans in Stage 1 also decreased by 40 million euro and recoveries were recorded on net provisions relating to commitments and guarantees given for 32 million euro, compared to adjustments of -74 million euro recorded in the first half of 2022.
In June 2023, the ratio of gross non-performing loans to total loans was 2.3%, substantially in line with the December 2022 figure.
The annualised cost of credit, expressed as the ratio of net adjustments to net loans, decreased to 25 basis points in the first half of 2023 compared with 70 basis points for the year in 2022 (30 basis points when excluding the adjustments for the Russia-Ukraine exposure, the additional adjustments to capture the elements of risk inherent in the current scenario and those relating to the overlays and to favour de-risking, net of the release of generic provisions set aside in 2020 for the expected impacts of COVID-19). The coverage of non-performing loans in June 2023 amounted to 49%. In detail, bad loans required net adjustments of 185 million euro, compared to 105 million euro in the first six months of 2022, with a coverage ratio of 68.2%. Net impairment losses on unlikely-to-pay loans, totalling 282 million euro, were down (-54.8%) compared to 624 million euro recorded in the first half of 2022, with a coverage ratio of 40%. Net adjustments to past due loans amounted to 151 million euro (125 million euro in the same period of 2022), with a coverage ratio of 23.7%. The coverage ratio for forborne positions within the non-performing loan category was 43.2%. Finally, the coverage of performing loans was 0.6% and incorporated the physiological risk inherent in the loan portfolio.

(millions of euro)

	2023		Changes	
	Second quarter	First quarter	amount	%
Bad loans	-95	-90	5	5.6
Unlikely to pay	-77	-205	-128	-62.4
Past due loans	-90	-61	29	47.5
Stage 3 loans	**-262**	**-356**	**-94**	**-26.4**
of which debt securities	*-3*	*-*	*3*	*-*
Stage 2 loans	**-23**	**111**	**-134**	
of which debt securities	*2*	*-2*	*4*	
Stage 1 loans	**-76**	**15**	**-91**	
of which debt securities	*6*	*12*	*-6*	*-50.0*
Net losses/recoveries on impairment of loans	**-361**	**-230**	**131**	**57.0**
Profits/losses from changes in contracts without derecognition	**-3**	**6**	**-9**	
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-3**	**35**	**-38**	
Net adjustments to loans	**-367**	**-189**	**178**	**94.2**

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

In the second quarter, net adjustments to loans increased on the minimum levels in the first three months. The decrease in adjustments to non-performing loans was more than offset by the new adjustments to performing loans and net provisions for credit risk associated with loan commitments and financial guarantees given, captions that reported recoveries in the first quarter.

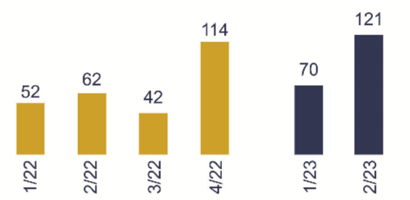
Other net provisions and net impairment losses on other assets

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Other net provisions	-97	-36	61	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-87	-65	22	33.8
Net impairment losses on other assets	-7	-13	-6	-46.2
Other net provisions and net impairment losses on other assets	**-191**	**-114**	**77**	**67.5**

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

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



Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In the first six months of 2023, other net provisions and net impairment losses on other assets amounted to 191 million euro, higher than the 114 million euro recorded in the same period of the previous year. The increase is mainly related to other net provisions, which include (i) 32 million euro as the estimated cost of the Reward price contest “Intesa Sanpaolo 2024” launched to increase customer loyalty and engagement and (ii) 39 million euro, in addition to the 80 million euro already allocated in December 2022, posted on consolidation by the investee Banca Intesa Russia in order to write off its equity contribution to the consolidated financial statements.

(millions of euro)

	2023		Changes	
	Second quarter	First quarter	amount	%
Other net provisions	-61	-36	25	69.4
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-50	-37	13	35.1
Net impairment losses on other assets	-10	3	-13	
Other net provisions and net impairment losses on other assets	**-121**	**-70**	**51**	**72.9**

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

In terms of economic performance, the second quarter of 2023 recorded provisions higher than those of the first quarter, due to the presence of 20 million euro to write off the equity contribution of the Russian investment to the consolidated financial statements and 32 million euro for the afore-mentioned prize contest.

Other income (expenses)

In this caption of the reclassified income statement, the “profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments” are aggregated together with other income and expenses not strictly linked to operations.

In the first half of 2023, other income amounted to 304 million euro, including 157 million euro in profits on the disposal, finalised in May, of the stake held in Zhong Ou Asset Management Company Limited (ZOAM) and 116 million euro in profits on the disposal to Nexi of the acquiring business line of the subsidiary operating in Croatia. This figure was higher than the 143 million euro recorded in the first half of 2022, which included 194 million euro in capital gains deriving from the disposal of Intesa Sanpaolo Formazione and a one-off contribution of 48 million euro to Intesa Sanpaolo people to mitigate the impact of inflation.

Gross income (loss)

In the first six months of 2023, income before tax from continuing operations came to 6,744 million euro, up sharply compared to the 4,188 million euro in the same period in 2022.

Taxes on income

Current and deferred taxes came to 2,084 million euro, for an effective tax rate of 30.9%, lower than in the first half of 2022 (35.2%).

Charges (net of tax) for integration and exit incentives

This caption rose to 86 million euro, mainly due to the adjustments to property, equipment and intangible assets, compared with 39 million euro recorded in the first six months of 2022, which included positive effects referring to personnel expenses.

Effect of purchase price allocation (net of tax)

This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. In the first half of 2023, this caption came to 90 million euro, compared to the 64 million euro recorded in the same period of the previous year.

Levies and other charges concerning the banking industry (net of tax)

The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. In the first half of 2023, these charges came to 239 million euro, compared to the 278 million euro recorded in the same period of the previous year.
The charges recognised during the reporting period may be broken down as follows: 221 million euro attributable to resolution funds, 7 million euro to deposit guarantee funds, 10 million euro to levies recognised by international subsidiary banks and 1 million euro to the Atlante Fund.

Minority interests

In the first six months of 2023, the caption included, with a negative sign, 23 million euro of net profits attributable to minority interests relating to companies within the scope of line-by-line consolidation, compared to a positive value of 14 million euro (net losses attributable to minority interests) relating to the first half of 2022.

Net income (loss)

The Intesa Sanpaolo Group closed the first half of 2023 with a net income of over 4.2 billion euro (4,222 million euro), up significantly on the same period of 2022 (+80%). That result is the highest half-yearly value since 2007, confirming the diversified, efficient business model. The sharp annual increase is attributable to the positive trend in revenues, driven by the interest component, the small flow of adjustments to loans and the focused management of operating costs.

Balance sheet aggregates

General aspects

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

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

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

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

The Reclassified balance sheet shows the amounts related to 30 June 2023, as well as the comparison figures related to 31 December 2022. In line with the change of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the 2022 year-end data in the reclassified schedules have also been restated on a like-for-like basis.

There were no restatements of the data as at 31 December 2022 due to changes in the scope of consolidation.

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

Aggregations and reclassifications of captions of the reclassified balance sheet refer to:

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

Reclassified balance sheet

(millions of euro)

Assets	30.06.2023	31.12.2022	Changes amount	Changes %
Cash and cash equivalents	79,875	112,924	-33,049	-29.3
Due from banks	30,128	31,273	-1,145	-3.7
Loans to customers	437,497	446,854	-9,357	-2.1
Loans to customers measured at amortised cost	*435,583*	*444,244*	*-8,661*	*-1.9*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,914*	*2,610*	*-696*	*-26.7*
Financial assets measured at amortised cost which do not constitute loans	60,052	52,690	7,362	14.0
Financial assets at fair value through profit or loss	48,434	46,546	1,888	4.1
Financial assets at fair value through other comprehensive income	59,369	48,008	11,361	23.7
Financial assets pertaining to insurance companies measured at amortised cost	3	3	-	-
Financial assets pertaining to insurance companies measured at fair value through profit or loss	102,480	103,052	-572	-0.6
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	71,724	69,792	1,932	2.8
Investments in associates and companies subject to joint control	2,599	2,013	586	29.1
Property, equipment and intangible assets	18,892	19,742	-850	-4.3
Assets owned	*17,457*	*18,248*	*-791*	*-4.3*
Rights of use acquired under leases	*1,435*	*1,494*	*-59*	*-3.9*
Tax assets	16,080	18,130	-2,050	-11.3
Non-current assets held for sale and discontinued operations	614	638	-24	-3.8
Other assets	27,458	22,922	4,536	19.8
Total Assets	**955,205**	**974,587**	**-19,382**	**-2.0**

Liabilities	30.06.2023	31.12.2022	Changes amount	Changes %
Due to banks at amortised cost	94,077	137,489	-43,412	-31.6
Due to customers at amortised cost and securities issued	532,468	528,795	3,673	0.7
Financial liabilities held for trading	47,639	46,512	1,127	2.4
Financial liabilities designated at fair value	13,608	8,795	4,813	54.7
Financial liabilities pertaining to insurance companies measured at amortised cost	2,326	2,522	-196	-7.8
Financial liabilities held for trading pertaining to insurance companies	96	171	-75	-43.9
Financial liabilities pertaining to insurance companies designated at fair value	53,160	54,212	-1,052	-1.9
Tax liabilities	2,938	2,021	917	45.4
Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
Other liabilities	22,107	9,399	12,708	
of which lease payables	*1,260*	*1,321*	*-61*	*-4.6*
Insurance liabilities	119,381	117,575	1,806	1.5
Allowances for risks and charges	4,944	5,812	-868	-14.9
of which allowances for commitments and financial guarantees given	*539*	*711*	*-172*	*-24.2*
Share capital	10,369	10,369	-	-
Reserves	42,585	43,002	-417	-1.0
Valuation reserves	-1,709	-1,939	-230	-11.9
Valuation reserves pertaining to insurance companies	-375	-519	-144	-27.7
Interim dividend	-	-1,400	-1,400	
Equity instruments	7,217	7,211	6	0.1
Minority interests	152	166	-14	-8.4
Net income (loss)	4,222	4,379	-157	-3.6
Total liabilities and shareholders' equity	**955,205**	**974,587**	**-19,382**	**-2.0**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2023 30/6	2023 31/3	2022 31/12
Cash and cash equivalents	79,875	77,700	112,924
Due from banks	30,128	30,468	31,273
Loans to customers	437,497	449,860	446,854
Loans to customers measured at amortised cost	*435,583*	*447,419*	*444,244*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,914*	*2,441*	*2,610*
Financial assets measured at amortised cost which do not constitute loans	60,052	58,744	52,690
Financial assets at fair value through profit or loss	48,434	45,988	46,546
Financial assets at fair value through other comprehensive income	59,369	53,314	48,008
Financial assets pertaining to insurance companies measured at amortised cost	3	3	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss	102,480	103,096	103,052
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	71,724	72,562	69,792
Investments in associates and companies subject to joint control	2,599	2,395	2,013
Property, equipment and intangible assets	18,892	19,462	19,742
Assets owned	*17,457*	*17,995*	*18,248*
Rights of use acquired under leases	*1,435*	*1,467*	*1,494*
Tax assets	16,080	17,104	18,130
Non-current assets held for sale and discontinued operations	614	243	638
Other assets	27,458	24,236	22,922
Total Assets	**955,205**	**955,175**	**974,587**

Liabilities	2023 30/6	2023 31/3	2022 31/12
Due to banks at amortised cost	94,077	120,018	137,489
Due to customers at amortised cost and securities issued	532,468	515,369	528,795
Financial liabilities held for trading	47,639	45,681	46,512
Financial liabilities designated at fair value	13,608	10,893	8,795
Financial liabilities pertaining to insurance companies measured at amortised cost	2,326	2,275	2,522
Financial liabilities held for trading pertaining to insurance companies	96	111	171
Financial liabilities pertaining to insurance companies designated at fair value	53,160	54,099	54,212
Tax liabilities	2,938	1,964	2,021
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	15
Other liabilities	22,107	17,716	9,399
of which lease payables	*1,260*	*1,292*	*1,321*
Insurance liabilities	119,381	119,815	117,575
Allowances for risks and charges	4,944	5,630	5,812
of which allowances for commitments and financial guarantees given	*539*	*673*	*711*
Share capital	10,369	10,369	10,369
Reserves	42,585	45,538	43,002
Valuation reserves	-1,709	-1,794	-1,939
Valuation reserves pertaining to insurance companies	-375	-420	-519
Interim dividend	-	-1,400	-1,400
Equity instruments	7,217	7,214	7,211
Minority interests	152	141	166
Net income (loss)	4,222	1,956	4,379
Total Liabilities and Shareholders' Equity	**955,205**	**955,175**	**974,587**

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

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

(millions of euro)

	30.06.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	22,936	5.2	22,970	5.1	-34	-0.1
Mortgages	233,231	53.3	242,299	54.3	-9,068	-3.7
Advances and other loans	154,674	35.4	154,477	34.6	197	0.1
Commercial banking loans	**410,841**	**93.9**	**419,746**	**94.0**	**-8,905**	**-2.1**
Repurchase agreements	**15,360**	**3.5**	**15,366**	**3.4**	**-6**	**-**
Loans represented by securities	**5,998**	**1.4**	**6,246**	**1.4**	**-248**	**-4.0**
Non-performing loans	**5,298**	**1.2**	**5,496**	**1.2**	**-198**	**-3.6**
Loans to customers	**437,497**	**100.0**	**446,854**	**100.0**	**-9,357**	**-2.1**

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

As at 30 June 2023, loans to customers of the Group amounted to 437.5 billion euro, down (-2.1%) since the beginning of the year. This performance was essentially the result of the decrease in commercial banking loans (-2.1%, or -8.9 billion euro), attributable to the downturn in mortgage loans to individuals and businesses. The latter, faced with a sharp rise in interest rates, decided to use their liquidity to limit the use of bank loans.
With regard to the other components, which have lower percentages on the total aggregate, both loans represented by securities and non-performing loans decreased, by -4% (-0.2 billion euro) and -3.6% (-0.2 billion euro), respectively, while repurchase agreements remained substantially stable.

In the domestic medium/long-term loan market, disbursements to households in the first six months of 2023 (including the small business accounts having similar needs to family businesses) amounted to 7.6 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 5.8 billion euro. Loans granted by the Agribusiness segment amounted to 824 million euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 4.6 billion euro, excluding the international portion. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and Prestitalia were approximately 19.3 billion euro. If the activities of the international subsidiary banks and the international part of IMI C&IB are included, the Group's medium/long-term disbursements totalled 29 billion euro.
As at 30 June 2023, the Intesa Sanpaolo Group's share of the Italian domestic market was estimated at 18.6% 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.

With reference to the specific measures to support the production system set out due to the COVID-19 pandemic, it is highlighted that Intesa Sanpaolo, the first Bank in Italy to sign the collaboration protocol with SACE, has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Overall, at the end of the first half of 2023, a total of 49 billion euro[21] of loans backed by government guarantee had been granted, also through the SME Fund, since the beginning of the pandemic (in application of the "Liquidità" Law Decree no. 23 of 8 April 2020), of which 13 billion euro SACE and 36 billion euro the SME Fund, without significant changes compared to December 2022. The data regarding the monitoring of the guarantees from the "Fondo Centrale di Garanzia" (Central Guarantee Fund) do not present significant risks, thanks to careful and timely management.
At consolidated level, also considering the operations in the other countries where the Group has a presence, at the end of June 2023 the residual debt of exposures subject to government guarantee schemes, for which the process has been completed for both the acquisition of guarantees and for disbursement, which may not coincide with each other, totalled 29.1 billion euro, compared to 33.2 billion euro in December 2022. The decrease, essentially attributable to the Parent Company, was correlated with the redemptions during the period.

As part of its mission to support Italy's economy, also note that, in relation to the measures established by the "*Rilancio*" Decree (Law Decree 34/2020) for the relaunch of the construction sector, the Intesa Sanpaolo Group has developed specific solutions not only for those who want to transfer their tax credit directly but also for businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. The process of acquiring tax credits is subject to comprehensive controls that allow the Bank to demonstrate the effective fulfilment of the specific due diligence requirements.
From the start of the operations – carried out through the Banca dei Territori and IMI Corporate & Investment Banking Divisions – to the end of June 2023, the tax credits already purchased or subscribed totalled 25.5 billion euro (20.2 billion euro finalised and 5.3 billion euro subscribed), in addition to credits being acquired for 7.5 billion euro. Net of decreases of

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

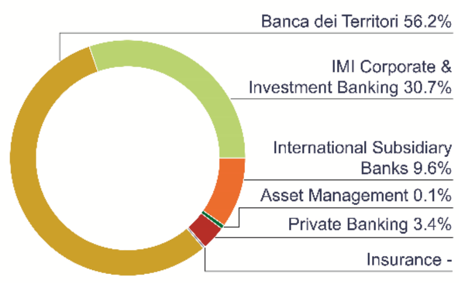
4.5 billion euro (attributable to offsetting carried out during the period, deferrals recognised, resales carried out and the adjustment to fair value, where required), as at 30 June 2023 tax credits of 15.7 billion euro were recognised in the financial statements, under caption 130 Other assets of the Consolidated Balance Sheet.

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	240,388	247,913	-7,525	-3.0
IMI Corporate & Investment Banking	131,297	129,791	1,506	1.2
International Subsidiary Banks	41,124	40,212	912	2.3
Private Banking	14,631	15,104	-473	-3.1
Asset Management	245	282	-37	-13.1
Insurance	-	-	-	-
Total business areas	**427,685**	**433,302**	**-5,617**	**-1.3**
Corporate Centre	9,812	13,552	-3,740	-27.6
Intesa Sanpaolo Group	**437,497**	**446,854**	**-9,357**	**-2.1**

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 56.2% of the aggregate of the Group's business areas, recorded a decrease year-to-date (-3%, or -7.5 billion euro), mainly attributable to loans to SMEs, which used their liquidity to reduce their credit facilities and, to a lesser extent, loans to retail customers, who decreased the demand for mortgage loans. Conversely, the IMI Corporate & Investment Banking Division grew by 1.5 billion euro (+1.2%), mainly due to Global Markets short-term loans, boosted by the development of repurchase agreements, and loans to financial institution customers. The loans in the International Subsidiary Banks Division also increased moderately (+2.3%, or +0.9 billion euro), as a result of the greater contribution from subsidiaries operating in Croatia, Hungary and Slovakia, partly offset by the downturn recorded in Egypt. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, decreases were recorded in both the loans of the Private Banking Division (-3.1%), mainly comprised of short-term credit facilities, and the Asset Management Division (-13.1%).

Loans on central assets of the Corporate Centre decreased (-27.6%) in relation to the downturn in repurchase agreement to central counterparties.

Loans to customers: credit quality

(millions of euro)

	30.06.2023		31.12.2022		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	1,175	0.3	1,131	0.2	44
Unlikely to pay	3,601	0.8	3,952	0.9	-351
Past due loans	522	0.1	413	0.1	109
Non-Performing Loans	**5,298**	**1.2**	**5,496**	**1.2**	**-198**
Non-performing loans in Stage 3 (subject to impairment)	*5,251*	*1.2*	5,463	*1.2*	*-212*
Non-performing loans measured at fair value through profit or loss	*47*	*-*	*33*	*-*	*14*
Performing loans	**426,120**	**97.4**	**435,026**	**97.4**	**-8,906**
Stage 2	*36,710*	*8.4*	*43,865*	*9.8*	*-7,155*
Stage 1	*388,697*	*88.8*	*390,278*	*87.4*	*-1,581*
Performing loans measured at fair value through profit or loss	*713*	*0.2*	*883*	*0.2*	*-170*
Performing loans represented by securities	**5,998**	**1.4**	**6,246**	**1.4**	**-248**
Stage 2	*826*	*0.2*	*815*	*0.2*	*11*
Stage 1	*5,172*	*1.2*	*5,431*	*1.2*	*-259*
Loans held for trading	**81**	**-**	**86**	**-**	**-5**
Total loans to customers	**437,497**	**100.0**	**446,854**	**100.0**	**-9,357**
of which forborne performing	***5,450***		***6,920***		***-1,470***
of which forborne non-performing	***1,997***		***2,063***		***-66***
Loans to customers classified as non-current assets held for sale	**518**		**368**		**150**

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

Net non-performing loans of the Group amounted to 5.3 billion euro at the end of the half year, a new record low. The reduction from the beginning of the year (-198 million euro; -3.6%) confirms the virtuous trend already recorded in previous years. The ratio of net non-performing loans to total net loans to customers came to 1.2% (1% according to the EBA definition) with the coverage of non-performing loans amounting to 49.0%, up slightly on the 48.4% at the end of 2022.
In further detail, in June 2023 bad loans amounted to 1.2 billion euro (+3.9%), net of adjustments, representing 0.3% of total net loans with a coverage ratio of 68.2%. Loans included in the unlikely-to-pay category amounted to 3.6 billion euro, down by 8.9%, accounting for 0.8% of total net loans to customers, with a coverage ratio of 40.0%. Past due loans amounted to 522 million euro (+26.4%), with a coverage ratio of 23.7%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2 billion euro, with a coverage ratio of 43.2%. Forborne exposures in the performing loan category amounted to 5.5 billion euro.

At the end of the first half of 2023, net performing loans amounted to 426.1 billion euro, down on December by 8.9 billion euro (-2.0%), recording total coverage of 0.57%, of which loans in Stage 2 amounting to 4.35% (from 4.23% at the end of 2022), and those in Stage 1 at 0.19% (compared to 0.17% at the end of December 2022).
Net loans in Stage 2 were down by 16.3%, to 36.7 billion euro. That performance incorporates net decreases, mainly at domestic level, following classification to Stage 1, also due to the gradual elimination of the moratoria, with a general recovery in payment terms, as well as the decrease in Russia/Ukraine portfolios.

The table below shows the gross exposure, total adjustments and net exposure of Loans to customers in relation to their risk profile.

(millions of euro)

	30.06.2023			31.12.2022			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,693	-2,518	1,175	3,667	-2,536	1,131	44
Unlikely to pay	6,002	-2,401	3,601	6,423	-2,471	3,952	-351
Past due loans	684	-162	522	552	-139	413	109
Non-Performing Loans	**10,379**	**-5,081**	**5,298**	**10,642**	**-5,146**	**5,496**	**-198**
Non-performing loans in Stage 3 (subject to impairment)	*10,310*	*-5,059*	*5,251*	*10,597*	*-5,134*	*5,463*	*-212*
Non-performing loans designated at fair value through profit or loss	*69*	*-22*	*47*	*45*	*-12*	*33*	*14*
Performing loans	**428,547**	**-2,427**	**426,120**	**437,616**	**-2,590**	**435,026**	**-8,906**
Stage 2	*38,381*	*-1,671*	*36,710*	*45,801*	*-1,936*	*43,865*	*-7,155*
Stage 1	*389,453*	*-756*	*388,697*	*390,932*	*-654*	*390,278*	*-1,581*
Performing loans designated at fair value through profit or loss	*713*	*-*	*713*	*883*	*-*	*883*	*-170*
Performing loans represented by securities	**6,022**	**-24**	**5,998**	**6,274**	**-28**	**6,246**	**-248**
Stage 2	*842*	*-16*	*826*	*838*	*-23*	*815*	*11*
Stage 1	*5,180*	*-8*	*5,172*	*5,436*	*-5*	*5,431*	*-259*
Loans held for trading	**81**	**-**	**81**	**86**	**-**	**86**	**-5**
Total loans to customers	**445,029**	**-7,532**	**437,497**	**454,618**	**-7,764**	**446,854**	**-9,357**
of which forborne performing	***5,877***	***-427***	***5,450***	***7,473***	***-553***	***6,920***	***-1,470***
of which forborne non-performing	***3,513***	***-1,516***	***1,997***	***3,480***	***-1,417***	***2,063***	***-66***
Loans to customers classified as non-current assets held for sale	**1,085**	**-567**	**518**	**754**	**-386**	**368**	**150**

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

As at 30 June 2023, the Group's gross non-performing loans dropped to 10.4 billion euro, down by 0.3 billion euro (-2.5%) compared to December 2022. The NPL ratio was 2.3% gross of adjustments and 1.2% net (1.9% and 1%, respectively, gross and net according to the EBA methodology).

As previously described, that result is attributable to the de-risking initiatives implemented during the period, and specifically, to the classification under assets held for sale of a portfolio of bad loans amounting to a gross value of 0.3 billion euro, as the conditions for applicability based on IFRS 5 were met.

The process of reducing non-performing loans also continues to benefit from the low levels of new inflows of performing loans which (though slightly up), remained low due to the performance of the prevention initiatives on non-performing loans.

During the first six months, gross inflows came to 1.5 billion euro, of which 0.6 billion euro in the first quarter and almost 0.9 billion euro in the second. In the first half of 2022, gross inflows were 1.9 billion euro.

In net terms, that is, net of outflows to performing loans, inflows came to 1.1 billion euro (0.4 billion euro in the first three months and 0.7 billion euro in the second quarter), compared to 1.4 billion euro in the first half of 2022.

The table shows that the decrease in gross non-performing loans was due to unlikely-to-pay loans for 421 million euro (-6.6%), against a slight increase in bad loans for 26 million euro and in past-due loans, which also increased by 132 million euro.

At the end of June 2023, non-performing loans classified under assets held for sale amounted to 0.3 billion euro gross.

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					
30.06.2023	9,065	39,761	37,671	**86,497**	X
31.12.2022	7,511	33,959	29,523	**70,993**	X
Changes amount	1,554	5,802	8,148	**15,504**	X
Changes %	20.7	17.1	27.6	**21.8**	X
Other debt securities					
30.06.2023	4,544	18,460	22,381	**45,385**	X
31.12.2022	3,075	12,701	23,167	**38,943**	X
Changes amount	1,469	5,759	-786	**6,442**	X
Changes %	47.8	45.3	-3.4	**16.5**	X
Equities					
30.06.2023	1,619	1,148	X	**2,767**	X
31.12.2022	1,352	1,348	X	**2,700**	X
Changes amount	267	-200	X	**67**	X
Changes %	19.7	-14.8	X	**2.5**	X
Quotas of UCI					
30.06.2023	4,205	X	X	**4,205**	X
31.12.2022	3,739	X	X	**3,739**	X
Changes amount	466	X	X	**466**	X
Changes %	12.5	X	X	**12.5**	X
Due to banks and to customers					
30.06.2023	X	X	X	**X**	-9,112
31.12.2022	X	X	X	**X**	-7,241
Changes amount	X	X	X	**X**	1,871
Changes %	X	X	X	**X**	25.8
Financial derivatives					
30.06.2023	27,696	X	X	**27,696**	-28,869
31.12.2022	29,933	X	X	**29,933**	-30,540
Changes amount	-2,237	X	X	**-2,237**	-1,671
Changes %	-7.5	X	X	**-7.5**	-5.5
Credit derivatives					
30.06.2023	1,305	X	X	**1,305**	-1,327
31.12.2022	936	X	X	**936**	-935
Changes amount	369	X	X	**369**	392
Changes %	39.4	X	X	**39.4**	41.9
TOTAL 30.06.2023	**48,434**	**59,369**	**60,052**	**167,855**	**-39,308**
TOTAL 31.12.2022	**46,546**	**48,008**	**52,690**	**147,244**	**-38,716**
Changes amount	**1,888**	**11,361**	**7,362**	**20,611**	**592**
Changes %	**4.1**	**23.7**	**14.0**	**14.0**	**1.5**

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 those pertaining to insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.

The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to approximately

168 billion euro, up by 20.6 billion euro compared to the beginning of the year (+14%). Financial liabilities held for trading increased slightly (+1.5%), amounting to 39.3 billion euro.

The increase in total financial assets is mainly due to the performance of debt securities (+21.9 billion euro). The trend in financial liabilities held for trading was due to the growth in amounts due to banks and due to customers (+1.9 billion euro), almost fully offset by the decrease in financial derivatives (-1.7 billion euro).

Financial assets measured at fair value through profit or loss amounted to 48.4 billion euro, recording an increase (+4.1%, or +1.9 billion euro) essentially attributable to the increase in debt securities, partially offset by the decrease in financial derivatives.
Instruments measured at amortised cost which do not constitute loans amounted to 60.1 billion euro, up by 14%, due to the performance of debt securities issued by governments. HTC debt securities have primarily been classified to Stage 1 (88.3%).
Financial assets measured at fair value through other comprehensive income also increased on the beginning of the year (+23.7%), amounting to 59.4 billion euro, attributable to the performance of debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (98.7%).

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			
30.06.2023	57,487	53,039	**110,526**
31.12.2022	46,475	49,502	**95,977**
Changes amount	11,012	3,537	**14,549**
Changes %	23.7	7.1	**15.2**
Stage 2			
30.06.2023	734	7,008	**7,742**
31.12.2022	185	3,180	**3,365**
Changes amount	549	3,828	**4,377**
Changes %			
Stage 3			
30.06.2023	-	5	**5**
31.12.2022	-	8	**8**
Changes amount	-	-3	**-3**
Changes %	-	-37.5	**-37.5**
TOTAL 30.06.2023	**58,221**	**60,052**	**118,273**
TOTAL 31.12.2022	**46,660**	**52,690**	**99,350**
Changes amount	**11,561**	**7,362**	**18,923**
Changes %	**24.8**	**14.0**	**19.0**

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

Customer financial assets

(millions of euro)

	30.06.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	554,407	44.3	545,386	45.3	9,021	1.7
Direct deposits from insurance business	174,122	13.9	173,672	14.4	450	0.3
Indirect customer deposits	693,217	55.4	656,663	54.6	36,554	5.6
Netting (a)	-169,849	-13.6	-171,872	-14.3	-2,023	-1.2
Customer financial assets	**1,251,897**	**100.0**	**1,203,849**	**100.0**	**48,048**	**4.0**

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

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

As at 30 June 2023 customer financial assets, after netting, reached 1,252 billion euro, up year-to-date (+4%, or +48 billion euro), driven by indirect customer deposits (+5.6%, or +36.6 billion euro) and, to a lesser extent, by direct deposits from banking business (+1.7%, or +9 billion euro). Direct deposits from insurance business were substantially stable (+0.3%).

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)

	30.06.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	402,569	72.6	432,976	79.4	-30,407	-7.0
Repurchase agreements and securities lending	15,059	2.7	1,284	0.2	13,775	
Bonds	67,393	12.2	52,364	9.6	15,029	28.7
Certificates of deposit	2,962	0.5	2,094	0.4	868	41.5
Subordinated liabilities	13,482	2.4	12,474	2.3	1,008	8.1
Other deposits	52,942	9.6	44,194	8.1	8,748	19.8
of which designated at fair value (*)	*21,939*	*4.0*	*16,591*	*3.0*	*5,348*	*32.2*
Direct deposits from banking business	**554,407**	**100.0**	**545,386**	**100.0**	**9,021**	**1.7**

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

(*) Figures relating to investment certificates and other forms of funding included in the Balance sheet under “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. Specifically:
- as at 30 June 2023, this caption consisted of 8,331 million euro of certificates classified under “Financial liabilities held for trading” and 13,608 million euro of certificates (13,604 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- as at 31 December 2022, this caption consisted of 7,796 million euro of certificates classified under “Financial liabilities held for trading” and 8,795 million euro of certificates (8,791 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”.

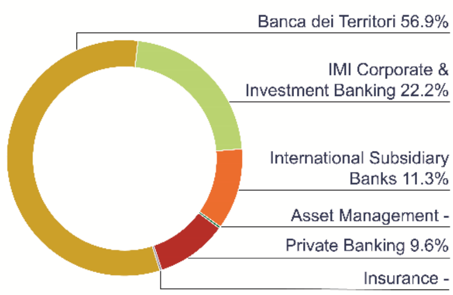
Bearer instruments issued are conventionally fully attributed to funding from customers.

The Group’s direct deposits from banking business came to 554.4 billion euro, up year-to-date (+1.7%, or +9 billion euro).
That performance was the result of an increase in time direct deposits (bonds, repurchase agreements, subordinated liabilities and certificates of deposit) totalling 30.7 billion euro and other funding (+8.7 billion euro), specifically certificates, which more than offset the downturn in current accounts and deposits (-30.4 billion euro).
The performance of the latter caption should be understood in a scenario of progressive increases in interest rates, where companies used their liquidity to reduce their use of bank loans, and retail customers redirected a portion of their available funds on current accounts to more remunerative investment products, such as government and corporate bond issues, which increased the dossiers of assets under administration (+28.9 billion euro).
As at 30 June 2023, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented an estimated share of the domestic market of 21.9%. 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.

	30.06.2023	31.12.2022	(millions of euro) Changes amount	%
Banca dei Territori	271,418	291,089	-19,671	-6.8
IMI Corporate & Investment Banking	105,935	94,785	11,150	11.8
International Subsidiary Banks	54,152	54,364	-212	-0.4
Private Banking	45,636	50,447	-4,811	-9.5
Asset Management	17	26	-9	-34.6
Insurance	-	-	-	-
Total business areas	**477,158**	**490,711**	**-13,553**	**-2.8**
Corporate Centre	77,249	54,675	22,574	41.3
Intesa Sanpaolo Group	**554,407**	**545,386**	**9,021**	**1.7**

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

Business areas
Direct deposits from banking business



In the analysis of funding by sector, the Banca dei Territori Division, which accounts for 56.9% of the aggregate attributable to the Group's operating units, came in below the levels of the beginning of the year (-6.8%, or -19.7 billion euro), in view of the decrease in amounts due to customers. In response to a quick rise in interest rates, business customers used their liquidity to limit the use of bank loans, and households, whose purchasing power was eroded by growing inflation, redirected a portion of their available funds on current accounts to more remunerative investment products

Decreases were also seen in Private Banking (-9.5%, or -4.8 billion euro), related to the reduction in current account deposits, while International Subsidiary Banks' funding was substantially stable (-0.4%), due to the negative trend in the subsidiaries operating in Egypt and Croatia, largely offset by the growth trends in Serbia and Hungary. There was an increase in the IMI Corporate & Investment Banking Division (+11.8%, or +11.2 billion euro), relating to the increase in amounts due to customers in the Global Markets, transactions in certificates, and securities issued by the subsidiaries in Luxembourg and Ireland.

The growth in Corporate Centre funding was mainly attributable to increased transactions in wholesale securities and repurchase agreements.

Indirect customer deposits

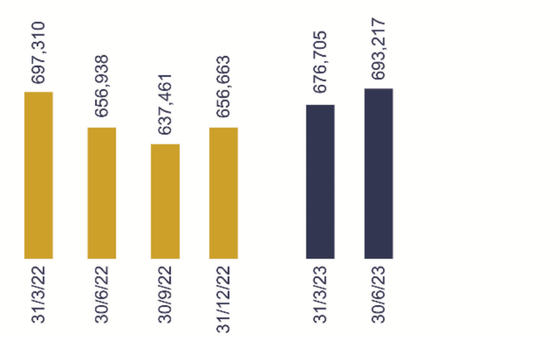
(millions of euro)

	30.06.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds [a]	154,004	22.2	149,790	22.8	4,214	2.8
Open-ended pension funds and individual pension plans	12,809	1.9	11,986	1.8	823	6.9
Portfolio management	76,793	11.1	73,591	11.2	3,202	4.4
Insurance liabilities and insurance financial liabilities	169,849	24.5	171,872	26.2	-2,023	-1.2
Relations with institutional customers	24,384	3.5	22,926	3.5	1,458	6.4
Assets under management	**437,839**	**63.2**	**430,165**	**65.5**	**7,674**	**1.8**
Assets under administration and in custody	**255,378**	**36.8**	**226,498**	**34.5**	**28,880**	**12.8**
Indirect customer deposits	**693,217**	**100.0**	**656,663**	**100.0**	**36,554**	**5.6**

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

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

Quarterly development
Indirect customer deposits
(millions of euro)



As at 30 June 2023, indirect customer deposits, which came to 693.2 billion euro, increased by 5.6% year-to-date. This performance is attributable to both assets under administration and, to a lesser extent, assets under management, which benefited from the recovery in market prices.
Assets under management, which, with 438 billion euro, constitute almost two-thirds of the total aggregate, recorded growth (+1.8%, or +7.7 billion euro), attributable to mutual funds (+4.2 billion euro), portfolio management schemes (+3.2 billion euro), relations with institutional customers (+1.5 billion euro), and open pension funds and individual pension policies (+0.8 billion euro). Conversely, insurance liabilities and insurance financial liabilities decreased (-1.2%, or -2 billion euro). In the first six months of 2023, 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, amounting to 255.4 billion euro, increased (+12.8%, or +28.9 billion euro), concentrated in securities and third-party products in custody, which investors targeted to invest their liquidity accumulated over the years of the pandemic, marked by serious uncertainty and volatility on the financial markets.

Amounts due from and to banks - net interbank position

Due to the increase in policy interest rates, starting in September 2022, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under "Due from banks", but in on-demand deposits (overnight deposits) at the Central Bank that are reported in the caption "Cash and cash equivalents". At the end of the first half of 2023, that amount was 57.5 billion euro (89 billion euro in December 2022).
Calculated considering the above liquidity, as at 30 June 2023 the net interbank position stood at net debt of 6 billion euro compared to 17 billion euro at the end of 2022. The change reflects a significant reduction of 31.6% in amounts due to banks, including early repayments, correlated with TLTRO operations, undertaken during the year, compared with the decrease of 27.1% in cash and cash equivalents and amounts due from banks.

As at 30 June 2023, outstanding TLTRO III refinancing amounted to a nominal value of 45.1 billion euro – almost fully pertaining to Intesa Sanpaolo – compared to 96.1 billion euro at the end of 2022. In January, Intesa Sanpaolo made early repayments of 20 billion euro in nominal value: 4 billion euro obtained at the March 2020 auction and maturing in March 2023, and 16 billion euro as a partial repayment of funds obtained at the June 2020 auction and maturing in June 2023. On 28 June, 31 billion euro which was still outstanding of the financing obtained at the June 2020 auction fell due.

INSURANCE BUSINESS

Financial assets and liabilities pertaining to insurance companies

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value through profit or loss and Hedging derivatives	Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	Financial assets pertaining to insurance companies measured at amortised cost	TOTAL Financial assets pertaining to insurance companies	Due to Banks and Financial Derivatives pertaining to insurance companies (*)	
Debt securities issued by Governments						
30.06.2023	3,142	55,842	-	**58,984**	X	
31.12.2022	2,754	55,283	-	**58,037**	X	
Changes amount	388	559	-	**947**	X	
Changes %	14.1	1.0	-	**1.6**	X	
Other debt securities						
30.06.2023	3,934	15,875	-	**19,809**	X	
31.12.2022	3,640	14,502	-	**18,142**	X	
Changes amount	294	1,373	-	**1,667**	X	
Changes %	8.1	9.5	-	**9.2**	X	
Equities						
30.06.2023	5,179	7	-	**5,186**	X	
31.12.2022	5,004	7	-	**5,011**	X	
Changes amount	175	-	-	**175**	X	
Changes %	3.5	-	-	**3.5**	X	
Quotas of UCI						
30.06.2023	89,571	-	-	**89,571**	X	
31.12.2022	90,680	-	-	**90,680**	X	
Changes amount	-1,109	-	-	**-1,109**	X	
Changes %	-1.2	-	-	**-1.2**	X	
Due from banks and loans to customers						
30.06.2023	583	-	3	**586**	X	
31.12.2022	876	-	3	**879**	X	
Changes amount	-293	-	-	**-293**	X	
Changes %	-33.4	-	-	**-33.3**	X	
Due to banks						
30.06.2023	X	X	X	**X**	745	(**)
31.12.2022	X	X	X	**X**	637	(**)
Changes amount	X	X	X	**X**	108	
Changes %	X	X	X	**X**	17.0	
Financial derivatives						
30.06.2023	71	-	-	**71**	96	(***)
31.12.2022	98	-	-	**98**	171	(***)
Changes amount	-27	-	-	**-27**	-75	
Changes %	-27.6	-	-	**-27.6**	-43.9	
Credit derivatives						
30.06.2023	-	-	-	**-**	-	(***)
31.12.2022	-	-	-	**-**	-	(***)
Changes amount	-	-	-	**-**	-	
Changes %	-	-	-	**-**	-	
TOTAL 30.06.2023	**102,480**	**71,724**	**3**	**174,207**	**841**	
TOTAL 31.12.2022	**103,052**	**69,792**	**3**	**172,847**	**808**	
Changes amount	**-572**	**1,932**	**-**	**1,360**	**33**	
Changes %	**-0.6**	**2.8**	**-**	**0.8**	**4.1**	

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

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

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

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

Financial assets and due to banks, and financial derivatives pertaining to insurance companies, summarised in the table above, amounted to 174 billion euro and 841 million euro, respectively. Financial assets increased slightly on the beginning of the year (+0.8%, or +1.4 billion euro), due to the growing trend in financial assets measured at fair value through other comprehensive income (+2.8%, or +1.9 billion euro), specifically on government debt securities and other debt securities. Financial assets measured at fair value through profit or loss and hedging derivatives were down slightly (-0.6%).

Direct deposits from insurance business

(millions of euro)

	30.06.2023				31.12.2022				Changes	
	Life	Non-life	Total	% breakdown	Life	Non-life	Total	% breakdown	amount	%
Liabilities for remaining coverage (*)	116,899	1,017	117,916	67.7	115,236	1,042	116,278	67.0	1,638	1.4
of which: Present value of cash flows	*107,740*	*231*	*107,971*	*62.0*	*106,227*	*216*	*106,443*	*61.3*	*1,528*	*1.4*
of which: Adjustment for non-financial risks	*334*	*17*	*351*	*0.2*	*268*	*1*	*269*	*0.2*	*82*	*30.5*
of which: Contractual service margin	*8,825*	*325*	*9,150*	*5.3*	*8,741*	*328*	*9,069*	*5.2*	*81*	*0.9*
Liabilities for incurred claims	763	702	1,465	0.9	758	539	1,297	0.7	168	13.0
Total Insurance liabilities	**117,662**	**1,719**	**119,381**	**68.6**	**115,994**	**1,581**	**117,575**	**67.7**	**1,806**	**1.5**
Investment contracts										
Unit linked (**)	53,160	-	53,160	30.5	54,212	-	54,212	31.2	-1,052	-1.9
Total Financial liabilities	**53,160**	**-**	**53,160**	**30.5**	**54,212**	**-**	**54,212**	**31.2**	**-1,052**	**-1.9**
Other insurance deposits (***)	**1,581**	**-**	**1,581**	**0.9**	**1,885**	**-**	**1,885**	**1.1**	**-304**	**-16.1**
Direct deposits from insurance business	**172,403**	**1,719**	**174,122**	**100.0**	**172,091**	**1,581**	**173,672**	**100.0**	**450**	**0.3**

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

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

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

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

Direct deposits from insurance business reached 174.1 billion euro as at 30 June 2023, substantially stable (+0.3%) on the end of December 2022. This trend is attributable to the increase in insurance liabilities (+1.5%, +1.8 billion euro), specifically the liability for remaining coverage, offset by lower financial liabilities (-1.1 billion euro), composed of unit-linked products fully attributable to the life business, and by the drop in other deposits from insurance business (-0.3 billion euro), which includes subordinated liabilities.

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 2023, assets held for sale amounted to 614 million euro, while no associated liabilities were recognised.

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

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

(millions of euro)

	DEBT SECURITIES				LOANS
	BANKING GROUP			TOTAL (1)	
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss		
EU Countries	**36,471**	**30,710**	**381**	**67,562**	**10,739**
Austria	615	294	-2	907	-
Belgium	3,199	3,056	112	6,367	-
Bulgaria	-	-	-	-	-
Croatia	150	588	75	813	1,559
Cyprus	-	-	-	-	-
Czech Republic	-	-	-	-	-
Denmark	-	10	2	12	-
Estonia	-	-	-	-	-
Finland	255	153	-	408	-
France	6,644	3,593	164	10,401	31
Germany	50	1,521	13	1,584	-
Greece	-	-	5	5	-
Hungary	167	882	63	1,112	322
Ireland	336	56	1	393	-
Italy	17,323	10,839	-381	27,781	8,456
Latvia	-	-	-	-	18
Lithuania	-	-	-	-	-
Luxembourg	311	591	18	920	-
Malta	-	-	-	-	-
The Netherlands	828	62	19	909	-
Poland	26	64	5	95	-
Portugal	387	415	-64	738	-
Romania	65	411	11	487	3
Slovakia	-	1,017	12	1,029	139
Slovenia	1	184	2	187	161
Spain	6,114	6,963	326	13,403	50
Sweden	-	11	-	11	-
Non-EU Countries					
Albania	78	544	6	628	-
Egypt	74	1,088	-	1,162	535
Japan	-	1,101	-	1,101	-
Russia	-	10	-	10	-
Serbia	7	547	-	554	217
United Kingdom	-	237	1	238	-
U.S.A.	3,385	7,254	148	10,787	-

Management accounts

(1) Debt securities from insurance business (excluding securities in which gathered amounts are invested from insurance policies where the total risk is borne by the policyholders) relating to Italy amounted to 48,464 million euro.

As illustrated in the table, the Banking Group's exposure to Italian government securities at the end of the first half of 2023 totalled approximately 28 billion euro (27 billion euro as at 31 December 2022), in addition to another 8 billion euro represented by loans, largely unchanged compared to the end of 2022.

SHAREHOLDERS' EQUITY

As at 30 June 2023, the Group's Shareholders' equity came to 62,309 million euro, compared to 61,103 million euro at the beginning of the year, which registered the interim dividends on the 2022 net income paid in November 2022 (-1.4 billion euro). The aggregate as at June 2023 includes 4,222 million euro of net income accrued in the first half of the current year and reflects the remaining dividends on the 2022 income paid in May 2023 (1.6 billion euro).

Valuation reserves

(millions of euro)

	Reserve 31.12.2022	Change of the period	Reserve 30.06.2023
Financial assets designated at fair value through other comprehensive income (debt instruments)	-1,774	356	-1,418
Financial assets designated at fair value through other comprehensive income (equities)	-258	-156	-414
Property and equipment	1,749	-5	1,744
Foreign investment hedges	-10	-4	-14
Cash flow hedges	-466	57	-409
Foreign exchange differences	-1,247	-6	-1,253
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-45	-55	-100
Actuarial profits (losses) on defined benefit pension plans	-238	74	-164
Portion of the valuation reserves connected with investments carried at equity	39	-31	8
Legally-required revaluations	311	-	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-1,939**	**230**	**-1,709**
Valuation reserves pertaining to insurance companies	**-519**	**144**	**-375**

Banking valuation reserves had a negative value (-1,709 million euro), improving on 31 December 2022 (-1,939 million euro), mainly due to reserves on debt securities (+356 million euro). Valuation reserves of the insurance companies amounted to -375 million euro, compared to -519 million euro at the end of 2022.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	30.06.2023	31.12.2022	
	(*)	IFRS9 "Fully loaded"	IFRS9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	40,615	40,019	40,772
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,207	7,207	7,207
TIER 1 CAPITAL	**47,822**	**47,226**	**47,979**
Tier 2 capital net of regulatory adjustments	9,337	9,127	8,381
TOTAL OWN FUNDS	**57,159**	**56,353**	**56,360**
Risk-weighted assets			
Credit and counterparty risks	256,674	259,924	259,528
Market and settlement risk	12,364	10,338	10,338
Operational risks	26,490	25,486	25,486
Other specific risks (a)	258	91	91
RISK-WEIGHTED ASSETS	**295,786**	**295,839**	**295,443**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.7%	13.5%	13.8%
Tier 1 capital ratio	16.2%	16.0%	16.2%
Total capital ratio	19.3%	19.0%	19.1%

(*) The IFRS 9 transition period ended on 31 December 2022 and the amounts shown in the column as at 30 June 2023 are therefore comparable with the previous IFRS 9 fully loaded period.
(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own Funds, risk-weighted assets and the capital ratios as at 30 June 2023 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 876/2019 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.
With reference to IFRS 9, the transitional period (2018-2022) introduced by Regulation (EU) no. 2395/2017, of which the Group applied the “static” approach, ended on 31 December 2022.
With regard to the effects of the application of IFRS 17 and the end of the period of application of the Deferral Approach for IFRS 9 for the insurance companies, refer to the chapter “Accounting policies” of the Notes to the Half-yearly condensed consolidated financial statements.

Own funds

As at 30 June 2023, Own funds amounted to 57,159 million euro.
Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the elements to be deducted from own funds, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.
Own funds also take into account the applicable amount, object of deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 630/2019 of 17 April 2019.
Moreover, in compliance with art. 3 of the CRR (“Application of stricter requirements by institutions”), for the purpose of calculating own funds as at 30 June 2023, the voluntary deduction of calendar provisioning[22] on exposures within the scope of Pillar 2 was included, which entailed the deduction of an impact of around -30 basis points from CET 1.
It is also noted that, starting on 30 June 2023, the Intesa Sanpaolo Group will comply with EBA Q&A 2021_6211, which clarifies that the amount of goodwill to deduct from an institution’s CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. The latter amount was included in the calculation of risk-weighted assets (RWA), thus falling under the ordinary treatment that the Group reserves for investments in insurance companies.

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

Lastly, it is noted that, for the purposes of calculating own funds as at 30 June 2023, the net income for the first half was considered, less the related dividend and other foreseeable charges[23].

Risk-weighted assets
As at 30 June 2023, risk-weighted assets came to 295,786 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risks.
Common Equity Tier 1 Capital and risk-weighted assets as at 30 June 2023 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) no. 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios
On the basis of the foregoing, solvency ratios as at 30 June 2023 amounted to a Common Equity ratio of 13.7%, a Tier 1 ratio of 16.2% and a total capital ratio of 19.3%.
Finally, on 15 December 2022, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2023, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.95%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[24] requirements.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	30.06.2023	31.12.2022
Group Shareholders' equity	62,309	61,655
Minority interests	152	166
Shareholders' equity as per the Balance Sheet	**62,461**	**61,821**
Interim dividend (a)	-	1,400
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,207	-7,207
- Minority interests eligible for inclusion in AT1	-	-
- Minority interests eligible for inclusion in T2	-	-
- Ineligible minority interests on full phase-in	-152	-166
- Ineligible net income for the period (b)	-3,181	-3,165
- Treasury shares included under regulatory adjustments (c)	148	169
- Other ineligible components on full phase-in	-138	-100
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**51,931**	**52,752**
Regulatory adjustments (including transitional adjustments) (d)	**-11,316**	**-11,980**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**40,615**	**40,772**

(a) As at 31 December 2022 the Shareholders' equity as per the Balance Sheet did not include the interim dividend of 1,400 million euro (net of the undistributed portion in respect of the own shares held at the record date).

(b) Common Equity Tier 1 capital as at 30 June 2023 includes the net income as at that date, less the related dividend and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects).

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

(d) Regulatory adjustments as at 30 June 2023 no longer include the impact of the application of the IFRS9 transitional filter, the applicability of which ended in 2022. Conversely, they include 891 million euro in additional deductions pursuant to Art. 3 of the CRR (relating to the voluntary deduction of calendar provisioning on exposures included in the scope of Pillar 2).

[23] Coupons accrued on the Additional Tier 1 issues (160 million euro).

[24] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 30 June 2023 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2025, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first nine months of 2023).

Breakdown of consolidated results by business area and geographical area

Breakdown of consolidated results by business area and geographical area

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

With regard to the application of IFRS 17 and the correlated end of the period of application of the Deferral Approach for IFRS 9 for the Group's insurance companies, in line with the change of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the division data for the periods presented for comparison were also restated on a like-for-like basis.
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 restatements involved:
- the inclusion in the Private Banking Division of the income statement and balance sheet results of the Luxembourg private bank Compagnie de Banque Privée Quilvest[25], consolidated at the end of June 2022;
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022;
- the reclassification from the caption Personnel expenses to the caption Net fee and commission income, of the charges relating to several incentive systems for employees of the Banca dei Territori Division and the Private Banking Division, where funded through fee and commission income generated based on deterministic quantification criteria correlated with that income, in line with the accounting treatment envisaged for the incentive systems for non-employee financial advisors (reclassification introduced in 2022);

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

The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the 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) 876/2019 of 20 May 2019, known as CRR II, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws. Absorbed capital also takes account of the regulatory changes introduced by the ECB with effect from 12 March 2020, allowing the Pillar 2 requirement to

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

be met partially using equity instruments not classified as Common Equity Tier 1. For each Division, the absorbed capital is supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by the regulatory metric.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.06.2023	5,699	1,962	1,417	1,566	465	828	461	12,398
30.06.2022	4,388	2,545	1,046	1,160	495	803	318	10,755
% change	29.9	-22.9	35.5	35.0	-6.1	3.1	45.0	15.3
Operating costs								
30.06.2023	-3,076	-705	-549	-469	-111	-171	-130	-5,211
30.06.2022	-3,101	-666	-519	-449	-100	-177	-152	-5,164
% change	-0.8	5.9	5.8	4.5	11.0	-3.4	-14.5	0.9
Operating margin								
30.06.2023	2,623	1,257	868	1,097	354	657	331	7,187
30.06.2022	1,287	1,879	527	711	395	626	166	5,591
% change		-33.1	64.7	54.3	-10.4	5.0	99.4	28.5
Net income (loss)								
30.06.2023	1,272	848	679	701	260	477	-15	4,222
30.06.2022	662	392	166	514	302	462	-152	2,346
% change	92.1			36.4	-13.9	3.2	-90.1	80.0

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.06.2023	240,388	131,297	41,124	14,631	245	-	9,812	437,497
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
% change	-3.0	1.2	2.3	-3.1	-13.1	-	-27.6	-2.1
Direct deposits from banking business								
30.06.2023	271,418	105,935	54,152	45,636	17	-	77,249	554,407
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
% change	-6.8	11.8	-0.4	-9.5	-34.6	-	41.3	1.7
Risk-weighted assets								
30.06.2023	78,782	108,466	35,671	12,322	1,801	-	58,744	295,786
31.12.2022	84,302	101,018	35,056	12,757	1,798	-	60,512	295,443
% change	-6.5	7.4	1.8	-3.4	0.2	-	-2.9	0.1
Absorbed capital								
30.06.2023	6,767	9,336	3,913	1,154	194	4,606	3,176	29,146
31.12.2022	7,242	8,698	3,831	1,154	195	4,954	3,487	29,561
% change	-6.6	7.3	2.1	-	-0.5	-7.0	-8.9	-1.4

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

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	3,281	1,947	1,334	68.5
Net fee and commission income	2,360	2,375	-15	-0.6
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	60	59	1	1.7
Other operating income (expenses)	-2	7	-9	
Operating income	**5,699**	**4,388**	**1,311**	**29.9**
Personnel expenses	-1,641	-1,672	-31	-1.9
Other administrative expenses	-1,434	-1,427	7	0.5
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-3,076**	**-3,101**	**-25**	**-0.8**
Operating margin	**2,623**	**1,287**	**1,336**	
Net adjustments to loans	-611	-258	353	
Other net provisions and net impairment losses on other assets	-61	-38	23	60.5
Other income (expenses)	-	11	-11	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,951**	**1,002**	**949**	**94.7**
Taxes on income	-642	-328	314	95.7
Charges (net of tax) for integration and exit incentives	-24	-7	17	
Effect of purchase price allocation (net of tax)	-13	-18	-5	-27.8
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	13	-13	
Net income (loss)	**1,272**	**662**	**610**	**92.1**

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Loans to customers	240,388	247,913	-7,525	-3.0
Direct deposits from banking business	271,418	291,089	-19,671	-6.8
Risk-weighted assets	78,782	84,302	-5,520	-6.5
Absorbed capital	6,767	7,242	-475	-6.6

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

Banca dei Territori's operating income was 5,699 million euro in the first half of 2023, amounting to 46% of the Group's consolidated revenues, showing sustained growth (+29.9%) on the same period of the previous year.
In detail, net interest income rose significantly (+68.5%), essentially due to customer deposits, which benefited from the trend in market rates, favouring the increase of the mark-down. Net fee and commission income decreased slightly (-0.6%), specifically due to assets under management and bancassurance, conditioned by the downturn in the volumes as a result of the evolution of the markets. That trend was attenuated by the growth in fees on the placement of certificates and on dealing in securities. As part of commercial banking fees, loans and guarantees decreased due to lower disbursements, partly offset by fee and commission income from cards and other payment services, related to the gradual increase in the amount transacted. The other revenue components, which provide a marginal contribution to the Division's operating income, Profits (Losses) on financial assets and liabilities designated at fair value came to 60 million euro (+1.7%) and other operating expenses to 2 million euro. Operating costs, equal to 3,076 million euro, were down slightly (-0.8%), thanks to savings on personnel expenses, mainly attributable to the reduction of the workforce following negotiated exits. As a result of the phenomena described, the operating margin amounted to 2,623 million euro, more than double that of the first half of 2022, and gross income came to 1,951 million euro (+94.7%). After allocation to the Division of taxes of 642 million euro, charges for integration of 24 million euro and the effects of purchase price allocation for 13 million euro, net income came to 1,272 million euro (662 million euro in the same period of 2022).

In quarterly terms, the operating margin increased on the first quarter of 2023, attributable to the growth in revenues, which more than offset the increase in operating costs. Conversely, gross income and net income showed a declining trend, mainly in relation to the higher provisions and net adjustments to loans.

The balance sheet figures at the end of June 2023 showed a decline in total intermediated volumes of loans and deposits from the beginning of the year (-5%). In detail, loans to customers, amounting to 240,388 million euro, decreased (-3%, or -7.5 billion euro), mainly due to the trend in loans to businesses which, in the presence of a rapid rise in interest rates, decided to use their liquidity to limit the use of bank credit, and, to a lesser extent, due to loans to individuals, who decreased the demand for mortgage loans. Direct deposits from banking business, equal to 271,418 million euro, amounted to levels down from the beginning of the year (-6.8%, equal to -19.7 billion euro) in relation to the decrease in amounts due to customers. Businesses used their excess liquidity to reduce the use of loans. Households, whose purchasing power was eroded by growing inflation, redirected a portion of their available funds on current accounts to more remunerative investment products such as government/corporate bond issues, which increased the dossiers of assets under administration, and Intesa Sanpaolo certificates structured by the IMI Corporate & Investment Banking Division.

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

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

Investment and Pension Funds

The advanced advisory paid service “Valore Insieme”, launched in 2017, proposes a global advisory model over all of the customer’s assets, including real estate, also assisting customers in planning the transfer of wealth to their loved ones. Starting in April, several changes were introduced in the “Valore Insieme” range of services, to extend the service to an increasing number of customers and ensure a wider dissemination of the “Immobiliare” and “Passaggio Generazionale” Modules. This evolution involved eliminating the Specialist Package 2.0, which remains momentarily in stock for customers that previously signed up for it, and improving the access conditions for the Exclusive Package.
With the goal of assisting customers in transforming from savers to investors, and to preserve direct deposits, a range of opportunities were developed as alternatives to a current account, capable of providing returns on investments even in the short term and to guarantee customers the peace of mind of knowing their capital is protected and a preset amount will be distributed. Specifically, for individuals, the offering of savings certificates was expanded, also combining them with the subscription of asset management products, with returns consistent with the performance of market interest rates. Likewise, an offering on time deposits and time cash was activated for businesses. The range of protected funds (“Epsilon Protetto 1 anno” and “Epsilon Plus Protetto 1 anno”) was also expanded, which, in addition to guaranteeing protection of 100% of capital, distribute a preset amount on expiry which varies, depending on the issues, from 1.5% to 2%. A new Individual Savings Plans fund was launched with tax benefits for customers after 5 years (“Eurizon PIR Obbligazionario”) and the range of mutual funds was expanded, with the gradual entry into the equity markets with the “Eurizon Target Solution 40” fund. Among insurance investment products, the Class I policy of Intesa Sanpaolo Vita “Patrimonio Garanzia$_{\text{Insurance}}$” was launched, which offers customers the guarantee of repayment of the capital invested in the event of total surrender or death of the policyholder and of allocating a fixed amount of capital to the designated beneficiaries (heirs or other persons) in the event of death. The “Bonus” initiative of Intesa Sanpaolo Life was also launched. This reserves to customers that subscribe a new contract of “Doppio Centro$_{\text{Insurance}}$”, “Patrimonio Pro$_{\text{Insurance}}$” or “Exclusive$_{\text{Insurance}}$” a bonus of 1% of the amount of single, additional and/or recurring premiums paid during the period, and reserves to existing customers a bonus of 1.5% of the amount of additional payments and/or recurring premiums activated ex-novo during the period of the promotion. Within the unit-linked policy of Intesa Sanpaolo Life “Prospettiva Sostenibile” a new internal, flexible bond fund was created, “Obbligazionario Tattico” and a new decumulation option was issued - a partial planned surrender that provides customers with periodic cash flows to integrate their available funds on their current accounts. For companies, “Patrimonio Aziende$_{\text{Insurance}}$” was created. This is a multi-line policy for managing liquidity of legal persons, with the goal of combining the stability of separate portfolio management with the search for returns on internal funds available. The placement of certificates continued, with a significant increase in the range offered, differentiated by type of structure, protection, currency and, above all, with shorter time horizons. Customers were particularly interested in this type of investment, which accounted for a significant percentage of the total placements of investment products during the half year.

Mortgages

In the first half of 2023, Intesa Sanpaolo provided new solutions, with a specific focus on all that is “Green” and on the Young People segment. The offering of loans in the “Green” range continued, providing even greater benefits (-35 basis points starting in May) with dedicated interest rate conditions for those purchasing properties with high energy efficiency (class ≥ B) or renovating properties in order to increase their energy efficiency. For people under 36, Intesa Sanpaolo relaunched an offering dedicated to a fixed rate on mortgage loans with a high LTV (over 80%) backed by coverage from the Primary Residence Guarantee Fund and introduced two new dedicated initiatives in February. The first, regarding mortgage loans with a duration of 35-40 years, a distinctive feature of the Group’s offering on the market, benefits from the highly competitive interest rate quotes, which make it possible to significantly reduce the amount of the monthly payment, in addition to a 50% discount on the application fees. The second reserves highly favourable conditions to mortgage loan applications from young people brokered directly through online comparison sites. In order to expand its user base, in the second quarter two new business development agreements were signed with the online brokers Crea.Re Digital and Idealista Mutui.

Personal loans

The package of measures the Bank has put in place for households to deal with the problem of “high bills” continued for 2023, with the “OGGI INSIEME” loan at special low fixed-rate conditions, with no additional costs and repayable over up to 20 years, for customers aged between 18 and 75 and households resident in Italy, with an ISEE (Equivalent Financial Situation Index) of up to 40 thousand euro and a net average monthly income of at least 500 euro, who need subsidised loans to meet current expenses (rent, medical expenses, mobility, bills). Moreover, on 2 May, due to changes to the agreements signed between Intesa Sanpaolo and Prestitalia, the product “XME Prestito Pensionati INPS” (pension-backed loans) moved from a promotional model with placement to a promotion with recommendation, just as that provided for salary-backed loans and advances on severance indemnities. In order to meet customer needs, two new promotions were also activated with exclusive interest rate conditions on salary-backed loans, one reserved for employees of leading private and semi-public companies, and the other to young employees (44 years and 11 months on expiry of the loan).

Protection and Welfare

“XME Protezione” is a flexible multi-guarantee solution that allows customers to purchase insurance coverage (modules) in the areas they need, relating to the home and family. As part of the “Soluzione Domani” programme, the offering of products dedicated to seniors and family caregivers was enriched with the “Sostegno e Assistenza” and “Caregiver” Modules, and the development of “Ricoveri e Interventi” and “Tutela Legale+” in January. The first two Modules apply to emergencies due to illness or accidents, suffered by the senior or a family caregiver, and offer a wide range of healthcare and social assistance services, also in home. For subscribers of “Ricoveri e interventi”, the possibility to retain coverage was extended up to age 90, while the "Tutela Legale+" Module intervenes in events in daily life, home ownership and rental and employment relationships (for example online and offline fraud and domestic workers). In May, the "ProteggiMutuo Smart" policy with annual premium became available, replacing "ProteggiMutuo" with a single, prepaid premium. This policy is dedicated to people interested in adding insurance to their mortgage to protect themselves financially from unforeseen events or those which could compromise their ability to repay their loans. Moreover, during the half year, various promotions were activated: "Porta la tua polizza" for Motor policies; "Proteggi la tua attività" for the business module and to bring an increasing number of customers to the "XME Protezione" healthcare offering, "A prima vista", an initiative of Intesa Sanpaolo RBM Salute dedicated to persons without any Healthcare Module, which can be activated up to 30 June.

Young people

Intesa Sanpaolo continues to bring young people closer to the banking world through personalised, free solutions, such as "XME Conto UP!", a current account for children under the age of 18, and "XME Conto under 35". In addition to the offers mentioned regarding mortgage loans, the expiry of the StudioSì Fund was extended to 15 December 2023. Through this fund, the bank offers a loan for education, at a fixed-rate of 0%. Prestitalia also launched the new offering "Cessione del Quinto Giovani", a loan at subsidised rates for government and private employees who have not reached age 45 on expiry of the loan. Lastly, the "Giovani e Lavoro" project continued. This project supports the employment of young people aged 18 to 29, offering targeted training, free of charge, both for young people and for the participating businesses, favouring the effective matching of labour demand and supply.

Transactional products and digital payments

During the first half of 2023, various initiatives were activated on new "XME Conto" contracts, providing discounts differentiated by age bracket and the elimination of the fee, and on "Card Plus" contracts, for new online applications. Moreover, in February, savings books were eliminated from the product catalogue and dedicated promotions were made available to facilitate the move to the range of current accounts for holders of savings books that decide to close them. In the business segment, "Debit Plus" was launched, the first co-badge card (fully made of ecosustainable material) equipped with a dual circuit (Bancomat®, PagoBancomat® and MasterCard or Visa), and Instant Issuing service that can be activated from the website and App. The promotions on POS continued, launching offers dedicated to freelance professionals and sole proprietors.

Multichannel Project

In the first half of 2023, the development of multi-channel and digital banking continued, with the introduction of new multi-channel customer journeys and the expansion of those available, to improve the offering and the customer experience, increasing the remote usability of the services offered by the digital channels. Specifically, for business customers, the elimination of the paper-based process for the Commercial Cards Customer Journey and the Short-term Loans and Unsecured Commitments Allocation Customer Journey was completed for all customers with digital identities. In April, a new Use of Short-term Loans Customer Journey was released, and in June implementations were carried out on the POS Customer Journey.
The development of digitalisation of business customers continued with the start of testing of the SoftPOS on a selected target of customers, which enables the acceptance of contactless digital payments using a smartphone/tablet, without the need for a POS terminal.
During the period, the "Digitalizziamo" Project continued, which supports Italian enterprises capable of digitally transforming their businesses. The most deserving enterprises will be selected to participate in the celebratory events and will be able to benefit from digital services and advice provided by the partners.
For individuals, due to the partnership between the startup Switcho and Intesa Sanpaolo, the range of functionalities on the Intesa Sanpaolo Mobile App was expanded, adding a service that supports Italian households in saving money on their electricity and gas bills in a free, digital and innovative way.
Moreover, at the Digital CX Awards, organized by The Digital Banker, Intesa Sanpaolo was recognised for the first time in the category Outstanding Digital CX - Trade Finance Initiative in Europe. The Bank stood out from its competitors due to its constant commitment along the path of digitalisation, automation and innovation, both of processes and of the services offered, specifically with reference to the Inbiz "Modulo Estero", the digital platform that allows customers to have, in a single dashboard, the tools and information needed to optimise their international trade activities.

Agreements

In the first half of 2023, Intesa Sanpaolo confirmed and increased its support to the tourism segment, with an agreement signed with Confindustria Alberghi, Federalberghi, Federterme and Federturismo, increasing the credit line to support companies in the sector up to a new amount of 10 billion euro and committing the Bank and Associations in a joint process of supporting companies in the sector. The agreement with Faita Federcamping, the leading association of open-air tourism operators, was renewed, and an agreement was signed with Fipe-Confcommercio, a leading association in the food service, entertainment and tourism sectors, to promote investments in the segment. In April, an agreement was also signed with ANCI, the Association of Italian Municipalities, in line with the Green New Deal and the Repower EU Plan, promoted by the European Commission, and the Bank's "Motore Italia Transizione Energetica" programme, to promote the development and spread of renewable energy projects, with a specific focus on the issue of RECs (Renewable Energy Communities). With regard to the issue of ecological transition, the partnership with Enel X was expanded to favour the energy autonomy of companies and the country. The agreement with Enel X, along with the partnership with Regalgrid Europe, are part of the "Motore Italia Transizione Energetica" programme, which confirmed support of 76 billion euro for investments in renewable energy plants as part of the over 410 billion euro made available by Intesa Sanpaolo to support the goals of the NRRP missions. Also on the ESG issues, an agreement was signed with GSE - Gestore Servizi Energetici, to foster the promotion of environmental factors in the financial sector and to support training initiatives and assistance to businesses on energy transition issues and innovative models of sustainable growth. Two new agreements were signed with the Sardinia Special Economic Zone (SEZ) and the Adriatic Interregional Puglia Molise SEZ, to support the development of business investments within the areas of the SEZ. The agreement with Autorità del Sistema Portuale del

Mare Adriatico Orientale to favour modernisation and increase the competitiveness of the port system. Intesa Sanpaolo, along with Digit'Ed, the company created last year through the transfer of Intesa Sanpaolo Formazione and the combination with the top companies in the sector, gave rise to an important commercial agreement to offer distinctive training courses for corporate customers. The sale of the new training programmes was launched at Corporate Branches: high-profile courses developed with prominent members of the academic world. Lastly, regarding tax bonuses for construction, during the half year, numerous agreements for the reassignment to customers of the tax credits linked to the Construction Bonuses and the Superbonus (Università Luiss Guido Carli, Gruppo Battistolli, Gruppo Walter Tosto, Zanutta Group, Quellogiusto, Piva Group, etc.). Intesa Sanpaolo was the first Italian bank to fully implement the "Decreto Aiuti", immediately setting up the model for reassigning the credits, used on an ongoing basis, freeing up tax capacity that was immediately made available to contribute to supporting businesses and households.

Loans

In line with the NRRP, Intesa Sanpaolo has established a credit line, in support of the Italian economy over the entire duration of the plan, for a total of 410 billion euro of medium/long-term loans, of which 270 billion euro will go to businesses. Through "Motore Italia", the programme supporting the relaunch of the entire Italian production system, based on the key priorities of the NRRP, the Bank supports measures mainly in areas related to the Recovery Plan such as the green and circular economy and green transition, infrastructure, transport, and urban regeneration projects. In March, the "Circolante Impresa SACE SupportItalia" loan was made available, to satisfy the requirements set out in art. 15 of Law Decree no. 50 of 17 May 2022, to support businesses impacted by the Russia Ukraine crisis, backed by a SACE SupportItalia guarantee. Moreover, the "CresciBusiness" programme, to assist small and very small companies in a process of digital, sustainable growth, continued to support the trade sector with initiatives dedicated to medium/long-term loans to be used for investments. In April 2023, "CresciBusiness" was enriched with a new offering designed to promote the world of freelance professionals: the "Sviluppo MLT Crescita Liberi Professionisti" initiative to support Retail Company customers interested in investing in their business through a loan with favourable terms on the application fees, in addition to the dedicated POS offering and the "Tutela Business Uffici e Studi" policy, to protect office assets and guarantee business continuity. Lastly, in May, 5 billion euro was made available to support Italian cinema and audiovisual production, in addition to the 2.4 billion euro in loans already dedicated to the sector since 2009.

Sviluppo Filiere

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

Agribusiness Department

The Agribusiness Department, Intesa Sanpaolo Group's centre of excellence for agriculture and agrifood sectors, aims to promote the link with local areas and tap the potential of one of Italy's most important production sectors: in agrifood, Italy is in third place in terms of added value among large European countries. The Department avails of 223 branches located throughout Italy, containing specialists, concentrated in the most agricultural areas of the country, at the service of around 76 thousand customers. The Agribusiness Department positions itself as the main qualified interlocutor to assist operators in all phases of development, supporting their investments and promoting new business projects, with specific attention to the criteria of sustainability and the circular economy. The activities of this Department contributed to the finalisation of important agreements. Specifically, in May, an agreement was signed with Consorzio del Prosciutto di San Daniele to favour credit access for member companies, through a revolving pledge on the hams produced. Intesa Sanpaolo allocated a credit line of 40 million euro to support the initial loan operations. The agreement is part of the initiatives that the Bank implemented in line with and to support the investments linked to the NRRP.
Agreements were also signed with Federpesca, in February, and Assica (Industrial Association of Meats and Cured Meats) in May, to simplify credit access by the member companies in the fishing segment and the meat segment.

Impact Department

The Impact Department is dedicated to managing non-profit customers and coordinating the activation and management of social impact funds created to foster the financial inclusion of individuals, households and non-profit organisations. In particular, the "Fund for Impact", with a value of 300 million euro, disburses loans of up to 1.5 billion euro to those with a good plan for life and for work who have difficulty in accessing ordinary credit. This is accompanied by the "Solidarity and Development Fund", with a value of over 50 million euro, which enables loans to non-profit organisations with important projects, which would otherwise be excluded from the credit. To acquire new customers, various initiatives were renewed, with joint "Account+POS" Welcome Packs offers, and various solutions alternative to each other, based on the customers' operating requirements, and the new agreement exclusively dedicated to customers in the Non-Profit sector without a POS acquiring contract was activated. Moreover, during the first half, the "Diamo voce all'impatto" tour was carried out, in 12 Italian cities, involving almost 400 organisations, to collect the needs of local areas, share initiatives and experience and open dialogue on new challenges. The measurement of social impact output generated in the communities by the financed initiatives continued, through quali-quantitative surveys to record impacts (RIM). The preliminary survey of the first four months reports 206 impact initiatives, with over 42 million euro in disbursements, through which over 5,000 jobs were created or preserved.

In the area of donations, in the first half of 2023 the For Funding platform again confirmed its leadership in Italian crowdfunding in support of non-profit sector projects, encouraging donations throughout the country.

Product companies

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

Prestitalia is the “product company" of the Intesa Sanpaolo Group for salary-backed loans and advances on employee termination indemnities.
A financial company that operates in the consumer credit market, highly specialised in salary-backed loans, it is one of the leading operators in the sector, with an average stock of around 2.3 billion euro.
As at 30 June, with 24 thousand applications finalised, it disbursed loans totalling 479 million euro, through four main channels: Intesa Sanpaolo branch network, third-party agencies, “light” agents (tied agents that are natural persons) to support the entire Intesa Sanpaolo branch network and online channel.
The range of products includes” XME Prestito Pensionati INPS”, “XME Anticipo TFS” (a product reserved to former government employees interested in using all or part of their severance indemnity without waiting the long time periods typical of the public authorities) and “XME Prestito Cessione del Quinto”, which offers a solution for government employees as well as one reserved for private sector employees. Moreover, the agents supporting Intesa Sanpaolo branches may also propose current accounts, payment cards and POS to customers.
On 2 May, the new distribution model for “XME Prestito Pensionati INPS” entered into force, which is reported by the Intesa Sanpaolo branches to Prestitalia and no longer placed directly at the branch, which strengthens the synergies between channels and reduces the administrative activities carried out by the branches.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	1,308	956	352	36.8
Net fee and commission income	569	564	5	0.9
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	86	1,026	-940	-91.6
Other operating income (expenses)	-1	-1	-	-
Operating income	**1,962**	**2,545**	**-583**	**-22.9**
Personnel expenses	-255	-235	20	8.5
Other administrative expenses	-440	-422	18	4.3
Adjustments to property, equipment and intangible assets	-10	-9	1	11.1
Operating costs	**-705**	**-666**	**39**	**5.9**
Operating margin	**1,257**	**1,879**	**-622**	**-33.1**
Net adjustments to loans	100	-1,072	1,172	
Other net provisions and net impairment losses on other assets	-105	-60	45	75.0
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,252**	**747**	**505**	**67.6**
Taxes on income	-392	-346	46	13.3
Charges (net of tax) for integration and exit incentives	-12	-10	2	20.0
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	1	-1	
Net income (loss)	848	392	456	

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Loans to customers	131,297	129,791	1,506	1.2
Direct deposits from banking business (a)	105,935	94,785	11,150	11.8
Risk-weighted assets	108,466	101,018	7,448	7.4
Absorbed capital	9,336	8,698	638	7.3

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 2023, the **IMI Corporate & Investment Banking Division** recorded operating income of 1,962 million euro (representing 16% of the Group's consolidated total), down 22.9% compared to the same period of last year.
In detail, net interest income, amounting to 1,308 million euro, grew by 36.8%, mainly attributable to Global Markets operations, as well as a greater contribution from customer deposits. Net fee and commission income, amounting to 569 million euro, increased slightly (+0.9%), due to the positive trend in investment banking fees which in the first half of 2022 were impacted by the consequences of the events regarding Russia and Ukraine. Profits (Losses) on financial assets and liabilities designated at fair value, amounting to 86 million euro, decreased sharply (-91.6%), mainly attributable to lower gains on the sale of debt securities HTC and the lower contribution from the debt value adjustment (DVA). The management of financial risks linked to funding in certificates also had a negative impact due to the rise in interest rates starting in the second half of 2022, which, however, generated positive effects on the margin in terms of greater liquidity invested.
Operating costs amounted to 705 million euro, an increase of 5.9%, attributable to personnel and administrative expenses. As a result of the above revenue and cost trends, the operating margin decreased by 33.1% compared to the value recorded in the first half of last year, amounting to 1,257 million euro. Gross income, amounting to 1,252 million euro, increased significantly (+67.6%) on the value in the first half of 2022, which included significant adjustments allocated in relation to the events in Russia and Ukraine. Lastly, net income came to 848 million euro, more than double the 392 million euro realised in the same period of the previous year.

In the second quarter of 2023, the IMI Corporate & Investment Banking Division reported a decrease in the operating margin on the first quarter, due to higher operating costs that exceeded the higher revenues primarily deriving from the net interest income from Global Markets operations. Gross income and net income also showed positive performance, benefiting from greater recoveries on loans and lower provisions on the Russian subsidiary.

The Division's intermediated volumes increased compared to the beginning of the year (+5.6%). In detail, loans to customers, amounting to 131,297 million euro, grew by 1.5 billion euro (+1.2%), mainly due to short-term loans to customers in the Global Market area, supported by the development of repurchase agreements, as well as to financial institution customers. Direct deposits from banking business, equal to 105,935 million euro, increased on the beginning of the year (+11.8%) in relation to the growth in amounts due to customers in the Global Markets area, transactions in certificates and securities issued by the Luxembourg and Irish subsidiaries.

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

Business

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

Mission

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

Organisational structure

Client Coverage & Advisory Coordination Area

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

Distribution Platform & Global Transaction Banking Coordination Area

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

Global Banking & Markets Coordination Area

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

Distribution structure

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

Client Coverage & Advisory Coordination Area

In a highly volatile and complex market situation, the structures of the Client Coverage & Advisory Coordination Area continued to assist their customers in complex, strategic financial operations, confirming its leading role on the market and positive performance in terms of the results achieved in the last few years. Specifically, the Customer Relations, Global Corporate and Institutional Clients Departments worked in synergy with the new Corporate Finance & Advisory and Product Desk structures, pursuing the goal of developing business and favouring dialogue with its target customers on various important issues, including M&A and ESG Advisory, Equity Origination and Debt Origination & Advisory, identifying numerous significant business opportunities.
In the first half of 2023, the Bank confirmed its role as strategic and financial partner to its Italian and international Global Corporate customers, supporting them by organising and participating in a number of financing and investment banking transactions, thanks to its specialised expertise linked to the Industry model and the cooperation with the other structures of the Division dedicated to developing strategic operations. The actions to support corporate customers in handling the complex macroeconomic and geopolitical scenario, marked by profound changes, continued. The Bank continued to play an active role in supporting the revival of the Italian economy, supporting the National Recovery and Resilience Plan, including through development of its production chains, an indispensable driver for Italy and the heart of its economic and entrepreneurial system. In this area, Intesa Sanpaolo, along with a pool of banks, finalised a complex financial package for Ansaldo Energia, a strategic company for Italy, to support its new 2023-2027 Business Plan. The Group participated in numerous syndicated loans, including those for General Motors, Terna, Carnival, Saipem, Cellnex, Edison, TRIG, AGSM AIM and PPF Telecom. During the first half of 2023, the coverage of ESG issues was expanded further, coordinating with a specialised team of the Division, to offer the best service to our customers to support their sustainability and energy transition strategies, providing dedicated financial instruments. Due to its skills developed on ESG issues, the Group participated in several syndicated loans, including those for Terna, Hera, Snam, Campari, Prysmian and Lavazza. Bilateral ESG loans specifically included those for Feralpi and Endesa. It is also worth noting the support to acquisition financing in important operations carried out during the period, including the acquisition of a stake in GD Towers held by Deutsche Telekom by DigitalBridge and Brookfield. The Bank participated in numerous project financing operations, including the loan to Aguas Horizonte (Marubeni Group) to build a desalination plant in Chile and the loan to Low Carbon to develop projects in the renewable energy sector in the United Kingdom and in the Netherlands. In the Debt Capital Markets, the Bank acted as bookrunner in numerous issues, including Volkswagen Bank, AT&T, Kering, General Motors, Ford Motor, Stellantis, CA Auto Bank, Davide Campari, Abertis and Engineering. It also completed the placement of green bonds, including those issued by Ferrovie dello Stato Italiane, Acea, A2A, Iberdrola, Engie, EDP and TAQA, as well as sustainability-linked bonds, including those issued by Eni, Hera, Enel and Pirelli. With regard to M&A activities, the Group consolidated its position of leadership on the Italian market[26], further developing its business in a complex market scenario, finalising various operations, among which we note the role of sole financial advisor for the Marcegaglia Group in the acquisition by the Finish Outokumpu of the Long Products Division, and the role of advisor for Autogrill in the merger with Dufry following the mandatory Public Takeover Bid. In Equity Capital Markets, in a weak equity market context featuring persisting risk aversion by investors, equity origination continued at a brisk pace, aimed at promptly seizing the best business opportunities, with the goal of maintaining the strong position on the ECM and equity-linked markets in Italy and successfully continuing the process of internationalisation through participation in highly visible operations. In this context, in the role of joint global coordinator, the Bank steered the listing of EuroGroup Laminations on Euronext Milan (EXM) of Borsa Italiana. The Group also participated in the voluntary takeover bid on Mediaset España as bookrunner, mandated lead arranger (MLA), settlement agent and financial advisor, in the voluntary takeover bid of De Agostini on DEA Capital in the role of sole global coordinator, cash confirmation issuer and financial advisor, in the takeover bid on Prima Industrie, as well as in the issue of a structured convertible bond with green characteristics by Nordex (joint bookrunner) and the spin-off of Kenvue by Johnson & Johnson (co-manager).
With regard to Institutional Clients, in the banking sector, numerous issues were carried out on the primary market for refinancing and securitisation. The roles held at domestic level include joint lead manager in the inaugural senior preferred bond issue of Cassa Centrale Banca, in the covered bond (CB) issues of Unicredit, Crédit Agricole Italia and Banco BPM, which now account for the total CB issues under the new regulations, and in the senior non-preferred issue of Credem. Senior loans to support customers in securitisations continued to be provided, despite the complex market scenario. Also at the domestic level, an innovative agreement was finalised between the Group and the European Investment Bank (EIB) to support several investments set out in the National Recovery and Resilience Plan (NRRP). Also on international markets, numerous operations were concluded. Specifically, the Bank held the role of joint bookrunner in the senior benchmark issue in euro of HSBC Holdings, and in the covered bond issues of Bawag, Commerzbank, DB, Erste Bank and LBBW, and the role of joint lead manager in the senior dual tranche HoldCo issue of UBS. Also at European level, we acted as joint bookrunner in the issue of the first social covered bond of La Banque Postale, in the senior preferred benchmark issues of Eurobank and Alpha Bank, in the senior preferred issue of Banco Santander, and, with a role of structuring and placement, in a synthetic securitisation for a leading Greek bank, confirming that the Group’s positioning has strengthened also in the Mediterranean area. Lastly, in the United States, the Bank carried out a dual tranche issue in USD, the Group’s largest deal on the US market in the last ten years, confirming the significant appreciation of the Bank’s name by US investors. Operations with non-banking financial institutions and with governments continued to achieve highly positive results. Specifically, operations with government customers to manage public debt continued, in a context of high volatility of interest rates. It is worth noting the roles performed for the Ministry of the Economy and Finance in placing BTP and, at international level, the role of bookrunner for issues by government entities in the Middle East. As regards operations with domestic and international asset managers, the profitable operations based on Global Markets products were confirmed, which generated significant economic returns. Portfolio financing operations through the subscription of senior tranches of securitisations reported significant volumes once again, including the deal with Banca Progetto, one of the most active banks in the sector of loans to SMEs backed by the Guarantee Scheme. In the near-banking sector, in a context of decreased operations of the players of the salary-backed loan segment, operations with Sigla and Fincontinuo were extended. Bilateral loans were also finalised with leading operators in

[26] In June 2023, the Intesa Sanpaolo IMI Corporate & Investment Banking Division confirmed its position as the leading M&A advisor on the Italian market, ranking in first place in the Refinitiv classification by deals concluded.

the consumer credit segment, specifically Compass and Agos. It is also worth noting the repo funding transactions on non-ECB eligible assets. With regard to the insurance area, in a difficult market context, the Bank's activities mainly focused on derivative hedges on the separate portfolio management of the life business, on repo transactions to support liquidity management and on structures for Class III retail products. In the real estate sector, the focus on transactions respecting ESG issues and innovation was confirmed, both with regard to income-generating investments and urban regeneration projects. In that area, as mandated lead arranger (MLA), the Group structured a sustainability–linked loan for the redevelopment of the former Manifattura Tabacchi di Firenze promoted by Aermont and a loan to support the project for residential renovation and development in Rome by Savills IM SGR and RedTree Capital. Transactions with financial institutions on emerging markets in the first half of 2023 were marked by significant caution in relation to the difficult economic and financial scenario created by the sharp hike in interest rates. Thus, the Bank merely selectively took on credit risk, mainly to support the commercial operations of its corporate customers. With regard to Structured Deals activities, the market context impacted the development of new operations, while the significant focus on managing operations in the execution phase was confirmed, both in Commodities Financing and in Buyers Credit. Following a phase of relative decrease during 2022, loans for supply chain financing returned to moderate growth. As regards activities linked to Private Equity funds, the Group recorded a good number of operations concluded with its customers in the reference period, in a market scenario that internationally impacted the origination of transactions based on bond debt and syndicated debt instruments. Mid-market operations, which are typically domestic, remained stronger in terms of volumes. On the Italian market, the Bank acted as bookrunner and MLA in the acquisition financing to support San Quirico and Xenon for the acquisition of Minerva Hub, a leading Italian group operating in the fashion sector, as well as in the roles of bookrunner, underwriter and MLA in the first FOLO ("First-Out/Last-Out") acquisition financing on the domestic market supporting Ardian Expansion in its acquisition of Assist Digital, a leading company in the sector of digital solutions for customer relationship management. On international markets, where the Group continues to consolidate its presence, the Bank acted as mandated lead arranger in the loan supporting KKR in the acquisition of IVIRMA, a Spanish group leader in medically assisted reproduction and, on the US market, the role of joint lead arranger and joint bookrunner to support Lone Star in the incremental financing of AOC, a leading company in the sector of resins and industrial coating products. With regard to Fund Financing, we note the continued growth in direct financing to Private Equity funds, including the operation in favour of the Ambienta IV fund, in which the Division acted as arranger and sole lender for an ESG-linked capital call line and a GP Financing credit line. At international level, where the highest growth was recorded, the Division acted as lender and co-arranger in several of the most important subscription lines targeted to the main alternative funds of leading international sponsors in the fundraising phases, including the funds managed by Blackstone, Global Infrastructure Partners, Ares and EQT Partners. Business with Sovereign Wealth Funds (SWF) and Pension Funds (PF) was particularly vigorous and fruitful in the first half, involving a wide range of areas of operations in the core sectors" (TMT, Energy and Infra), including the direct support to SWF, the participation in competitive processes for investment in target companies by SWF/PF and the financing of portfolio companies. As a result of its consolidated relationships with the main SWF in the Middle East and Far East, the Bank held important roles in numerous operations directly supporting their needs, including a green term loan to support the construction of an infrastructural project. With regard to activities relating to investment processes, the Group acted as underwriter, MLA and bookrunner in loans for the acquisition of a stake in Lyntia Networks (TMT Spagna) by Swiss Life AM/HRL Morrison, the acquisition of the TLC towers from Vodafone by a consortium comprised of KKR and GIP and supported by PIF, and the acquisition of NGGT (gas transmission in the UK) by BCI (a Canadian PF) and Macquire AM. Lastly, we note the operations carried out with the portfolio companies of SWFs, including the project financing in the Far East in favour of Renew Power (CPPIB/ADIA), further confirming the Group's sound positioning as a qualified partner recognised at international level of the main SWF/PF.

Distribution Platforms & GTB Coordination Area

Financial products and services aiming for excellence are offered in Italy through a dedicated network, the IMI C&IB Italian Network. In the first half of the year, due to its widespread organisation structured in 6 geographical areas and the origination abilities of two dedicated teams, the IMI C&IB Italian Network confirmed its role of strategic and financial support to Italian customers, assisting them by organising and participating in numerous financing and investment banking operations.
It continued providing full support to customer businesses, also due to the use of public guarantees made available within the framework of support measures defined to combat the difficulties deriving from the Russia-Ukraine conflict and the resulting energy crisis.
Significant activities were carried out in support of Italian companies, by issuing guarantees for participation in tenders related to the NRRP, and, more generally, tenders for works, contracts and investments of the Public Administration.
In partnership with Deloitte, the digital platform "IncentNow" was launched to provide information to Italian companies and institutions on the opportunities offered by public tenders available over time. This way, customers can easily and autonomously consult the tenders available based on their characteristics (i.e. business segment, turnover, geographical area). There was a specific focus on initiatives supporting the ecological transition (ESG) and the process of digitalising the dialogue between the bank and corporate customers. In this regard, the update of the Inbiz portal, provided to corporate customers, for the centralised digital management of Cash Management and Trade Finance solutions, from the most traditional to the highly-innovative, continued.
The Division's current international network is present in 25 countries, supporting the cross-border activities of both Italian and international customers, through a specialised international network comprised of 16 wholesale branches (including the hubs), 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, 4 corporate banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil S.A. and Banca Intesa - Russia), which carry out corporate and investment banking operations, in addition to Intesa Sanpaolo IMI Securities Corporation in New York.
During the first half, the IMI C&IB International Network continued to monitor with the utmost attention the international political and economic situation created by the Russia-Ukraine conflict, to limit its impacts on the operations of the international network, also in light of the subsequent harsh international sanctions.

In line with the 2022-2025 Business Plan, to confirm Intesa Sanpaolo's position among the main global players offering ESG-driven products and services, the activities and initiatives to support international customers more sensitive to those issues continued.
In January the project to strengthen the Doha branch was completed. Other works are under way to enhance the operating platform of the international network.
With regard to the Global Transaction Banking offer, in order to support Italian and international customers with cutting edge solutions, in the first half of the year, implementations continued in the payments, working capital management and import-export support areas.
Specifically, developments continued for the creation of a modern international payment management infrastructure, in addition to advanced solutions for liquidity management, also in different currencies.
Developments relating to projects to revise the operating models continued in the areas of Trade Finance, Cash Management and Payments on the Group's international branches, with the goal of streamlining the existing processes and, as a result, enable the network of relations and the transaction banking specialists to focus more on advisory activities and on promoting digital strategies, also for the Group's international subsidiary banks.
The digitalisation of the portfolio of services and the assessment of ESG solutions continued. Global Transaction Banking is also participating in initiatives to revolutionise the banking system in the digital field, such as the Central Bank Digital Currency (CBDC) for the digital euro and digital assets.
The new Syndication & Risk Sharing structure centralised within a single hub the operations regarding the distribution of loans and marketable assets to mobilise and optimise the Division's credit balance sheet. In the last few years, also due to the increasing strategic relevance of the Originate to Share (OtS) model, its rolling logic and impacts on capital requirements, the Division began a process of transforming the lending chain, which promotes adopting an approach that combines marketability logics with credit logics.
In the first half of 2023, issues of syndicated loans were lower in all geographic areas compared to the same period of the previous year, reflecting the continuing difficult geopolitical and macroeconomic scenario, the increased volatility on the capital markets and the significant reduction in M&A operations. Nonetheless, Syndication and Risk Sharing confirmed its leading position in the Italian and international markets where Intesa Sanpaolo operates, acting as arranger and distributing, as bookrunner, a large number of syndicated loans for both large and mid-cap corporate customers throughout the world. The primary significant transactions include corporate loans for borrowers, acquisitions and other event-driven loans, as well as high-profile structured transactions and structured finance transactions. ESG factors remained a key area of focus for Syndication & Risk Sharing activities, as demonstrated by the roles held in many loans linked to the environment and sustainability.

Global Banking & Markets Coordination Area

The Division adopted a moderately constructive approach in the first half of 2023, in relation to a forecast improvement in the macroeconomic framework focused on two points: inflation slowly but gradually decreasing as the prerequisite for greater visibility on the path that global monetary policy will take, and decreasing volatility as a driver of greater allocations to bonds and risky assets. Risk management was focused on a tactical approach in relation to the volatility triggered by events connected with US regional banks. Coverage ratios were increased near the end of the half year in light of the stabilisation of the financial markets. The financing of own portfolios and the management of liquidity was guaranteed, overseeing secured financing activities as a counterparty to customers. Collateral management and optimisation of the netting sets supported the business of OTC derivatives with customers. Investments in private equity, private debt and hedge funds continued in the form of UCITS in order to optimise RWAs. Even in a complex market situation, featuring a much higher cost of funding than in previous years, the securities portfolio managed good growth in value.
Market making with customers was impacted by a succession of interest rate hikes by the main central banks, in a generally constructive context for investment and risk management. The crisis of US regional banks and several European ones triggered a sharp wave of volatility and reduction of liquidity which, starting with the credit securities market, spread to all asset classes and affected the risk appetite of investors and portfolio allocation preferences. The expectations that the monetary cycle will stabilise and the crisis will be contained, accompanied by the sound data regarding the labour market enabled a gradual return of the risk appetite, even with inflation figures structurally exceeding the target.
In the certificates sector, market returns decidedly higher than the prevailing returns in the last decade, along with implicit volatility levels still historically high, contributed to an increase in issues and the related hedging transactions. On the latter front, it is important to note the excellent success of certificates with payoffs linked to interest rates and inflation indices, which provided beneficial diversification from the usual equity risk of investors' portfolios.
With regard to foreign exchange transactions, the decrease in volatility resulted in a reduction in flows with customers compared to 2022, which featured high volumes. With regard to the Commodities segment, the first six months of 2023 featured an initial phase of sustained volumes of operations with customers, due to the drastic drop in the prices of energy and gas, and a second phase more in line with normal operations.
The rise in returns also triggered a sharp increase in the bond dealing component with the Market Hub, growing sharply on the previous years in terms of values and orders executed. The cash segment was in line with the declining volumes of the equity markets of operations, while the derivative component grew, outperforming the market. The various activities linked to the digital evolution of front office instruments supported the significant expansion of volumes in business certificates and launched the first tests for tokenisation on programmable registers.
In the first half of the year, the equity primary market saw an increase in European volumes, attributable only to the ABB and equity-linked segments, while IPOs and capital increases declined.
In that context, the Division participated in seven initiatives, in various roles: joint global co-ordinator and joint bookrunner in the IPO of Eurogroup on the Euronext Milan; co-manager for the Kenvue IPO on the NYSE; intermediary assigned to coordinate the collection of subscriptions as part of the Public Takeover Bids on DeA Capital, Prima Industrie and Aedes; co-lead manager for ABB in relation to a minority stake in the London Stock Exchange Group; and joint bookrunner for the placement of the 333 million euro green convertible bond of the German Nordex SE.

During the first half of the year, the bond markets saw an increase in volumes issued, also due to the rise in returns. The Division achieved a significant increase in the number of operations, placing at the top of the segment and in first place in Italy in terms of volumes in the Corporate Investment Grade segment, acting as the joint bookrunner in various ESG issues of leading issuers, such as Enel, Hera, ASPI, A2A, Acea, Pirelli, Iberdrola, EDP and Cemex. It also stood out as a manufacturer in the sustainability-linked retail issue of Eni. In the financial institutions segment, it acted as joint bookrunner, overseeing various issues of financial institutions, including La Banque Postale, Eurobank, BNP Paribas, Cacib, VUB, Alpha Bank, LBBW, Santander and Turk Eximbank, regarding ESG and other issues (covered, SP, SNP and hybrid). In the Sovereign, Supranational, Agency (SSA) area, the Division stood out in its roles as joint bookrunner and dealer manager in the issue of BTP Italia for retail and institutional customers, and BTP Valore for retail customers of the Republic of Italy. In the same role, it oversaw the green issues of CDP and Ferrovie dello Stato and the senior issues of Eximbank, the Slovak Republic and the Republic of Albania.
In the first half of 2023, Finance activities confirmed the Bank's leadership on the Italian market (also for ESG/Circular/Green issues) and successfully continued the business on the international market. Corporate loans granted to Italian and international customers of the Division operating in various economic sectors (including those for acquisitions and investments for growth, in addition to those with a SACE SupportItalia guarantee) executed over 40 operations, for a value exceeding 30 billion euro (with ISP's share at around 5 billion euro). Leverage & Acquisition Finance continued to see a slowdown in operations compared to the peak of 2021, due to the still uncertain market conditions. The Bank continued its selective approach in pursuing new opportunities, with the intention of supporting its customers (both financial sponsors and corporates) where the conditions were met, confirming its position of leadership in Italy and successfully continuing its business on the international market, in line with the strategies of the Division. The "originate to share" approach and the geographical diversification resulted in the conclusion of numerous financing transactions to support important Italian and international industrial operators and financial investors in various infrastructure and public utility services sectors, in line with the growth strategy of the Division, both in terms of volumes and positioning, with specific attention to ESG/Circular/Green issues.
In the international market, there was a healthy volume of transactions in the Eurozone in the Infrastructure sector in the first half, although it slowed down as a result of macroeconomic uncertainties. The Technology, Media and Telecom (TMT) and Transport sectors were highly stressed, while the Renewables assets continued to be the main catalysts for greenfield investments. The process of repositioning the scope of operations was also completed, with a focus on developing the UK market, monitoring the Middle East market, and consolidating the relationship with the main non-European infrastructure funds. Market conditions in Asia were also considerably more volatile. The renewable energy sector remained the most dynamic, with Australia and India among the main markets, as well as US Structured Finance, whose primary trend was a sharp increase in applications for loans on the back of the Energy Transition process that has been impacting the energy market in the last few years.
With regard to securitisation, the Division confirmed its leading role in Italy, both in providing support to customers and in managing financial risk, also with innovative ESG-linked solutions and asset-based financing. The unit structured loans for streamlining funding and improving asset quality ratios, with structures dedicated to deconsolidating performing and non-performing assets, optimising economic and regulatory capital - which is seeing growing demand from customers, and improving the net financial position of its customers. The international presence was also consolidated, supporting corporate and financial institution customers inside and outside Europe (including structuring a pivot transaction of synthetic securitisation for a foreign bank) with risk management and financially, as well as important foreign investors in the acquisition of granular portfolios in Italy and in the main international jurisdictions.
The Division also acted as a competence centre for Corporate Finance transactions for corporate customers of the Banca dei Territori Division and Domestic Corporate & Institutional Clients of the banks in the International Subsidiary Banks Division. The most important transactions during the half year include the role of sole financial advisor in the sale of a majority stake in Pinalli to the H.I.G. Capital fund and of arranger in the loan to Marchesi Antinori to support the acquisition of 100% of the US company Stag's Leap Wine Cellars.

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	1,094	709	385	54.3
Net fee and commission income	290	290	-	-
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	66	79	-13	-16.5
Other operating income (expenses)	-33	-32	1	3.1
Operating income	**1,417**	**1,046**	**371**	**35.5**
Personnel expenses	-281	-265	16	6.0
Other administrative expenses	-212	-198	14	7.1
Adjustments to property, equipment and intangible assets	-56	-56	-	-
Operating costs	**-549**	**-519**	**30**	**5.8**
Operating margin	**868**	**527**	**341**	**64.7**
Net adjustments to loans	-45	-188	-143	-76.1
Other net provisions and net impairment losses on other assets	-22	-14	8	57.1
Other income (expenses)	121	2	119	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**922**	**327**	**595**	
Taxes on income	-203	-118	85	72.0
Charges (net of tax) for integration and exit incentives	-21	-19	2	10.5
Effect of purchase price allocation (net of tax)	-1	-	1	-
Levies and other charges concerning the banking industry (net of tax)	-17	-24	-7	-29.2
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-1	-	1	-
Net income (loss)	**679**	**166**	**513**	

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Loans to customers	41,124	40,212	912	2.3
Direct deposits from banking business	54,152	54,364	-212	-0.4
Risk-weighted assets	35,671	35,056	615	1.8
Absorbed capital	3,913	3,831	82	2.1

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 2023, the Division's operating income came to 1,417 million euro, up sharply on the same period of the previous year (+35.5%, +47.5% at constant exchange rates). A detailed analysis shows that net interest income came to 1,094 million euro (+54.3%), mainly due to the favourable performance of PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+127 million euro) – VUB Banka (+99 million euro), CIB Bank (+89 million euro) and, to a lesser extent, Banca Intesa Beograd, including Intesa Leasing Beograd (+57 million euro). Net fee and commission income, amounting to 290 million euro, remained in line with that of the first half of the previous year: the higher fee and commission income earned by CIB Bank (+5 million euro) and VUB Banka (+4 million euro) were offset by the lower fees of PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-9 million euro) – due to the decreased contribution of the card business as a result of the sale of the acquiring business line of PBZ Card. Within other income components, there was a decrease in profits (losses) on financial assets and liabilities designated at fair value (-13 million euro), attributable to the Hungarian subsidiary.
Operating costs of 549 million euro increased (+5.8%; +14% at constant exchange rates), due to the trend in personnel and administrative expenses.

As a result of the above revenue and cost trends, the operating margin increased by 64.7%, amounting to 868 million euro. Gross income of 922 million euro almost tripled on that of the first half of the previous year, benefiting from lower net adjustments to loans and the capital gain deriving from the sale of the acquiring business line of PBZ Card. The Division closed the first six months of the year with a net income of 679 million euro compared to 166 million euro in the same period of 2022.

At the quarterly level, in the second quarter of 2023 the operating margin increased compared with the first quarter, as a result of the growth in operating income, which more than offset the increase in operating costs. Conversely, gross income and net income came to amounts lower than the previous quarter, in which the gross capital gain regarding the Privredna Banka Zagreb group was recorded.

Intermediated volumes of the Division increased slightly at the end of June 2023 (+0.7%) on the beginning of the year, due to loans to customers (+2.3%) with substantial stability in direct deposits from banking business (-0.4%). Lending performance was mainly attributable to the growth recorded by the subsidiaries operating in Croatia, Hungary and Slovakia, partly attenuated by the decrease in loans in Egypt. In terms of funding, the negative performance of the subsidiaries operating in Egypt and Croatia was largely offset by the development in Serbia and Hungary.

In the first half of 2023 International Subsidiary Banks Division continued developing activities, with a business model focused on growth in fee and commission income in the main European subsidiaries, and a continuous focus on wealth management in China. Specifically, the reshaping of the service model for wealth management moved forward for affluent and private customers, strengthening commercial oversight, with a focus on ESG issues, financial education topics and the development of innovative and regulatory advisory processes.
The project to develop and implement, working with the Private Banking Division, a new service model for High Net Worth Individuals (HNWI customers), which will be aimed in particular at entrepreneurs with complex wealth management needs.
In the bancassurance area, the Master Cooperation Agreement was finalised with a leading insurance group for the distribution of insurance products at 5 banks (in Slovakia, Croatia, Hungary, Serbia and Slovenia), and the Local Distribution Agreements were signed in each of these countries.
With regard to increasing fee and commission income, the development of commercial initiatives continued in synergy with the IMI Corporate & Investment Banking Division in the Global Markets, Structured Finance and Investment Banking areas in the countries identified as priority (Slovakia-Czech Republic, Hungary and Croatia), with a significant increase in operations and the pipeline since the plan start. The scope of observation is being expanded to other markets (Serbia, Albania and Romania).
With regard to the development and strengthening of the service model for customers shared with the Banca dei Territori Division, the commercial initiatives to increase cross-border business opportunities of Mid-Corporate customers operating in countries of the Division continued, and commercial campaigns were launched in Slovakia, Hungary, Romania and in several Regional Governance Centres (Milan, East Veneto, North Lombardy) involving the Agribusiness Department.
In the focus on new business opportunities relating to the ESG transition, an ESG Value Proposition initiative was promoted for the Corporate and SME segments of the banks in Slovakia, Hungary, Croatia, Serbia and Egypt, with the goal of strengthening their competitive positioning and seizing new business opportunities. The first action was identifying quick wins to maximise the use of the Green and Circular credit lines, which was followed by the development of the S-loan offer (made available in Slovakia, Hungary and Serbia). The priority sectors were then identified, on which a commercial strategy is being defined to improve the positioning of the ESG offer.
On the Corporate & SME side of digital banking, following the launch of the Italy-Hungary interconnection and the activation of the Confirming product on five additional geographical areas within the ISBD, the first deals were finalised at the banks involved.
Limited to Retail & WM, the expansion of functions and services in the lending, wealth management and commercial areas in the main countries were the Division operates continued.
In the IT area, the implementation of the new strategy which entails focusing on the convergence of IT applications supporting the business, continued.
Lastly, with regard to wealth management in China, the business activities of Yi Tsai continued, by strengthening the network and expanding the product mix.

Business

It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates.

Mission

Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches or other foreign offices of the IMI Corporate & Investment Banking Division.

Organisational structure

South-Eastern Europe Hub (SEE HUB)	Presence in Croatia, Bosnia-Herzegovina and Slovenia.
Danube HUB	Presence in Slovakia, Romania and the Czech Republic.
Other banks	Presence in Albania, Hungary, Serbia, Egypt, Ukraine and Moldova.

Distribution structure

892 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 293 million euro, up on the same period of 2022 (+38.7%), due to the favourable performance of net interest income. Operating costs of 102 million euro increased (+10.9%). The operating margin came to 191 million euro (+60.3%). Gross income amounted to 306 million euro, also benefiting from the gross capital gain on the sale of the acquiring business line of PBZ Card. Net income came to 250 million euro, more than triple that of the first six months of the previous year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first half of 2023 with an operating margin of 12 million euro (+13.2%). This performance was due to the increase in operating income, only partly offset by the increase in operating costs. Gross income of 10 million euro, and net income, which amounted to 8.1 million euro, showed a similar growth trend (+9.4% and +7.9%, respectively).

Intesa Sanpaolo Bank (Slovenia) generated operating income of 71 million euro, almost double that of the first half of 2022, due to the growth in net interest income. Operating costs increased (+14.6%) compared with the first six months of the previous year. The operating margin tripled. That performance was reflected on gross income and net income, amounting to 46 million euro and 34 million euro, respectively, which showed extremely sharp increases (+36 million euro and +29 million euro, respectively).

Danube HUB

The **VUB Banka** Group reported an operating margin of 220 million euro, up on the same period of 2022 (+71.1%) as a result of the growth in operating income (+42.5%), which more than offset the increase in operating costs (+8.3%). Gross income amounted to 191 million euro, up sharply (+80.7%). Net income of 132 million euro more than doubled on the first half of the previous year.

Intesa Sanpaolo Bank Romania generated an operating margin of 6.4 million euro, up on the first half of 2022 (+2.5%), due to higher operating income (+8.5%), driven by profits (losses) on financial assets and liabilities designated at fair value. The company closed the first half of 2023 with net income of 2.8 million euro, lower than the same period of the previous year (-19.2%), mainly due to the increase in net adjustments to loans.

Other banks

Intesa Sanpaolo Bank Albania reported an operating margin of 17 million euro, up on the first half of 2022 (+87.4%), due to the growth in revenues, particularly net interest income, which more than offset the increase in operating costs. Net income came to 14 million euro, almost triple that of the previous year.

The **CIB Bank** Group recorded operating income of 233 million euro, a significant increase on the first half of 2022 (+57.8%) due to the positive performance of net interest income. Operating costs rose by 18%. As a result of the above revenue and cost trends, the operating margin increased by 79.9%, amounting to 170 million euro. Net income rose to 94 million euro, almost quadrupled on the same period of the previous year.

Banca Intesa Beograd, including Intesa Leasing Beograd, reported an operating margin of 146 million euro, up 52.7% on the first six months of 2022, supported by the development of operating income (+36.5%), which more than offset the increase in operating costs (+9.5%). Gross income amounted to 136 million euro (+75%), and net income was 104 million euro (+94.6%).

Bank of Alexandria, which was adversely affected by the depreciation of the Egyptian pound, reported an operating margin of 119 million euro, up by 15.3% on the same period of the previous year (+96.7% at constant exchange rates). Operating income of 177 million euro decreased slightly (-2.5%; +66.5% at constant exchange rates, due to the performance of net interest income). Operating costs decreased (-26%; +26.2% at constant exchange rates). Net income came to 63 million euro, up by 4.1% on the same period of 2022 (+77.7% at constant exchange rates).

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

Eximbank generated an operating margin of 3.1 million euro, up by 5.1% on the first half of 2022, mainly due to the favourable trend in operating income, which offset the growth in operating costs. Net income of 2.8 million euro increased by 7.4%.

Private Banking

(millions of euro)

Income statement	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	602	101	501	
Net fee and commission income	931	1,023	-92	-9.0
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	34	25	9	36.0
Other operating income (expenses)	-1	11	-12	
Operating income	**1,566**	**1,160**	**406**	**35.0**
Personnel expenses	-240	-225	15	6.7
Other administrative expenses	-186	-184	2	1.1
Adjustments to property, equipment and intangible assets	-43	-40	3	7.5
Operating costs	**-469**	**-449**	**20**	**4.5**
Operating margin	**1,097**	**711**	**386**	**54.3**
Net adjustments to loans	-11	-3	8	
Other net provisions and net impairment losses on other assets	-17	13	-30	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,069**	**721**	**348**	**48.3**
Taxes on income	-343	-179	164	91.6
Charges (net of tax) for integration and exit incentives	-11	-16	-5	-31.3
Effect of purchase price allocation (net of tax)	-12	-10	2	20.0
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)	**701**	**514**	**187**	**36.4**

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Assets under management [(1)]	152,153	150,112	2,041	1.4
Risk-weighted assets	12,322	12,757	-435	-3.4
Absorbed capital	1,154	1,154	-	-

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

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

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

In the first half of 2023, the Division achieved gross income of 1,069 million euro, up by 348 million euro (+48.3%) compared to the amount in the first six months of 2022. The operating margin showed a positive trend (+386 million euro), attributable to the increase in operating income (+406 million euro), with a slight increase in operating costs (+20 million euro). The revenue performance is mainly attributable to net interest income which, in a scenario of growing market interest rates, rose to 501 million euro, due to the greater contribution from investments in securities and dealing with banks and customers. The analysis of the quarterly performance shows a significant acceleration of interest income starting in the second half of 2022, which benefited from the progressive rise in interest rates by the ECB. Profits (Losses) on financial assets and liabilities designated at fair value grew to a lesser extent (+9 million euro). Net fee and commission income moved in the opposite direction (-92 million euro), specifically recurring fees and commissions, in relation to the reduction in average assets under management, as well as other operating income (expenses) (-12 million euro), due to the decrease in the profits (losses) on equity investments consolidated using the equity method. The Division closed the first half of 2023 with net income of 701 million euro, up by 36.4% on the same period of 2022.

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 2023, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 288.8 billion euro (+16.3 billion euro since the beginning of the year). This trend was due to the market performance, which had a favourable impact on assets and, to a lesser extent, to positive net inflows. The assets under management component amounted to 152.2 billion euro (+2 billion euro).

In the first half of 2023, the following operations were finalised:

- the merger by incorporation of Fideuram Bank (Luxembourg) into Compagnie de Banque Privée Quilvest, renaming the company resulting from the merger Intesa Sanpaolo Wealth Management;
- the start of operations of Fideuram Asset Management UK, an investment company headquartered in the United Kingdom, which took over the activities previously managed by the London branch of Fideuram Asset Management (Ireland);
- the subscription by Fideuram of the share capital increase of Alpian, a Swiss start-up digital bank, headquartered in Geneva;
- the liquidation of the Swiss subsidiary Inveniam;
- acquisition by Reyl & Cie of Carnegie Fund Services, a Swiss company that provides asset and representation services for mutual funds.

Lastly, on 29 June 2023, an agreement was signed for the strategic partnership in asset management between Fideuram - Intesa Sanpaolo Private Banking and the UK Man Group, a global investment firm that applies cutting-edge technologies to portfolio management. This new initiative combines Fideuram’s private banking expertise with Man’s capabilities in providing investment solutions for customers. Under the agreement, the Man Group will initially acquire 51% of Asteria (Reyl Group), an ESG-oriented asset manager, with headquarters in Geneva, including the range of existing funds, while 49% of the company will remain with Fideuram. The agreement, subject to the usual regulatory approvals, will be finalised by the end of 2023.

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential.
Mission	Taking care of customers' well-being and protecting all of their assets through top notch advisory services. A relationship based on listening, satisfaction and trust between the customer and the private banker is what makes the business model of the Private Banking Division unique.
Organisational structure	
Fideuram (Italy)	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of 5,022 Fideuram and Sanpaolo Invest financial advisors and the provision of digital advisory and advanced trading through Fideuram Direct.
Intesa Sanpaolo Private Banking (Italy)	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of 939 in-house private bankers and 112 freelance bankers with agency contracts.
IW Private Investments (Italy)	Company specialising in financial advisory and planning services for individuals and households. It operates using a network of 513 financial advisors.
Reyl & Cie (Switzerland)	Swiss bank dedicated to developing international private customers, which operates through a group of companies specialising in wealth management and private banking. It operates using a total network of 50 private bankers.
SIREF Fiduciaria (Italy)	Company specialised in the provision of fiduciary services.
Intesa Sanpaolo Wealth Management (Luxembourg)	Luxembourg bank with branches in Belgium, which operates using a total network of 46 private bankers.
Fideuram Asset Management (Italy)	Company that manages a wide range of mutual funds, individual portfolios and other investment instruments for private and institutional investors.
Fideuram Asset Management (Ireland)	Company that manages Luxembourg and Italian mutual funds and products designed by the Group's insurance companies.
Fideuram Asset Management (UK)	Investment company headquartered in the United Kingdom, which took over the activities previously managed by the London branch of Fideuram Asset Management (Ireland);
Distribution structure	Network of 263 branches in Italy, 7 branches abroad and 6,682 financial advisors.

Asset Management

(millions of euro)

Income statement	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	2	-	2	-
Net fee and commission income	418	472	-54	-11.4
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	13	-15	28	
Other operating income (expenses)	32	38	-6	-15.8
Operating income	**465**	**495**	**-30**	**-6.1**
Personnel expenses	-50	-48	2	4.2
Other administrative expenses	-57	-49	8	16.3
Adjustments to property, equipment and intangible assets	-4	-3	1	33.3
Operating costs	**-111**	**-100**	**11**	**11.0**
Operating margin	**354**	**395**	**-41**	**-10.4**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**354**	**395**	**-41**	**-10.4**
Taxes on income	-92	-89	3	3.4
Charges (net of tax) for integration and exit incentives	-	-1	-1	
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)	**260**	**302**	**-42**	**-13.9**

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Assets under management	311,339	303,829	7,510	2.5
Risk-weighted assets	1,801	1,798	3	0.2
Absorbed capital	194	195	-1	-0.5

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

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

Operating income for the first half of 2023, amounting to 465 million euro, was down by 6.1% on the same period of the previous year, due to the performance of net fee and commission income (-54 million euro, or -11.4%), which was impacted by the decrease in management fees related to the decrease in assets managed and placement and, to a lesser extent, the performance fees collected during the period. Within the other revenue components, the contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested was a positive 13 million euro (-15 million euro in the first half of 2022). The Chinese subsidiary Penghua, consolidated at equity, provided a positive contribution to operating income of 32 million euro, an amount 6 million euro lower than that recorded in the same period of the previous year. The performance of operating costs (+11%) is mainly attributable to the increase in administrative expenses, associated with the emerging costs due to the adoption of the new system of portfolio management and risk management. As a result of the above revenue and cost trends, the operating margin came to 354 million euro, down 10.4% on the same period of the previous year. The Division closed the first half of 2023 with net income of 260 million euro (-13.9%).

As at 30 June 2023, assets under management of the Asset Management Division came to 311.3 billion euro, up by 7.5 billion euro (+2.5%) compared to the end of December 2022. This trend is attributable to the revaluation of assets under management, correlated with the positive performance of the markets, which more than offset the net outflows (-3.4 billion euro). The outflows mainly regard mandates on insurance and pension products (-3.9 billion euro), and, to a lesser extent, portfolio management schemes for retail and private customers (-0.4 billion euro), only partly offset by net inflows on mutual funds (+0.3 billion euro) and on products targeted to institutional customers (+0.6 billion euro), both in traditional asset classes and private market mandates.

As at 30 June 2023, Eurizon Capital’s Italian market share of assets under management was 16.9% (gross of duplications). Excluding the closed-end funds segment, in which the company has a limited presence, the share of assets under management at the end of June rose to 17.6%.

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

Insurance

(millions of euro)

Income statement	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	-	-	-	-
Net fee and commission income	1	1	-	-
Income from insurance business	834	809	25	3.1
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-7	-7	-	-
Operating income	**828**	**803**	**25**	**3.1**
Personnel expenses	-72	-68	4	5.9
Other administrative expenses	-84	-94	-10	-10.6
Adjustments to property, equipment and intangible assets	-15	-15	-	-
Operating costs	**-171**	**-177**	**-6**	**-3.4**
Operating margin	**657**	**626**	**31**	**5.0**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	39	-	39	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**696**	**626**	**70**	**11.2**
Taxes on income	-205	-157	48	30.6
Charges (net of tax) for integration and exit incentives	-7	-4	3	75
Effect of purchase price allocation (net of tax)	-5	-3	2	66.7
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)	**477**	**462**	**15**	**3.2**

(millions of euro)

	30.06.2023	31.12.2022	Changes	
			amount	%
Direct deposits from insurance business (1)	174,122	173,672	450	0.3
Risk-weighted assets	-	-	-	-
Absorbed capital	4,606	4,954	-348	-7.0

(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. The scope of the Insurance Division also includes Intesa Sanpaolo Insurance Agency and InSalute Servizi.

In the first half of 2023, the Division reported income from insurance business of 834 million euro, up (+3.1%, equal to +25 million euro) compared to the same period of 2022. This trend is attributable to the increase in both the life business and the non-life business. Gross income, amounting to 696 million euro, showed sustained growth (+11.2%) due to the positive performance of operating income, the decrease in operating costs, specifically in administrative expenses, and the trend in net provisions, which reported releases of 39 million euro in the first half of 2023.
The cost/income ratio, at 20.7%, remained at very good levels, lower than those recorded in the first half of 2022.
Lastly, net income came to 477 million euro (+3.2%) after the attribution of taxes of 205 million euro, charges for integration and exit incentives of 7 million euro, effects of purchase price allocation for 5 million euro and minority interests for 2 million euro. With regard to the last caption, in March 2023 Intesa Sanpaolo acquired 100% of the shares of Intesa Sanpaolo RBM Salute.

Direct deposits from insurance business of 174,122 million euro were substantially stable (+0.3%) compared to the beginning of the year: the increase in insurance liabilities was offset by lower financial liabilities, comprised of unit-linked products, and by the decrease in other insurance deposits, which include subordinated liabilities.

The Division's collected premiums for life policies and pension products, amounting to 8.8 billion euro, increased by 5.9% compared to the first six months of last year, due to traditional products (+60.2%) and pension products (+4.1%). Conversely, premiums on unit-linked products decreased (-46.7%).

Collected premiums for the protection business totalled 0.8 billion euro, up by around 4% on the same period of 2022. Premiums in the non-motor business (excluding CPI – Credit Protection Insurance) rose by 10%, mainly driven by the Business and Accident Lines of Business (LoB) (+26% and +20%, respectively), against a decrease in the other components (motor and credit-related).

Business	Life and Non-Life Insurance.
Mission	Develop the offering of insurance products for the Group's customers.
Organisational structure	
Intesa Sanpaolo Vita	Insurance parent company specialised in offering insurance, pension and personal and asset protection services within Banca dei Territori. The company is the sole owner of Intesa Sanpaolo Life, Intesa Sanpaolo Assicura, Intesa Sanpaolo Insurance Agency and Intesa Sanpaolo RBM Salute. Lastly, it holds 40% of Eurizon Capital Real Asset SGR, a company operational since 31 December 2019, controlled by Eurizon Capital SGR (Asset Management Division), which holds 51% of the voting rights and 20% of the capital.
Intesa Sanpaolo Life	Specialised in life insurance products with a higher financial content, such as unit-linked products.
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products in service of the Private Banking Division.
Intesa Sanpaolo Assicura	Dedicated to the non-life business, it offers customers a wide range of products capable of covering personal injury, damage to vehicles and to the home and loan protection.
Intesa Sanpaolo RBM Salute	Specialised in the health care business.
Intesa Sanpaolo Insurance Agency	Agency that performs insurance mediation activities of both life and non-life products.

Corporate Centre

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

The Corporate Centre Departments generated an operating margin of 331 million euro in the first half of 2023, compared to 166 million euro in the same period of the previous year. That performance is essentially attributable to the growth in operating income, largely due to the trend in net interest income, which benefited from the significant rise and repositioning at positive levels of market interest rates. Operating costs declined, due to lower personnel expenses and higher charge backs by the Corporate Centre to the business units for pure services and guidance and control services, partially attenuated by the increase in the amortisation of intangible assets correlated with technological investments. Gross income amounted to 500 million euro compared to 370 million euro in the first six months of the previous year. The first half of 2023 closed with a net loss of -15 million euro, compared to -152 million euro in the same period of 2022. The income statement of the Corporate Centre includes almost all of the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management, essentially related to the resolution funds. These charges amounted - after tax - to 222 million euro, compared with 254 million euro in the first half of 2022.

Treasury services

In the first half of 2023, Intesa Sanpaolo retained its national and European market shares at a stable level, confirmed its systemic role as a “critical participant” in the ECB’s cash and securities settlement systems. The success of the Target 2 (T2)/TARGET2-Securities (T2S) Consolidation project, which took the form of a successful go-live and expansion beyond expectations, continued in the three following months, maintaining the pre-migration volumes.
To conclude the ECB’s Vision 2020 programme, it is necessary to complete the last of the Target Services, the new Eurosystem Collateral Management System - ECMS. In that regard, in June, European banks entered the testing phase, which will end at the beginning of 2024, to leave room for the pre-migration activities, which will lead to the go-live in April 2024.

In the first half of 2023, in order to ensure the prompt return of inflation to the medium-term target of 2%, the ECB continued raising interest rates - by 50 basis points in February and March and 25 basis points in May and June. Raising interest rates by 400 basis points in July 2022, the Governing Council continued following an approach guided by economic data[27], in order to determine the most appropriate level and duration of the monetary restriction strategy. It also decided the methods for reducing the Asset Purchase Programme (APP) portfolio, which entail stopping reinvestments from July 2023.
As a result, market rates rose sharply in the initial months of the year, and consolidated this trend in the second quarter. Volatility was significant, especially in March-April, due to the tensions on the US and European financial market following the crisis of several US regional banks.
In the United States, following 10 consecutive hikes, which brought the Fed Funds Target Rate from 0%-0.25 to 5%-5.25%, the latest meeting of the Federal Open Market Committee - FOMC on 14 June concluded with interest rates unchanged. However, the Federal Reserve also announced that the increases are not done and it will continue with the measures to bring US inflation back to 2%.
Intesa Sanpaolo confirmed its solid liquidity position. At the end of the half year, the Eurosystem repaid a significant tranche, also including a share of Intesa Sanpaolo, of the Targeted Longer-Term Refinancing Operations (TLTRO). Outstanding short-term securities grew. The total amount of Group securities placed on the domestic market was 8.09 billion euro, of which 6.26 billion euro in certificates placed via its own networks, 1.77 billion euro in issues placed through the Private Banking Division and, lastly, around 64 million euro in securities traded on the MOT and/or EuroTLX market of Borsa Italiana (direct listing).
Among the securities issued, there was a prevalence of the component consisting of structured financial instruments (77%), mainly comprised of index-linked structures. A breakdown by average maturity shows that 72% are comprised of instruments with maturities up to 5 years, and the remaining 28% of 6- and 7-year securities. The bonds placed through the Private Banking Division amounted to 1.77 billion euro overall, of which: 1.15 billion euro in 3-year fixed-rate senior preferred issues, 0.6 billion euro in 5-year fixed-rate senior preferred issues and 15 million euro in 2-year fixed-rate private placement senior preferred issues. During the half year, a total of 11.4 billion euro in institutional unsecured funding transactions were placed, of which 11.3 billion euro in bonds issued by the Bank and 100 million euro in bonds issued by the IMI Corporate & Investment Banking Division.

With regard to institutional funding, the following public issues were carried out during the half year: fixed-rate T2 subordinated instruments for 1 billion euro, issued on 13 February, with 11-year maturity (callable from the sixth year); fixed-rate senior non preferred green bonds for a total of 2.25 billion euro, issued in two tranches on 27 February: the first with 5-year maturity (callable from the fourth year), for 1.5 billion euro, and the second with 10-year maturity, for 750 million euro; fixed-rate senior preferred bonds targeted to the Asian market issued on 3 March, for a total of 24.3 billion JPY (equal to around 170 million euro), issued in three tranches: 11 billion JPY (around 77 billion euro) with 2-year maturity, 10.1 billion JPY (around 71 billion euro) with 3-year maturity and 3.2 billion JPY (around 22 billion euro) with 7-year maturity; senior non preferred green bonds for 600 million GBP (equal to around 670 million euro), issued on 7 March, targeted to the UK market, with 6-year maturity (callable in the fifth year); floating-rate senior preferred bonds for 1.5 billion euro, issued on 9 March, with 2-year maturity; fixed-rate senior preferred green bonds for a total of 2.25 billion euro, issued on 15 March, in two tranches: the first with 3-year maturity for 1 billion euro and the second with 7-year maturity for 1.25 billion euro; senior preferred social bonds for 750 million GBP (equal to around 865 million euro), issued on 23 May, with 10-year maturity; and fixed-rate bonds for a total of 2.75 billion USD (equal to around 2.55 billion euro), issued on 12 June, targeted to the US market, issued in two

[27] After the end of the half year, the official rates were raised by another 25 basis points on 27 July.

tranches: one senior preferred tranche for 1.25 billion USD (equal to around 1.16 billion euro), with 10-year maturity, and a senior non preferred tranche for 1.5 billion USD (equal to around 1.39 billion euro), with 31-year maturity (callable in the thirtieth year). The “Green” issues aim to fund all green projects in line with the Green, Social & Sustainability Bond Framework: “Renewable Energy”, “Energy Efficiency”, “Green Buildings”, “Clean Transportation” and “Circular Economy”. Lastly, during the half year, a private placement in Euro was carried out for 20 million euro with Citigroup Global Markets Europe AG as dealer, with a duration of 15 years (callable in the tenth year). With regard to the Covered Bond issue programme, during the first half of the year, as part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 14th retained series was partially redeemed in January for 200 million euro (the remaining amount therefore came to 800 million euro). Under the covered bond programme guaranteed by UBI Finance, the 18th series matured in January for an amount of 1.250 billion euro. As part of the programme guaranteed by ISP OBG, in February, the 19th retained series matured, for 1.375 billion euro. Under the covered bond issue programme guaranteed by ISP CB Ipotecario, in March the 19th series matured for an amount of 1.250 billion euro and in June the 21st retained series was partially redeemed for 1 billion euro (the residual amount therefore came to 1.2 billion euro). In April, the subsidiary VUB Banka carried out an issuance of covered bonds. These are fixed-rate securities for an amount of 500 million euro, with 3-year maturity. Moreover, in June a public issue of Covered Bonds (series no. 29) was carried out as part of the ISP CB Ipotecario Programme, for an amount of 1.250 billion euro. These are fixed-rate securities with 5-year maturity.

For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. At 30 June 2023, the outstanding amount, gross of haircuts applicable to loans lodged as pledge by the Group, came to around 18 billion euro. During the half-year, the significant uncertainty generated by the crisis of several US banks and Credit Suisse was quickly overcome by the markets, comforted by the rapid support measures coordinated by the central banks and the better than forecast trend in the main economies. The gradual upwards revision of the terminal rates of monetary policy favoured a significant flattening of forward structures, which, however, did not slow the positive trend in credit spreads. Portfolio operations were moderate: in addition to a new, slight rise in the share of investment in Japanese government bonds hedged by CCS, the component of European government bonds in quasi core countries was rounded off. In the segment of non-government securities, the covered component, which seems attractive given its defensive characteristics, continued rising, along with the relatively generous levels of spreads and the probable future slowdown in supply.
With reference to the repo market, volumes of Italian government bonds traded increased significantly compared to the previous half year and interest rates remained at lower levels than the deposit facility. During the half year, the spread between the rates of the core countries and Italian government bonds gradually expanded. From the first to the second half of 2023, interest rates decreased, associated with a further expansion in spreads.

Strategic ALM

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

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2023	9,579	2,331	488	12,398
30.06.2022	8,510	1,786	459	10,755
% change	12.6	30.5	6.3	15.3
Loans to customers				
30.06.2023	353,134	63,412	20,951	437,497
31.12.2022	365,428	63,173	18,253	446,854
% change	-3.4	0.4	14.8	-2.1
Direct deposits from banking business				
30.06.2023	473,655	73,127	7,625	554,407
31.12.2022	466,841	71,010	7,535	545,386
% change	1.5	3.0	1.2	1.7

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

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

With regard to the subdivision by geographical areas of operations, carried out with regard to the location of the entities comprising the Group, activities continued to be concentrated primarily in the Italian market. Italy accounted for 77% of revenues, 81% of loans to customers and 85% of direct deposits from banking business.
With regard to operating performance in the first half of 2023, loans to customers decreased in Italy, remained substantially stable in Europe and grew in the rest of the world. Direct deposits from banking business, on the other hand, increased in all the geographical areas: Italy, Europe and rest of the world.
For details on the Group's presence in Italy and abroad, refer to the graphic representation at the beginning of this document (The Intesa Sanpaolo Group: presence in Italy - international presence).

Forecast for the year

GDP growth is expected to continue to be positive in the coming months, but at a modest pace. Inflation is expected to fall rapidly during the second half of 2023. The phase of hikes in official interest rates should be almost completed, both in the United States and in the Eurozone – where markets are discounting an additional increase of 25 basis points in the next few months, but with less than full probability and without ruling out a pause in September. In Italy, the GDP is expected to show modest growth, with the effect of monetary tightening offset by the recovery in real incomes and an increase in spending linked to the National Recovery and Resilience Plan.

Despite the extreme short-term uncertainty, the economic outlook for emerging countries and those where ISP has a presence seems positive and, compared to the first half of the year, in the second half GDP growth is expected to strengthen and inflationary pressures to weaken.

In the countries where ISP has a presence GDP is expected to grow in the CEE/SEE area, but at a slower pace than in 2022, due to the impacts of the war in Ukraine, the trend in prices and the possible restrictions on supplies of food commodities, and inflation rates that remain high. In the MENA region, the Egyptian economy is expected to slow down slightly. A recovery in the GDP is forecast in the countries directly involved in the conflict (Russia and Ukraine) following the severe decrease in 2022.

In the Italian banking system, for the rest of 2023, loans to businesses will continue to decrease, in the context of the tightening of credit conditions resulting from the sharp increase in interest rates. For the same reason, loans to households should go through a phase of weakness, also in view of the continuing decrease in real estate transactions and the cooling of the trend in housing prices. For direct deposits, the decrease in current accounts is expected to continue in the second half, due to the use of deposited cash by businesses and households and the reallocation of savings to more remunerative forms. The move towards time deposits, supported by attractive interest-rate offerings, will continue. The diversification of household investments towards government and bank bonds will continue, with the latter also recovering thanks to the return of issues of covered bonds and, in general, of medium/long-term funding instruments, against the repayment of the TLTRO III. As regards asset management and life insurance, the second half will continue to feel the impact of the rebalancing of household portfolios towards debt securities, though a moderate improvement in inflows compared to the first half of the year is possible.

For the Intesa Sanpaolo Group, for 2023, operating margin is expected to significantly increase – as a result of solid revenue growth driven by net interest income (net interest income expected to exceed 13.5 billion euro in 2023 and grow further in 2024 and 2025) coupled with a continuous focus on cost management – and net adjustments to loans are expected to strongly decrease, triggering net income growth to well above 7 billion euro.

The implementation of the 2022-2025 Business Plan is proceeding at full speed and the key industrial initiatives are well underway, with prospects of 2024-2025 net income to exceed net income envisaged for 2023 in light of expectations of:

- revenue growth:
    - further net interest income growth;
    - recovery in commissions (well-diversified business model);
    - growth in income from insurance business driven by P&C;
    - rebound in profits from trading;
- cost reduction[28]:
    - additional benefits from technology (e.g., accelerated/increased branch rationalisation, IT/processes streamlining);
    - voluntary exits already agreed;
    - easing inflation;
- low cost of risk:
    - low NPL stock;
    - overlays;
    - voluntary deduction of the calendar provisioning in the second quarter of 2023 (around 0.4 billion euro additional benefits expected for net income in the two-year period 2024-2025 versus the Business Plan assumptions[29]);
- lower levies and other charges concerning the banking industry:
    - no contribution to the resolution fund starting from 2024;
    - lower/no contribution to the deposit guarantee scheme starting from 2025.

[28] Taking into account the impact of the National Labour Contract.

[29] Assumptions of loan adjustments with a view to subsequently disposing of exposures impacted by the calendar provisioning.

A strong value distribution is envisaged:
- a cash payout ratio of 70% of the consolidated net income for each year of the Business Plan;
- the Board of Directors, at today's meeting, envisaged the distribution of a cash interim dividend of at least 2.45 billion euro on the 2023 results. The Board will discuss the resolution regarding the interim dividend on 3 November 2023, when it meets to approve the consolidated results as at 30 September 2023, in relation to both the results of the third quarter 2023 and those foreseeable for the fourth quarter 2023.
- any additional distribution to be evaluated year by year.

A solid capital position is envisaged, with the fully loaded Common Equity Tier 1 ratio – confirming the Basel 3/Basel 4 target of above 12% over the 2022-2025 Business Plan horizon – expected to stand in 2025 at above 14.5% pre Basel 4, above 14% post Basel 4 and above 15% post Basel 4 including the absorption of DTAs (the vast majority of which will be absorbed by 2028), taking into account the above-mentioned payout ratio envisaged for the years covered by the Business Plan and not considering any additional distribution.

The Board of Directors

Milan, 28 July 2023

Half-yearly condensed
consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.06.2023	31.12.2022	Changes amount	Changes %
10.	Cash and cash equivalents	79,875	112,924	-33,049	-29.3
20.	Financial assets measured at fair value through profit or loss	151,753	150,616	1,137	0.8
	a) financial assets held for trading	*44,053*	*42,607*	*1,446*	*3.4*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*107,699*	*108,008*	*-309*	*-0.3*
30.	Financial assets measured at fair value through other comprehensive income	132,166	119,508	12,658	10.6
40.	Financial assets measured at amortised cost	525,732	528,081	-2,349	-0.4
	a) due from banks	*31,704*	*32,884*	*-1,180*	*-3.6*
	b) loans to customers	*494,028*	*495,197*	*-1,169*	*-0.2*
50.	Hedging derivatives	8,986	10,075	-1,089	-10.8
60.	Fair value change of financial assets in hedged portfolios (+/-)	-8,996	-9,752	-756	-7.8
70.	Investments in associates and companies subject to joint control	2,599	2,013	586	29.1
80.	Insurance assets	843	151	692	
	a) insurance contracts issued that are assets	*530*	*18*	*512*	
	b) reinsurance contracts held that are assets	*313*	*133*	*180*	
90.	Property and equipment	9,700	10,505	-805	-7.7
100.	Intangible assets	9,192	9,237	-45	-0.5
	of which:				
	- goodwill	*3,668*	*3,626*	*42*	*1.2*
110.	Tax assets	16,080	18,130	-2,050	-11.3
	a) current	*2,666*	*3,520*	*-854*	*-24.3*
	b) deferred	*13,414*	*14,610*	*-1,196*	*-8.2*
120.	Non-current assets held for sale and discontinued operations	614	638	-24	-3.8
130.	Other assets	26,661	22,461	4,200	18.7
Total assets		**955,205**	**974,587**	**-19,382**	**-2.0**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2023	31.12.2022	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	630,131	670,127	-39,996	-6.0
	a) due to banks	*94,827*	*138,132*	*-43,305*	*-31.4*
	b) due to customers	*438,677*	*454,595*	*-15,918*	*-3.5*
	c) securities issued	*96,627*	*77,400*	*19,227*	*24.8*
20.	Financial liabilities held for trading	47,648	46,512	1,136	2.4
30.	Financial liabilities designated at fair value	66,768	63,007	3,761	6.0
40.	Hedging derivatives	5,177	5,517	-340	-6.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,414	-8,031	-617	-7.7
60.	Tax liabilities	2,938	2,021	917	45.4
	a) current	*500*	*303*	*197*	*65.0*
	b) deferred	*2,438*	*1,718*	*720*	*41.9*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
80.	Other liabilities	23,171	10,763	12,408	
90.	Employee termination indemnities	775	852	-77	-9.0
100.	Allowances for risks and charges	4,169	4,960	-791	-15.9
	a) commitments and guarantees given	*539*	*711*	*-172*	*-24.2*
	b) post-employment benefits	*81*	*139*	*-58*	*-41.7*
	c) other allowances for risks and charges	*3,549*	*4,110*	*-561*	*-13.6*
110.	Insurance liabilities	119,381	117,575	1,806	1.5
	a) insurance contracts issued that are liabilities	*119,311*	*117,561*	*1,750*	*1.5*
	b) reinsurance contracts held that are liabilities	*70*	*14*	*56*	
120.	Valuation reserves	-2,084	-2,458	-374	-15.2
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,217	7,211	6	0.1
150.	Reserves	14,654	15,073	-419	-2.8
155.	Interim dividend (-)	-	-1,400	-1,400	
160.	Share premium reserve	28,001	28,053	-52	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Treasury shares (-)	-70	-124	-54	-43.5
190.	Minority interests (+/-)	152	166	-14	-8.4
200.	Net income (loss) (+/-)	4,222	4,379	-157	-3.6
Total liabilities and shareholders' equity		**955,205**	**974,587**	**-19,382**	**-2.0**

Consolidated income statement

(millions of euro)

		30.06.2023	30.06.2022	Changes	
				amount	%
10.	Interest and similar income	14,562	6,588	7,974	
	of which: interest income calculated using the effective interest rate method	*13,031*	*6,254*	*6,777*	
20.	Interest and similar expense	-6,630	-1,428	5,202	
30.	**Interest margin**	**7,932**	**5,160**	**2,772**	**53.7**
40.	Fee and commission income	5,306	5,759	-453	-7.9
50.	Fee and commission expense	-1,366	-1,354	12	0.9
60.	**Net fee and commission income**	**3,940**	**4,405**	**-465**	**-10.6**
70.	Dividend and similar income	359	356	3	0.8
80.	Profits (Losses) on trading	69	179	-110	-61.5
90.	Fair value adjustments in hedge accounting	-57	46	-103	
100.	Profits (Losses) on disposal or repurchase of:	-97	-50	47	94.0
	a) financial assets measured at amortised cost	*72*	*210*	*-138*	*-65.7*
	b) financial assets measured at fair value through other comprehensive income	*-187*	*-252*	*-65*	*-25.8*
	c) financial liabilities	*18*	*-8*	*26*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	1,630	-2,371	4,001	
	a) financial assets and liabilities designated at fair value	*-2,281*	*7,653*	*-9,934*	
	b) other financial assets mandatorily measured at fair value	*3,911*	*-10,024*	*13,935*	
120.	**Net interest and other banking income**	**13,776**	**7,725**	**6,051**	**78.3**
130.	Net losses/recoveries for credit risks associated with:	-725	-1,319	-594	-45.0
	a) financial assets measured at amortised cost	*-669*	*-1,217*	*-548*	*-45.0*
	b) financial assets measured at fair value through other comprehensive income	*-56*	*-102*	*-46*	*-45.1*
140.	Profits (Losses) on changes in contracts without derecognition	3	-1	4	
150.	**Net income from banking activities**	**13,054**	**6,405**	**6,649**	
160.	Insurance service result	1,064	836	228	27.3
	a) insurance revenue arising from insurance contracts issued	*1,518*	*1,771*	*-253*	*-14.3*
	b) insurance service expenses arising from insurance contracts issued	*-458*	*-871*	*-413*	*-47.4*
	c) insurance revenue arising from reinsurance contracts held	*73*	*69*	*4*	*5.8*
	d) insurance service expenses arising from reinsurance contracts held	*-69*	*-133*	*-64*	*-48.1*
170.	Balance of financial income and expenses related to insurance operations	-2,648	1,787	-4,435	
	a) net financial expenses/revenue related to insurance contracts issued	*-2,652*	*1,787*	*-4,439*	
	b) net financial expenses/revenue related to reinsurance contracts held	*4*	*-*	*4*	
180.	**Net income from banking and insurance activities**	**11,470**	**9,028**	**2,442**	**27.0**
190.	Administrative expenses:	-5,256	-5,256	-	-
	a) personnel expenses	*-3,067*	*-3,059*	*8*	*0.3*
	b) other administrative expenses	*-2,189*	*-2,197*	*-8*	*-0.4*
200.	Net provisions for risks and charges	-130	-125	5	4.0
	a) commitments and guarantees given	*32*	*-74*	*106*	
	b) other net provisions	*-162*	*-51*	*111*	
210.	Net adjustments to / recoveries on property and equipment	-336	-326	10	3.1
220.	Net adjustments to / recoveries on intangible assets	-451	-389	62	15.9
230.	Other operating expenses (income)	462	486	-24	-4.9
240.	**Operating expenses**	**-5,711**	**-5,610**	**101**	**1.8**
250.	Profits (Losses) on investments in associates and companies subject to joint control	194	204	-10	-4.9
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-22	-3	19	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	160	14	146	
290.	**Income (Loss) before tax from continuing operations**	**6,091**	**3,633**	**2,458**	**67.7**
300.	Taxes on income from continuing operations	-1,846	-1,282	564	44.0
310.	**Income (Loss) after tax from continuing operations**	**4,245**	**2,351**	**1,894**	**80.6**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**4,245**	**2,351**	**1,894**	**80.6**
340.	Minority interests	-23	-5	18	
350.	**Parent Company's net income (loss)**	**4,222**	**2,346**	**1,876**	**80.0**
	Basic EPS - Euro	**0.23**	**0.12**		
	Diluted EPS - Euro	**0.23**	**0.12**		

Statement of consolidated comprehensive income

(millions of euro)

		30.06.2023	30.06.2022	Changes amount	Changes %
10.	**Net income (Loss)**	**4,245**	**2,351**	**1,894**	**80.6**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-145**	**15**	**-160**	
20.	Equity instruments designated at fair value through other comprehensive income	-156	-503	-347	-69.0
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-55	190	-245	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-9	168	-177	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	75	160	-85	-53.1
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
100.	Financial revenue and expenses related to insurance contracts issued	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**434**	**-1,651**	**2,085**	
110.	Hedges of foreign investments	-4	-8	-4	-50.0
120.	Foreign exchange differences	-31	30	-61	
130.	Cash flow hedges	127	-75	202	
140.	Hedging instruments (not designated elements)	-	-	-	
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	1,968	-7,854	9,822	
160.	Non-current assets held for sale and discontinued operations	-	-	-	
170.	Share of valuation reserves connected with investments carried at equity	-31	19	-50	
180.	Financial revenue and expenses related to insurance contracts issued	-1,597	6,235	-7,832	
190.	Financial revenue and expenses related to reinsurance contracts held	2	2	-	-
200.	**Total other comprehensive income (net of tax)**	**289**	**-1,636**	**1,925**	
210.	**Total comprehensive income (captions 10 + 200)**	**4,534**	**715**	**3,819**	
220.	**Total consolidated comprehensive income pertaining to minority interests**	**-3**	**-15**	**-12**	**-80.0**
230.	**Total consolidated comprehensive income pertaining to the Parent Company**	**4,537**	**730**	**3,807**	

Changes in consolidated shareholders' equity as at 30 June 2023

(millions of euro)

	30.06.2023												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2022	**10,537**	**-**	**28,068**	**14,254**	**904**	**-2,583**	**7,211**	**-1,400**	**-124**	**4,402**	**61,269**	**61,103**	**166**
Changes in opening balances	**-**	**-**	**-**	**-59**	**-**	**59**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2023	**10,537**	**-**	**28,068**	**14,195**	**904**	**-2,524**	**7,211**	**-1,400**	**-124**	**4,402**	**61,269**	**61,103**	**166**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	**-**	**-**	**-**	**1,338**	**-**	**-**	**-**	**-**	**-**	**-1,338**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,400**	**-**	**-3,064**	**-1,664**	**-1,664**	**-**
CHANGES IN THE PERIOD													
Changes in reserves	**-**	**-**	**-57**	**-**	**153**	**-**	**-**	**-**	**-**	**-**	**96**	**96**	-
Operations on shareholders' equity													
Issue of new shares	-	-	5	-	-	-	-	-	1,754	-	1,759	1,759	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,700	-	-1,700	-1,700	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	6	-	-	-	6	6	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-46	-	-	-1,793	-	-	-	-	-	-	-1,839	-1,828	-11
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**289**	**-**	**-**	**-**	**4,245**	**4,534**	**4,537**	**-3**
SHAREHOLDERS' EQUITY AS AT 30.06.2023	**10,491**	**-**	**28,016**	**13,740**	**1,057**	**-2,235**	**7,217**	**-**	**-70**	**4,245**	**62,461**	**62,309**	**152**
- Group	**10,369**	**-**	**28,001**	**13,597**	**1,057**	**-2,084**	**7,217**	**-**	**-70**	**4,222**	**62,309**		
- minority interests	**122**	**-**	**15**	**143**	**-**	**-151**	**-**	**-**	**-**	**23**	**152**		

(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 2022

(millions of euro)

	30.06.2022													
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other									
AMOUNTS AS AT 31.12.2021	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
Reclassify	**-**	**-**	**-**	**-**	**-**	**476**	**-476**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in opening balances	**-**	**-**	**-**	**-847**	**-**	**-138**	**-**	**-**	**-**	**-**	**-**	**-985**	**-985**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,089**	**1,089**	**-419**	**-**	**6,282**	**-1,399**	**-136**	**4,043**	**63,081**	**62,790**	**291**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)														
Reserves	**-**	**-**	**-**	**1,312**	**-**	**-**	**-**	**-**	**-**	**-**	**-1,312**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,399**	**-**	**-2,731**	**-1,332**	**-1,316**	**-16**
CHANGES IN THE PERIOD														
Changes in reserves	**-**	**-**	**598**	**-**	**-273**	**-**	**-**	**-**	**-**	**-**	**-**	**325**	**325**	**-**
Operations on shareholders' equity														
Issue of new shares	285	-	405	-	-	-	-	-	-	89	-	779	779	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-1	-	-1	-1	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-233	-	-	-	-	-	-	-	-	-233	-233	-
Changes in equity instruments	-	-	-	-	-	-	-	922	-	-	-	922	922	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	40	-	-3	-724	-	-	-	-	-	-	-	-687	-675	-12
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-1,636**	**-**	**-**	**-**	**-**	**2,351**	**715**	**730**	**-15**
SHAREHOLDERS' EQUITY AS AT 30.06.2022	**10,548**	**-**	**28,076**	**16,677**	**816**	**-2,055**	**-**	**7,204**	**-**	**-48**	**2,351**	**63,569**	**63,321**	**248**
- Group	**10,369**	**-**	**28,056**	**16,565**	**816**	**-1,987**	**-**	**7,204**	**-**	**-48**	**2,346**	**63,321**		
- minority interests	**179**	**-**	**20**	**112**	**-**	**-68**	**-**	**-**	**-**	**-**	**5**	**248**		

(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)

	30.06.2023	30.06.2022
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**5,943**	**5,246**
Net income (loss) (+/-)	4,245	2,351
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	590	3,959
Gains/losses on hedging activities (-/+)	56	-46
Net losses/recoveries for credit risk (+/-)	957	1,603
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	787	791
Net provisions for risks and charges and other costs/revenues (+/-)	260	106
Net revenues and expenses of insurance contracts issued and reinsurance contracts held (-/+)	1,584	-2,623
Taxes, duties and tax credits to be paid/collected (+/-)	1,611	1,351
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-4,147	-2,246
2. Cash flow from / used in financial assets	**-11,262**	**11,155**
Financial assets held for trading	-1,269	-980
Financial assets designated at fair value	13	-41
Other financial assets mandatorily measured at fair value	3,819	7,602
Financial assets measured at fair value through other comprehensive income	-12,737	10,450
Financial assets measured at amortised cost	1,222	10,511
Other assets	-2,310	-16,387
3. Cash flow from / used in financial liabilities (*)	**-25,613**	**249**
Financial liabilities measured at amortised cost	-39,978	-21,087
Financial liabilities held for trading	1,028	-383
Financial liabilities designated at fair value	1,466	1,679
Other liabilities	11,871	20,040
4. Cash flow from/used in insurance contracts issued and reinsurance contracts held	**1,114**	**-13,635**
Insurance contracts issued that are assets/liabilities (+/-)	1,238	-13,644
Reinsurance contracts held that are assets/liabilities (+/-)	-124	9
Net cash flow from (used in) operating activities	**-29,818**	**3,015**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,011**	**170**
Sales of investments in associates and companies subject to joint control	337	13
Dividends collected on investments in associates and companies subject to joint control	74	77
Sales of property and equipment	598	79
Sales of intangible assets	2	1
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-643**	**550**
Purchases of investments in associates and companies subject to joint control	-40	-61
Purchases of property and equipment	-161	-153
Purchases of intangible assets	-442	-311
Purchases of subsidiaries and business branches	-	1,075
Net cash flow from (used in) investing activities	**368**	**720**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	-1,641	658
Share capital increases	-156	781
Dividend distribution and other	-1,664	-1,565
Disposal/acquisition of minority interests in subsidiaries	-7	-21
Net cash flow from (used in) financing activities	**-3,468**	**-147**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-32,918**	**3,588**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	112,924	14,756
Net increase (decrease) in cash and cash equivalents	-32,918	3,588
Cash and cash equivalents: foreign exchange effect	-131	25
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**79,875**	**18,369**

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 25,613 million euro (cash flow used) and comprise -35,453 million euro in cash flows, +631 million euro in fair value changes and +9,209 million euro in other changes.

Explanatory notes

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2023 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 Interpretations Committee (IFRIC-IC) and endorsed by the European Commission and in force as at 30 June 2023, 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.

With regard to the changes in the accounting regulations, considering the significance for the Intesa Sanpaolo Group and, in particular, for the insurance companies, it is primarily noted that IFRS 17 Insurance Contracts, published by the IASB in May 2017 and subject to subsequent amendments, endorsed with Regulation (EU) no. 2036/2021 of 19 November 2021, is applicable from 1 January 2023.
The Interim Statement as at 31 March 2023 was the first financial statement drawn up in application of IFRS 17. same at the time, the insurance companies of the Intesa Sanpaolo Group also applied for the first time IFRS 9 Financial Instruments, the application of which was deferred by virtue of the application of the deferral approach[30].
In that regard, the following aspects are noted:

- these Half-yearly condensed consolidated financial statements include a specific section providing disclosure on the transition to IFRS 17 and IFRS 9 for the insurance companies, previously provided in the Interim Statement as at 31 March 2023. Refer to the specific section “Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group’s insurance companies” for a complete illustration of the provisions of these standards, the Group’s choices and the impacts deriving from the application of IFRS 17 and IFRS 9 for the insurance companies;
- the accounting standards adopted in preparation of this Half-yearly condensed consolidated financial statements, with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, were updated, as illustrated in the Interim Statement as at 31 March 2023, compared to those adopted for the Intesa Sanpaolo Group 2022 Annual Report, to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group;
- the structure of the consolidated financial statements has been adjusted and they have been updated to incorporate the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005[31], and the comparison periods modified following the retrospective application of the two standards. Specifically, the balance sheet balances were compared with the adjusted balance sheet as at 31 December 2022, while income statement balances were compared with the adjusted income statement for the first half of 2022.

In addition to the above, with regard to the introduction of IFRS 17, Regulation 357/2022 of 2 March 2022 and Regulation 1392/2022 of 11 August 2022 apply starting on 1 January 2023. Their main content is illustrated below.

Regulation 357/2022 of 2 March 2022
Regulation 357/2022 adopts several narrow-scope amendments and clarifications to support entities in applying materiality judgements in illustrating accounting policies (amendments to IAS 1) and distinguishing between accounting policies and estimates (amendments to IAS 8). Therefore, it will not have significant impacts on the Group, even though it could be a useful reference for analyses and for improving financial statement disclosure.

[30]Note that, by virtue of the application of the Deferral Approach, the financial assets and liabilities of the subsidiary insurance companies continued to be recognised in accordance with the provisions of IAS 39, while awaiting the entry into force of the new international financial reporting standard on insurance contracts (IFRS 17).

[31] The main changes introduced by the 8th update concern the alignment of the consolidated financial statement formats and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS. Indeed, in order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the provisions issued by IVASS with regard to IAS/IFRS insurance financial statements (the reference is to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022). In particular, full reference is made to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to insurance companies included in the consolidation.

More specifically, the Regulation introduces the following changes:

- *IAS 1 Presentation of Financial Statements*
  These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in identifying which information on accounting standards ("accounting policies") must be disclosed in applying materiality judgements. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the users of financial statements. Material information must be clearly presented. It is not necessary to illustrate immaterial information and, in any event, such information must not obscure material information.
- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
  The amendments to IAS 8 aim to provide clarifications on how to distinguish changes in accounting policies from changes in accounting estimates. In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications.
  The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Regulation no. 1392/2022 - Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies have to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[32]. The cases of interest for the Intesa Sanpaolo Group are related to the accounting for lease transactions in which the lessee initially recognises in the balance sheet the right of use and the corresponding lease liability, which are generally of equal amounts. Based on the applicable tax legislation, equal amounts of taxable and deductible temporary differences may arise at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial for Intesa Sanpaolo and for the Italian companies of the Group, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the initial application of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the tax decree. Therefore, no taxable or deductible temporary differences arise.
As regards impacts on the Group's international companies, no significant aspects to be highlighted were found.

Though not in force as at 30 June 2023, the amendments made by the IASB to IAS 12 - Income Taxes regarding the International Tax Reform – Pillar Two Model Rules are illustrated. The European endorsement process is under way and should be completed shortly, to allow for immediate application of the amendments made to the standard.
At the end of 2021, more than 135 countries, which represent over 90% of the global GDP, had reached an agreement on international tax reform, which introduces a Global Minimum Tax for large multinationals. In detail, these countries have adhered to the OECD Inclusive Framework on Base Erosion and Profit Shifting, which introduces a two-pillar model to handle tax problems deriving from the digitalisation of the economy. In Europe, the Directive to implement the global minimum tax component of the OECD reform was approved by the European Commission on 12 December 2022. After several Member States exceeded their reservations, a unanimous agreement was reached at EU level to adopt the proposed EU Directive to ensure a minimum level of effective taxation of 15% on multinational groups with total revenues exceeding 750 million euro per year. Directive no. 2523/2022 was published in the Official Journal of the European Union on 22 December 2022 and shall be transposed into the domestic legislation of the EU countries by the end of 2023, to be applied in the tax period 2024. Other non-EU countries where the Group operates could implement the same regulations, from an international source, into their domestic legislation.
By publishing the amendments to IAS 12, the IASB decided to respond to concerns of various stakeholders about the potential implications of the imminent application of the Pillar Two Rules on the accounting for income taxes, given the imminent entry into force of the new tax provisions in certain jurisdictions. Specifically, the amendments made to the standard introduce a temporary exception that allows entities not to recognise deferred tax assets and liabilities that would derive from implementing the Pillar Two Framework. The exception is immediately applicable on a retroactive basis. For European entities, the amendments shall be applicable on conclusion of the endorsement process currently under way.
Specific disclosure requirements are also set out for the companies impacted, with different disclosure obligations to be met in the periods in which the Pillar Two regulations are issued or substantially issued but not yet in force, and the periods in which the tax reform is in force. Those disclosure requirements are applicable from annual financial statements that start on or after 1 January 2023, and are not obligatory in the interim reports drawn up prior to 31 December 2023.

[32] According to the definition in IAS 12, taxable/deductive temporary differences are temporary differences between carrying amounts and tax amounts which, when determining the taxable income (tax loss) of future periods, will result in taxable/deductible amounts in the future when the carrying amount of the asset is recovered or the liability is settled.

The Intesa Sanpaolo Group meets the subjective condition of the regulation in question and, therefore, could be impacted by it. As a result, the Group constantly monitors the progress of the regulations in Italy and the countries where it is present. The analyses, including organisational and procedural analyses, for the correct future management of income tax, currently focus on mapping the Group's entities, their characteristics and related subjective material information for their classification, as well as identifying the main issues in interpretation and application, including examining the Safe Harbours currently available.

The Half-yearly condensed consolidated financial statements of Intesa Sanpaolo, 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, as well as information on significant related party transactions.
The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.
In addition to the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 30 June 2022 for the Income statement and as at 31 December 2022 for the Balance sheet, amended, as indicated, with regard to the application of IFRS 17 and IFRS 9 by the Group's insurance companies.
The Explanatory notes contain specific dedicated chapters that set out several detailed tables of the Income Statement and the Balance Sheet in the format established by Bank of Italy Circular 262 on Notes to Annual Financial Statements, regarding the composition of the main financial statement captions concerning banking operations.

Since the conditions pursuant to IFRS 5 have been met, the assets held for sale as at 30 June 2023 mainly include portfolios of non-performing loans and performing exposures in Stage 2 subject to de-risking initiatives launched during the second quarter. Conversely, with regard to the portfolios of non-performing loans classified among assets held for sale as at 31 December 2022, all the related project activities of the 2021-2022 de-risking plans were completed in March, finalising the related sales. Lastly, with regard to (i) the assets and liabilities held for sale pertaining to the PBZ Card business line dedicated to merchant acquiring and (ii) the investment in Zhong Ou Asset Management Co. Ltd, classified under assets held for sale at the end of 2022, the related sales were carried out on 28 February and 16 May 2023, respectively.

The Half-yearly condensed consolidated financial statements as at 30 June 2023 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.
With regard to auditing activity, as previously reported, on 30 April 2019 the ordinary shareholders' meeting awarded EY S.p.A. the engagement for the independent audit of the accounts for the financial years 2021 to 2029.

Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies

This paragraph provides disclosure on the main impacts deriving from the introduction of IFRS 17 Insurance Contracts, as well as the application of IFRS 9 Financial Instruments for the Group's insurance companies, in relation to the requirements of IAS 8, paragraph 28[33], and in accordance with the guidance from the European Securities and Markets Authority (ESMA)[34].
The interaction between the two standards – IFRS 17 and IFRS 9 – that the insurance companies applied simultaneously for the first time as of 1 January 2023, are also illustrated, given the close correlation between the methods of accounting for insurance contracts and the related financial assets.

IFRS 17, published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020 and 9 December 2021, was endorsed by Regulation No. 2036/2021 of 19 November 2021 and entered mandatorily in force from 1 January 2023. The European endorsement regulation makes it possible, on an optional basis, to exempt intergenerationally-mutualised and cash flow matched contracts from the application of the obligation of grouping into annual cohorts set out by IFRS 17. Moreover, with Regulation no. 1491/2022 of 8 September 2022, several narrow-scope amendments were introduced for the preparation of comparative information upon initial application of IFRS 17 and IFRS 9.
Note that IFRS 9 Financial Instruments, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation No. 2067/2016, replaced IAS 39 in the requirements for the classification and measurement of financial instruments with effect from 1 January 2018.
The Intesa Sanpaolo Group, as a financial conglomerate primarily engaged in banking activities, exercised the option of adopting the Deferral Approach (or Temporary Exemption), according to which the financial assets and liabilities of the subsidiary insurance companies continued to be recognised in accordance with the provisions of IAS 39, until the entry into force of the new financial reporting standard on insurance contracts (IFRS 17) on 1 January 2023. The deferral of the adoption of IFRS 9 by the insurance companies meant that, starting from 1 January 2018 up to the Financial Statements as at 31 December 2022, two different accounting standards needed to be applied for the financial assets and liabilities within the Group's consolidated financial statements.
In this context, from 1 January 2023, the Group insurance companies apply IFRS 9 and IFRS 17 together for the first time. The implementation of IFRS 9 by the insurance companies of the Group is consistent with the accounting policies defined by the Intesa Sanpaolo Group to ensure the correct and uniform application of the new standard at consolidated level.

[33] For the purpose of completeness, it is noted that, as required by paragraph C3 of IFRS 17, the entity is not required to present the quantitative information required by paragraph 28 (f) of IAS 8.

[34] This refers to the ESMA Public Statement of 13 May 2022 "Transparency on implementation of IFRS 17 Insurance Contracts", also referred to in the more recent ESMA Public Statement "European common enforcement priorities for 2022 annual financial reports" of 30 October 2022 and, for IFRS 9, the ESMA Public Statement of 10 November 2016 "Issues for consideration in implementing IFRS 9: Financial Instruments".

With regard to preparation of comparative periods, pursuant to IFRS 9 it is permitted, but not required, to restate the comparison periods. Vice versa, under IFRS 17, it is required that the comparison period be changed.
With regard to the methods of presentation of the effects of first-time adoption of IFRS 9, the insurance companies of the Group exercised the option established in paragraph 7.2.15 of IFRS 9, according to which – subject to the retrospective application of the new measurement and presentation rules required by the standard – there is no requirement for the compulsory restatement on a like-for-like basis of the comparative information in the financial statements of first-time adoption of the new standard. In order to present the comparison periods in a uniform, comparable manner, the insurance companies adopted the Classification Overlay for the entire portfolio of financial assets in accordance with the provisions of paragraph C28A and following of IFRS 17 – as amended by the IASB on 9 December 2021 and endorsed by the European Commission with Regulation 1491/2022 of 8 September 2022 – regarding companies adopting IFRS 9 and IFRS 17 simultaneously for the first time.
The Classification Overlay allows the application of the financial asset classification and measurement requirements as envisaged by IFRS 9 for the preparation of comparative periods using reasonable and supportable information. The exercise of that option makes it possible to present the comparative period on a like-for-like basis, also with regard to financial assets already derecognised as at 1 January 2023 (for which restatement would not be permitted according to the ordinary rules of transition to IFRS 9). Moreover, as permitted by Regulation 1491, the Classification Overlay was adopted without applying the ECL requirements.

Below is an examination of the main areas of impact from the application of IFRS 17 and IFRS 9 for the Group's insurance companies, as well as the main choices made in that regard by the Intesa Sanpaolo Group, illustrating the reasons for the generation of an impact of first-time adoption on the Shareholders' Equity, referring to IFRS 17, IFRS 9 and the interaction between the two standards.

A. IFRS 17 Insurance Contracts

The provisions of IFRS 17
IFRS 17 replaces IFRS 4, which, from the time of its initial publication, was considered an interim standard and – as such – its objectives did not include establishing a single approach for the presentation of insurance contracts, referring to the accounting models set out in local regulations of the individual countries. Addressing this aspect – together with better disclosure regarding the operating performance of the insurance contracts – therefore forms the basis of the new standard.

Classification and measurement
The main provisions of IFRS 17 are illustrated below, referring to the methods of recognition and measurement of insurance liabilities:
– initial recognition of the insurance liability: when the contract is signed with the policyholder, the insurance entity recognises a liability whose amount represents the sum of the present value of the expected contractual cash flows (Present Value Future Cash Flows – "PVFCF"), an appropriate Risk Adjustment ("RA") to cover non-financial risks and the Contractual Service Margin ("CSM"), which represents the present value of the future profits on insurance contracts;
– grouping of contracts: the application of IFRS 17 involves the identification of "portfolios" of insurance contracts (groups of contracts that are subject to similar risks and managed together, and those issued no more than one year apart - known as the "annual cohort" requirement). Each portfolio is further subdivided into groups consisting of contracts with similar characteristics in terms of expected profitability, thus distinguishing between profitable contracts (with a positive contractual service margin) and onerous contracts (with a negative contractual service margin);
– the measurement models envisaged by IFRS 17 envisages a measurement model known as General Model ("GM") applicable in principle to all contracts, except for contracts with direct participation features, for which the Variable Fee Approach ("VFA") must be applied, if the eligibility criteria based on the nature of the participation features are met. There is also an optional simplified model (Premium Allocation Approach – "PAA") for the valuation of the Liability for Remaining Coverage ("LRC", similar to the reserve for unearned premiums or premium carry-forward) for contracts with a coverage period of one year or less and for all contracts where the valuation is not materially different from that resulting from the application of the General Model;
– subsequent measurement of the insurance liability: IFRS 17 requires an update to the measurement at each reporting period of the above elements (cash flows, the risk adjustment and the contractual service margin), to verify the consistency of the estimates with the current market conditions. The effects of any updates are recorded at the first reporting date: in profit or loss for changes relating to current events or events that have already occurred or as a reduction of the contractual service margin (CSM) when the changes relate to future events. Solely with regard to changes in financial variables (and not the others, i.e. mainly related to policyholder behaviour), it is left to the entities to decide – for each grouping of contracts – whether to present the effects of the changes through profit or loss or through other comprehensive income (the so called OCI option);
– measurement of the insurance revenue: IFRS 17 requires the presentation in profit or loss of the earnings "by margins" achieved during the life of the policies, i.e. when the entity provides the services to the insured, and does not therefore require the recognition of any revenue at the time of entering into the contract. With regard to that aspect, the standard is asymmetrical, as, for groups of onerous contracts, it requires immediate recognition of losses through profit or loss;
– measurement of the performance: with a view to providing disclosure that ensures better comparability of the performance of the insurance companies, a distinct and separate presentation is required of the two main components that typically contribute to making up the earnings of insurance undertakings: the first, which represents the profit from the insurance service provided (the "technical margin") and the second, which brings together all the financial components (results of investments, effects of financial variables used in the valuations of the contracts, etc.). Changes in the future estimates of premiums linked to the outstanding contracts at the reporting date (cash flows to be received)

and payments (cash flows to be paid) are recognised in profit or loss over the entire remaining contractual lifetime of the policies concerned;

- transition: upon first-time adoption, IFRS 17 requires that all contracts in the portfolio be accounted for as if the rules introduced had always been in force, with retrospective application of the standard. That transition approach is referred to as the Full Retrospective Approach ("FRA"). Given that its application can be very complex due to the unavailability of the time series of the attributes required to manage the breadth of the data model envisaged by IFRS 17, which enables its full application, the standard allows the possibility of using two other approaches, optional to each other:
  - the Modified Retrospective Approach ("MRA"), which approximates the results obtained from the FRA using a retrospective approach, including some simplifications regarding the estimation of the CSM, the level of aggregation of the contracts, the use of annual cohorts and the discount rates to be used;
  - the Fair Value Approach ("FVA"), according to which the CSM/Loss Component (in the case of onerous contracts) is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the Fulfilment Cash Flows at the same date (consisting of the sum of the PVFCF and RA).

Derecognition of previously recognised intangibles

The standard requires that, at the transition date, any amounts that would not have been recognised in application of IFRS 17 must be derecognised, as if the standard had always been applied. That provision specifically takes the form of the derecognition of intangible assets (VoBA- Value of Business acquired) recognised pursuant to IFRS 3 on Purchase Price Allocation (PPA), which expressed the higher profitability incorporated in the portfolio of insurance policies at the time of their acquisition, now included in the Contractual Service Margin, which represents the insurance company's future profits.

Group methodological choices

Within the ISP Group, IFRS 17 is applicable to the insurance products and investment products with discretionary participation features of the insurance companies. The analyses conducted on the other Group companies showed no cases of interest attributable to the scope of application of IFRS 17.
The main methodological choices faced by the Group concerned the quantification of the cash flows according to IFRS 17, the definition of the discount curve in order to discount them, and the quantification of the CSM for the consolidated financial statements of the Intesa Sanpaolo Group, which differs from the CSM of the insurance companies, to take the actual distribution/management costs into account in the future flows of insurance liabilities rather than the fees settled between Group companies.
The main methodological choices made by the Intesa Sanpaolo Group are reported below:

- Level of aggregation and carve-out option on cohorts: the level of aggregation enables the definition of the granularity to be used to assess the profitability of a group of contracts, by grouping in the same portfolio contracts that:
  - have similar risks and are managed together;
  - have the same expected profitability upon issue (profitability bucket);
  - belong to the same generation (annual cohort).

  Limited to the first point, the Group decided to aggregate contracts in the Non-Life Business based on their Solvency II Line of Business ("LoB") and based on the measurement model adopted (General Model or PAA). For the Life Business, the groups of contracts are aggregated by grouping the products into a single portfolio based on the following methodology:
  - non-multi-line products, for each Separate Management;
  - multi-line products, for each Separate Management;
  - stand-alone Unit-Linked products;
  - products linked to Pension Funds;
  - pure risk products (e.g. temporary life policies).

  With regard to contracts relating to multi-Line products or linked to a Separate Management, the Group has decided to exercise the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore to aggregate these types of contracts only based on the concept of similar risks and uniform management and belonging to the same profitability bucket.
- Discount curve: the Group has decided to use a bottom-up approach, which involves using risk-free rates with the addition of a liquidity premium, estimated based on the risk premium inherent in each insurance company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.
- Risk adjustment: it is determined using a Value at Risk (VaR) approach that estimates the uncertainty of the non-financial risks based on the 75th percentile of the specific distribution of each risk considered.
- Variable Fee Approach (VFA): as noted above, the VFA is a mandatory model for contracts involving significant discretionary participation features for the policyholders. To determine whether discretionary participation features are significant, both a qualitative and quantitative test is performed to verify the requirements. Within the products of the insurance companies, all the insurance Linked contracts and all the contracts linked to a Separate Management, both individual and multi-Line, are measured using the Variable Fee Approach.
- Premium Allocation Approach (PAA): as already mentioned, the PAA is an optional method applicable to contracts with a duration of less than one year or to contracts with a duration of more than one year for which it is demonstrated that the application of the PAA model does not lead to results that are significantly different from those that would be obtained with the general model. The Group applies this model solely to the Non-Life Business, with the general rule being to use the PAA model for insurance policies with a duration of one year or less.
- Coverage units: these are the drivers used to determine the CSM release to profit or loss, taking into account the amount of service provided to the policyholders and the expected duration of the group of contracts. The coverage units are determined differently based on whether they relate to Life Business or Non-Life Business. Specifically, for the Non-Life Business, the coverage units are identified by the earned premiums for the period, while for the Life Business, they are identified by the insured capitals for the period with respect to the whole life insured capitals, which represent the company's commitment to the policyholders during the valuation period.

– Contract boundaries: the determination of the contract boundaries is used to establish whether a particular contractual option is to be included in the cash-flow projection as soon as the contract is issued or whether the exercise of that option will result in the generation of a new group of contracts.
The IFRS 17 contract boundaries include all the contractual options that establish the conditions for exercising the option in terms of pricing, already at the time when the contracts are issued. If the exercise of the option does not have conditions predetermined upon issue and the conditions are only defined at a later date or at the time of exercise by the policyholder, they are not included in the IFRS 17 contract boundaries and are not projected in the cash flows of the host contract; the exercise of the option generates a new group of contracts different from that of the host contract.
– Transition Approach: the Full Retrospective Approach was not applicable for the entire portfolio, as the high costs and implementation efforts necessary for the valuations made using actuarial engines outweighed the benefits that would be obtained in terms of the impact on the quality of information provided. Moreover, before the entry into force of the Solvency II regulation, there was no official framework subject to a process of validation for defining the assumptions used to calculate liabilities or availability of information on the profitability of contracts.
For the above reasons, the Group has decided to use all three transition approaches envisaged by the standard based on the availability of the historical data required by the standard for determining the CSM at the FTA date. Specifically, the Full Retrospective Approach is used for the most recent generations of contracts, except for those of the acquired insurance companies (ISP RBM Salute and former UBI), for which the Fair Value Approach is used. For multi-line life contracts and older non-life contracts the Modified Retrospective Approach is used, while for the remaining products and annuities the Fair Value Approach is used. In terms of amounts, the latter is used the most by the Group to estimate the CSM on FTA, followed by the Full Retrospective Approach and the Modified Retrospective Approach.
The main simplifications used by the Group in applying the Modified Retrospective Approach are:
  - use of annual cohorts: the Group adopts the simplifications set out in the standard and aggregates the annual cohorts into a single Unit of Account for the Life and Non-Life Businesses;
  - discount rate: calculation of the discount rates using the median of the last 5 curves reconstructed for the years of valuation prior to the transition date;
  - no calculation of the closing balances for the previous periods.

The Fair Value Approach is based on calculating the CSM from the point of view of a third party acquirer rather than from the point of view of the insurance company that holds the portfolio of liabilities (Market Participant View). Estimating the CSM in accordance with this approach entails determining a cost of capital which represents the loss of earning that the acquirer company would suffer due to allocating capital to cover the risks implicit in the portfolio of contracts acquired.
– Quantification of the CSM for the Consolidated financial statements: under IFRS 17, the management of intragroup transactions entails the need, in order to quantify cash flows, to “replace” the intragroup costs projected by the insurance companies in the estimate of its standalone accounting values (typically fees paid to the banking distribution network) with the actual costs incurred by the Group with third parties. That operation entails the recognition of expected profit (CSM) which differs between the individual Group companies and the Group as a whole. The ESMA, in its annual statement on priorities for the 2022 financial reports[35], highlighted the importance of consistently applying the consolidation requirements pursuant to IFRS 10 in order to guarantee the correct application of IFRS 17 in the consolidated financial statements. Specifically, the ESMA notes that where banks of the group distribute insurance products, the consolidated CSM often differs from the insurance CSM.
– Impacts of IFRS 17 on Alternative Performance Measures: as a result of the changes introduced by the application of the new standard, the Group defined the best methods for presenting the insurance business in the reclassified balance sheet and income statement. For more details, refer to the Report on operations.

Main differences between the IFRS 17 framework and Solvency II

The main differences between IFRS 17 and Solvency II in relation to the valuation of insurance liabilities primarily relate to the identification of the contract boundaries, the determination of the discount curve, and the method of calculation of the Prudent Margin (respectively Risk Adjustment and Risk Margin).
In particular:
– with regard to the contract boundaries, the main differences concern both the determination criteria and the frequency of the valuation. Under Solvency II, the contract boundaries are based on a risk approach for the company and are determined at each valuation date; under IFRS 17, they are based on the possibility of re-pricing by the Company and are determined when the contracts are issued;
– with regard to the discount curves, the main difference concerns the approach and granularity used for the calculation of the discount curve. Specifically, for Solvency II there is a single discount curve composed of a risk-free base curve plus a liquidity premium (volatility adjustment), defined by the European Insurance and Occupational Pensions Authority (EIOPA) on the basis of an average market benchmark portfolio. In the IFRS 17 framework, on the other hand, the discount curves for each identified portfolio can be calculated on the basis of specific reference asset pools;
– for the Prudent Margin, the difference between Risk Margin and Risk Adjustment is due to both a different calculation approach and a different scope of identified risks. The Solvency II Risk Margin is calculated using a Cost of Capital approach, applied to the company’s capital requirement assessed with a 95% percentile, considering the technical risks, credit risk and operational risk. For the IFRS 17 Risk Adjustment, the standard does not envisage a standard approach, but only its determination on the basis of specific non-financial risks.

The introduction of IFRS 17 does not have any impact on the Solvency II summary indicator for the Insurance Group.

[35] ESMA Public Statement “European common enforcement priorities for 2022 annual financial reports” of 30 October 2022, referred to above.

B. IFRS 9 Financial Instruments

The insurance companies have participated, through the Insurance Parent Company Intesa Sanpaolo Vita, in the Intesa Sanpaolo Group project launched in September 2015 aimed at investigating the various areas of influence of IFRS 9, defining its qualitative and quantitative impacts, and identifying and implementing the necessary application and organisational measures. In particular, account has been taken of the objective of pursuing the uniform adoption of the accounting standard, also in the presence of insurance operations linked in particular to the specific characteristics of products under separate management.

Classification and Measurement

In order to comply with the provisions of IFRS 9 – which introduces a model where the classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the management intent for which they are held – the methods for performing the test on the contractual cash flow characteristics (known as the SPPI Test) have been drawn up, while the definition of the "to be" business models has been finalised.
Note that, given the composition of the portfolio pertaining to the insurance companies and the methods used to manage it, the introduction of IFRS 9 did not have material impacts in terms of measurement, confirming the fair value approach as the main approach.
With regard to the SPPI test on financial assets, the insurance companies adopt an approach defined at the level of the Intesa Sanpaolo Group, used since 2018. Moreover, the business models adopted for the correct classification were formalised on First Time Adoption (FTA) of the new standard.
With regard to debt securities, a detailed examination of the cash flow characteristics of instruments classified in the Financial assets available for sale category according to IAS 39 has been carried out, identifying the assets which, as they did not pass the SPPI test, were classified under assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. Only an insignificant percentage of the debt securities – with respect to the portfolio as a whole – failed the SPPI test, mainly consisting of structured securities.
Moreover, units of UCI (open-ended and closed-end funds) classified under Assets available for sale in accordance with IAS 39, in line with the provisions of the standard and the Group's accounting policy, were classified under assets mandatorily measured at fair value through profit or loss.
With regard to the classification of equity instruments in the scope of IFRS 9, the insurance companies did not exercise the option, on first-time adoption of the standard, to classify the equity instruments at fair value through other comprehensive income (FVTOCI without recycling to profit or loss), classifying them under assets mandatorily measured at fair value through profit or loss.
Lastly, the contribution of debt securities at amortised cost and receivables to financial assets of the Division was insignificant and did not entail specific impacts on FTA. Specifically, receivables are mainly represented by current accounts and other short-term types.
With regard to the second driver of classification of the financial assets (business model), i.e. the intention with which financial assets are held, the following is noted: for debt securities, the insurance companies adopted mainly a Hold To Collect and Sell business model, with the exception of portfolios connected to unit-linked products and open pension funds, for which an "Other" Business Model was adopted, with measurement of the assets at fair value through profit or loss.
In brief, the introduction of IFRS 9 mainly resulted in reclassifications among various categories of financial assets measured at fair value – specifically from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss for IFRS 9. As a result, no overall net impacts were recognised to Shareholders' Equity on those reclassifications due to different measurement.
Vice versa, there were very few cases of Financial assets measured at amortised cost which, following the application of the IFRS 9 classification criteria must be measured at fair value, with a marginal impact on Shareholders' Equity.

With regard to the financial liabilities, no changes were noted deriving from the introduction of IFRS 9 with respect to the previous methods of classification and measurement of the financial liabilities in accordance with IAS 39. Specifically, the Group adopted the option to designate as liabilities measured at fair value the financial products issued by the insurance companies that do not fall within the scope of IFRS 17. This was decided in order to eliminate or reduce possible "accounting mismatches" in relation to connected assets also measured at fair value. However, as illustrated in greater detail in the section on IFRS 17, it is noted that, following the introduction of the new standard, a portion of multi-line products previously classified as financial instruments pursuant to IFRS 4/IAS 39, are now included in the scope of application of IFRS 17.

Impairment

With regard to impairment, a common approach and a process centralised within Intesa Sanpaolo's Risk Management structure have been established by the Parent Company Intesa Sanpaolo for the quantification of the Expected Credit Loss for all the Group companies. Accordingly, for a full description of the choices adopted by the Group regarding the application of impairment in accordance with IFRS 9, see the Accounting Policies and the description provided in Part E of the Notes to the 2022 consolidated financial statements concerning risk management.
For the purpose of completeness, it is noted that the "Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy)" is also applicable to the insurance companies, with regard to the methodological guidelines defined by the Intesa Sanpaolo Group in application of IFRS 9 and approved by the competent levels of governance.
Please note in this regard that, for the insurance companies, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in the category Fair value through other comprehensive income. Thus, the application of the impairment approach does not result in a different measurement of that portfolio (as it is already at fair value) and, with regard to first-time adoption, entails a transfer between the valuation reserves and retained earnings reserves. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.
The main elements underlying the approach can be considered to be the following:

– method of tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income;

– definition of the parameters for determining the significant increase in credit risk, for the purposes of the correct allocation of performing exposures to Stage 1 or Stage 2, based on the change in lifetime probability of default since the time of initial recognition of the financial instrument. With regard to the impaired exposures, on the other hand, given the alignment of the definitions of accounting and regulatory default, the previous criteria for classifying exposures as "impaired" can be considered identical to the criteria for classifying exposures in Stage 3;
– definition of models – including forward-looking information – for the staging (with respect to the use of lifetime PD as a relative indicator of impairment) and for the calculation of the one-year ECL (to be applied to Stage 1 exposures) and lifetime ECL (to be applied to Stage 2 and Stage 3 exposures). In order to take into account forward-looking information and the macroeconomic scenarios in which the Group may find itself operating, the "Most likely scenario + Add-on" approach has been adopted.

With regard to the staging for securities, it must be considered that sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify a methodology to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, in line with the choice adopted by the Intesa Sanpaolo Group from 2018, the insurance companies also use the "first-in-first-out" or "FIFO" method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) which helps in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.

Moreover, a key element for the estimation of the expected losses is the inclusion of forward-looking factors and, in particular, macroeconomic scenarios. From a methodological perspective, the approach adopted by the Intesa Sanpaolo Group is the "Most likely scenario + Add-on". Under this approach, the calculation of the expected credit loss (ECL) and the stage assignment use the credit loss determined for the baseline scenario, which is considered the most likely scenario and is also used for other purposes within the Group (for example, for preparing the budget and the business plan), to which an add-on is applied to reflect the effects from the non-linearity of the variables used for the conditioning of the macro-economic parameters. A similar approach is therefore also applied to the insurance companies.

Lastly, with regard only to the initial application of the standard - i.e. 1 January 2023 - for performing debt securities recognised at fair value through other comprehensive income, the low credit risk exemption set out in IFRS 9 was used, based on which exposures that, at the date of transition to the new standard, had an investment grade (or similar) rating were identified as exposures with low credit risk and, therefore, to be considered in Stage 1.

Hedge accounting

With regard to hedge accounting, IFRS 9 introduces changes solely to general hedging and are closely tied to the Group's choice of exercising the opt-in / opt-out option (i.e., the possibility of implementing the new IFRS 9 rather than continuing to apply the former IAS 39). The Intesa Sanpaolo Group, on the basis of detailed studies on the management of the hedging transactions, decided to exercise the opt-out during the IFRS 9 FTA, and has maintained this choice to date. In light of this, the hedging transactions for the insurance companies will also continue to be managed, in line with the past, in accordance with IAS 39 (carve-out).

C. Interaction between IFRS 17 and IFRS 9

In some cases, the interaction between IFRS 17 and IFRS 9 may generate accounting mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI). The choice of disaggregation is made at portfolio level for the insurance contracts and must be made consistently with the valuation approach used for the assets. In particular:
– with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
– for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments, including the change in the expected credit loss recognised during the period, is reclassified to other comprehensive income (mirroring).

Pursuant to IFRS 9, the insurance companies finalised the definition of business models adopted: Hold To Collect and Sell for debt financial instruments, with the exception of those connected with linked products and open pension funds (to which the Other Business Model is applied, with the resulting measurement at fair value through profit or loss). With regard to the classification of equity instruments that come under the scope of IFRS 9, the insurance companies apply the fair value measurement through profit or loss. As a result, in order to reduce potential accounting mismatches, the Group has decided to adopt the OCI option on all the insurance contract portfolios, except for the unit-linked policies not connected to multi-line products and open pension funds.

Moreover, the introduction of IFRS 17 eliminates the shadow accounting treatment envisaged by IFRS 4, which approximated the correlation between two values that are not uniform: 1) the value of the technical reserve relating to contracts measured at cost (with discretionary participation features) and 2) the value of the related assets measured at fair value.

The application of IFRS 17 ensures greater correlation between the measurement of insurance liabilities and the underlying investments, both in periods of increases in fair values (decrease in market interest rates) and in periods of reduction of fair values (increase in market interest rates). IFRS 17 introduces a forward-looking approach also for measuring insurance liabilities, thereby guaranteeing comparison on a like-for-like basis with the fair value changes of the related assets, increasing the effectiveness compared to the past. Moreover, for the VFA measurement approach, the adoption of the OCI option (mirroring) means that such greater correlation than under IFRS 4 is contributed to shareholders' equity.

Implementation project: organisational and IT impacts

The IFRS 17 implementation project for the Insurance Division started in June 2019 and was divided into several strands that have been set up uniformly for all the insurance companies, taking into account the specific business characteristics of each company, as described in more detail in the 2022 Financial Statements.
From an organisational perspective, in addition to the process for the preparation of the financial statements, the IFRS 17 project included the implementation of systems and processes related to planning and control and asset and liability management, in order to ensure the Group Companies' management capabilities according to the new metrics introduced by IFRS 17.
The presentation of the balance sheet and income statement amounts typical of IFRS 17 in the Consolidated Financial Statements of Intesa Sanpaolo was the subject of a specific project by the Parent Company, developed in complete synergy with the activities of the insurance companies and the related IFRS 17 implementation project.
The adoption of IFRS 9 also entailed both actions on the organisation, relating to the revision and adaptation of existing operating processes and the design and implementation of new processes, as well as on information systems, also to align the processes regarding staging and the expected credit losses forecast by the Group.

Effects of first-time adoption of IFRS 17 and IFRS 9 for the Group's insurance companies

The transition date to IFRS 17 is 1 January 2022, i.e. the start date of the financial year immediately preceding the date of first-time adoption (FTA) - 1 January 2023, given the obligation set out by the standard to present a modified comparative period.
As noted in the previous section, the transition date to the accounting standard IFRS 9 is 1 January 2022, save for the provisions relating to the ECL, which apply from 1 January 2023. Note that the Group decided to apply the classification overlay to present all financial assets in the comparison period.
The impact deriving from the changeover to the new accounting standards is represented by the First Time Adoption reserve and the effects recognised in the valuation reserves, calculated as at 1 January 2023, whose determination was the result of the transition to IFRS 17/IFRS 9 as at 1 January 2022, plus the additional changes deriving from the application of the new standards during 2022.

Qualitative information is provided below, illustrating the direction of the impact, and how the main phenomena deriving from the introduction of IFRS 17 and IFRS 9, described above, impacted the main balance sheet figures (Valuation reserves and Reserves) and income statement figures (Net income (loss)) of the Group at the transition date and the date of initial application of the standards.

Type of impact	01.01.2022	31.12.2022	01.01.2023
A. IFRS 17 Insurance Contracts			
Different measurement criterion for insurance liabilities	negative impact (-) caption 120. Valuation reserves negative impact (-) caption 150. Reserves	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 200. Net income (loss) (+/-)	
Derecognition of intangible assets (VoBA)	negative impact (-) caption 150. Reserves	positive impact (+) caption 200. Net income (loss) (+/-)	
B. IFRS 9 Financial Instruments			
Classification and Measurement	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 150. Reserves	positive impact (+) caption 120. Valuation reserves negative impact (-) caption 200. Net income (loss) (+/-)	
Impairment			positive impact (+) caption 120. Valuation reserves negative impact (-) caption 150. Reserves
C. Interaction between IFRS 17 and IFRS 9			
	positive impact (+) caption 120. Valuation reserves negative impact (-) caption 150. Reserves	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 200. Net income (loss) (+/-)	

Specifically, the following impacts are noted with regard to **1 January 2022**:

A. **IFRS 17 Insurance Contracts**:
   - the different measurement criterion for insurance liabilities was caused by the derecognition of the technical reserves and other components recognised pursuant to IFRS 4 with the concurrent recognition of new insurance liabilities in the components of PVFCF, RA and CSM, calculated pursuant to the new standard IFRS 17. The overall impact, also considering the effect of the interaction between IFRS 17 and IFRS 9 shown in point C, was a negative 731 million euro (505 million euro net of the tax effect), recognised through captions 120. Valuation reserves (mainly due to mirroring, as described in point C) and 150. Reserves;
   - reversal of intangible assets - VoBA recognised pursuant to IFRS 3 on Purchase Price Allocation (PPA), which expressed the higher profitability incorporated in the portfolio of insurance policies at the time of their acquisition, now included in the Contractual Service Margin. The overall impact, a negative 685 million euro (480 million euro net of the tax effect) was recognised through caption 150. Reserves.

   The overall impact on shareholders' equity, net of the tax impact, was a negative 985 million euro (of which 847 million euro of caption 150. Reserves and 138 million euro of caption 120. Valuation reserves).

B. **IFRS 9 Financial Instruments**:
- the reclassifications from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss under IFRS 9 resulted in a reallocation between caption 120. Valuation reserves previously recognised and caption 150. Reserves, with no effects on shareholders' equity.

C. **Interaction between IFRS 17 and IFRS 9**:
- the valuation reserves are adjusted to take account of the different recognition of the portions of gains/losses on investments underlying liabilities of the insured parties which, due to IFRS 17, also include the shares pertaining to the insurance company. The measurement of insurance liabilities at present values, with specific reference to contracts with direct participation features, requires the substantially full recognition of the changes in fair value of the investments underlying insurance liabilities (Contractual Service Margin) in line with the accounting allocation of the underlying financial assets. That effect (mirroring) is also recognised on transition[36]. The effect of the interaction between the two standards is already recognised in the fair value measurement of insurance liabilities and the recognition of valuation reserves reported in point A above.

With regard to the effects recorded **during 2022**, the cases described above resulted in a different quantitative impact than that recorded pursuant to the previously applied criteria, mainly due to the strong correlation between IFRS 9 and IFRS 17. More specifically, the performance of the markets and, in particular, the increase in interest rates observed during 2022 resulted in significant capital losses on financial assets measured at fair value which, pursuant to the previous IFRS 4, were only partly recognised in the measurement of the technical reserves (Shadow Accounting). The new approach to measuring insurance liabilities introduced by IFRS 17 allowed for greater offsetting of the capital losses recorded on the underlying investments, by almost complete recognition of the change therein under insurance liabilities, mitigating the negative effects on shareholders' equity recorded pursuant to IFRS 4. Therefore, during 2022 there was a positive effect on shareholders' equity of 433 million euro, of which 25 million euro on caption 200. Net income (loss), which also includes the elimination of the amortisation of the VoBA according to the previous standards.

The combined effect of that illustrated above resulted in a negative impact on shareholders' equity as at 31 December 2022 of 552 million euro.

In accordance with the reference standards, the application of the impairment approach to debt securities measured at fair value through other comprehensive income as at **1 January 2023** resulted in a transfer between 120. Valuation reserves and caption 150. Reserves for 59 million euro, with no effect on shareholders' equity.

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This section illustrates the reconciliation of the accounting balances as at 31 December 2022 modified due to the application of the new rules required by IFRS 17 and IFRS 9.
With regard to the representation of IFRS 17 in the consolidated financial statements of banks leading financial conglomerates, note that on 17 November 2022 the Bank of Italy published the 8th update to Circular no. 262 of 22 December 2005, applicable to financial statements ended or under way as at 31 December 2023.
In order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the equivalent provisions issued by IVASS[37] with reference to IAS/IFRS insurance financial statements, providing a reference to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to consolidated insurance companies. The changes introduced regard the alignment of the consolidated financial statements and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS.
Specifically, with regard to the consolidated financial statements presented herein, in the Consolidated balance sheet, the captions "80. Insurance assets" and "110. Insurance liabilities" provide information on the insurance contracts issued and reinsurance contracts held. With regard to the consolidated income statement, income from insurance business shall distinguish between revenues/expenses for insurance services – which are presented in the caption "160. Insurance service result" – and net financial income/expenses relating to insurance contracts issued and reinsurance contracts held – presented in the caption "170. Balance of financial income/expenses relating to insurance business".

[36] Pursuant to paragraphs C18 b) and C19 b), if the insurance company chooses to disaggregate insurance finance income or expenses between amounts included in net income and amounts included in other comprehensive income applying paragraphs 88(b) or 89(b), it needs to determine the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date.

[37] Reference is made to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022.

The Bank of Italy did not make changes regarding the presentation of IFRS 9 amounts. Therefore, financial instruments belonging to insurance companies (including insurance products to which IFRS 9 is applied) in the financial statements pursuant to Circular 262 are presented along with those of the Bank[38].

Specifically, the tables below provide the specific information:

– reconciliation tables for the Balance Sheet – assets, liabilities and shareholders' equity – which show the restatement of the accounting balances as at 31 December 2022, with equivalent amounts, according to the layout introduced by the 8th update to the Bank of Italy Circular and due to the reclassifications as a result of the introduction of the new standards, as illustrated in detail in the following section;
– tables illustrating the effects of the application of IFRS 9 and IFRS 17, in which the accounting balances as at 31 December 2022 are changed as a result of the new measurement criteria introduced by the two standards.

Reconciliation between the Consolidated Financial Statements of the Group published in the 2022 Annual Report and the Consolidated Financial Statements of the Group as per the new Circular 262 (updated for IFRS 17 and taking account of the application of IFRS 9 for the insurance companies) as at 31 December 2022 (reclassification of the IAS 39 balances pertaining to insurance companies and IFRS 4 balances)

The schedules below show the reconciliations between the Consolidated Financial Statements of the Group as per the 2022 Annual Report and the Financial Statements introduced by the 8th update to Bank of Italy Circular 262, which incorporates the adoption of the presentation criteria established by IFRS 17. In those tables, the accounting balances as at 31 December 2022 (amounts determined in accordance with IFRS 4 and IAS 39 for assets and liabilities of the Group's insurance companies) are attributed to the new accounting captions, according to the reclassifications required as a result of the new classification criteria introduced by IFRS 17 and IFRS 9 and based on the analyses conducted (described previously), without applying the new measurement criteria (i.e., with the same book value recognised as at 31 December 2022). Thus, the main changes that involve the captions highlighted in the tables are illustrated below, which present the balance sheet assets and liabilities attributable to the insurance segment and are, thus, impacted by the application of the two accounting standards.

[38] Note that, due to the application of the deferral approach, in the consolidated financial statements of the ISP Group up to the 2022 Annual Report, specific captions were presented to represent the financial instruments in the insurance segment, classified and measured pursuant to IAS 39 which, thus, were derecognised with the transition to IFRS 9:

- Balance Sheet – Assets: "Caption 35. Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39", which included financial assets held for trading, financial assets measured at fair value, financial assets available for sale and any derivatives with a positive fair value, as defined in accordance with IAS 39;
- Balance Sheet – Assets: "Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39", which included investments held to maturity and loans to banks and customers, as defined in accordance with IAS 39;
- Balance Sheet – Liabilities: "Caption 15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39", which included amounts due to banks, amounts due to customers and securities issued, in application of IAS 39;
- Balance Sheet – Liabilities: "Caption 35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39", which included financial liabilities held for trading, financial liabilities measured at fair value and any derivatives with a negative fair value, as defined pursuant to IAS 39;
- Balance Sheet – Shareholders' Equity: "Caption 125. Valuation reserves pertaining to insurance companies", which included valuation reserves on financial assets available for sale, the shadow accounting effects and the related tax impacts;
- Income statement – "Caption 115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39", which included the income statement components of the above-mentioned balance sheet captions;
- Income Statement – "Caption 135. Net losses/recoveries pertaining to Insurance Companies pursuant to IAS 39", which included the impairment losses and recoveries carried out on financial instruments of the insurance companies measured pursuant to IAS 39.

Financial Instruments pertaining to Insurance Companies are presented in the captions already used by the Group's banks, according to the scheme set out in Circular 262.

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Assets

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262		10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss	30. Financial assets measured at fair value through other comprehensive income	35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	40. Financial assets measured at amortised cost	45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	50. Hedging derivatives	60. Fair value change of financial assets in hedged portfolios (+/-)	70. Investments in associates and companies subject to joint control	80. Technical insurance reserves reassured with third parties	90. Property and equipment	100. Intangible assets	110. Tax assets	120. Non-current assets held for sale and discontinued operations	130. Other assets	**TOTAL ASSETS**
10.	Cash and cash equivalents	112,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,924
20.	Financial assets measured at fair value through profit or loss	-	47,577	-	102,775	-	-	-	-	-	-	-	-	-	-	264	150,616
	a) financial assets held for trading	-	*42,522*	-	*85*	-	-	-	-	-	-	-	-	-	-	-	*42,607*
	b) financial assets designated at fair value	-	*1*	-	-	-	-	-	-	-	-	-	-	-	-	-	*1*
	c) other financial assets mandatorily measured at fair value	-	*5,054*	-	*102,690*	-	-	-	-	-	-	-	-	-	-	*264*	*108,008*
30.	Financial assets measured at fair value through other comprehensive income	-	-	49,716	69,937	-	76	-	-	-	-	-	-	-	-	-225	119,504
40.	Financial assets measured at amortised cost	-	-	-	-	528,078	3	-	-	-	-	-	-	-	-	-	528,081
	a) due from banks	-	-	-	-	*32,884*	-	-	-	-	-	-	-	-	-	-	*32,884*
	b) loans to customers	-	-	-	-	*495,194*	*3*	-	-	-	-	-	-	-	-	-	*495,197*
50.	Hedging derivatives	-	-	-	13	-	-	10,062	-	-	-	-	-	-	-	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-	-9,752	-	-	-	-	-	-	-	-9,752
70.	Investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	2,013	-	-	-	-	-	-	2,013
80.	Insurance assets	-	-	-	-	-	1	-	-	-	163	-	-	-	-	108	272
	a) insurance contracts issued that are assets	-	-	-	-	-	*1*	-	-	-	-	-	-	-	-	*64*	*65*
	b) reinsurance contracts held that are assets	-	-	-	-	-	-	-	-	-	*163*	-	-	-	-	*44*	*207*
90.	Property and equipment	-	-	-	-	-	-	-	-	-	-	10,505	-	-	-	-	10,505
100.	Intangible assets	-	-	-	-	-	-	-	-	-	-	-	9,830	-	-	-	9,830
	of which: Goodwill	-	-	-	-	-	-	-	-	-	-	-	*3,626*	-	-	-	*3,626*
110.	Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	18,273	-	-	18,273
	a) current	-	-	-	-	-	-	-	-	-	-	-	-	*3,520*	-	-	*3,520*
	b) deferred	-	-	-	-	-	-	-	-	-	-	-	-	*14,753*	-	-	*14,753*
120.	Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	638	-	638
130.	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,704	22,704
TOTAL ASSETS		**112,924**	**47,577**	**49,716**	**172,725**	**528,078**	**80**	**10,062**	**-9,752**	**2,013**	**163**	**10,505**	**9,830**	**18,273**	**638**	**22,851**	**975,683**

With regard to **assets**, the main reclassifications resulted from the application of the new classification rules introduced by IFRS 9 (Business Model and SPPI test) and, with less material effects, the introduction of IFRS 17.

Specifically, as illustrated in greater detail below, the introduction of IFRS 9 entailed several reclassifications among the various categories of financial assets measured at fair value – mainly referring to financial assets available for sale pursuant to IAS 39, reclassified among financial assets measured at fair value through profit or loss – confirming the use of fair value as the main measurement method and, thus, without impacts on measurement.

Caption 35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39 included the following captions as at 31 December 2022, for an amount of around 172,725 million euro:
- 902 million euro in assets held for trading;
- 86,217 million euro in financial assets measured at fair value;
- 85,593 million euro in financial assets available for sale;
- 13 million euro in hedging derivatives.

Following the application of the classification criteria of IFRS 9 the financial assets pertaining to the insurance companies were attributed to the following captions:
- **Caption 20 Financial assets measured at fair value through profit or loss** for 102,775 million euro, of which:
  - **caption 20 a) Financial assets held for trading** for 85 million euro, referring to derivatives;
  - **caption 20 c) Other financial assets mandatorily measured at fair value** for 102,690 million euro. In addition to financial assets undelying investment products classified under the fair value option pursuant to IAS 39 and now attributed to the "Other" business model (86,217 million euro), that caption also includes the assets previously classified as available for sale which, pursuant to IFRS 9 do not have the necessary characteristics to pass the SPPI Test. Specifically, these are 12,657 million euro in units of UCI (open-ended and closed-end funds), 2,146 million euro in equity instruments and 1,646 million euro in debt securities. The caption also includes 24 million euro in derivatives (attributable to the management of the units and open pension funds).
- **caption 30. Financial assets measured at fair value through other comprehensive income** for 69,937 million euro, which include the financial assets previously recognised among assets available for sale, net of the components described above which no longer have the characteristics required by IFRS 9 to be recognised in this category;
- **caption 50. Hedging derivatives** for 13 million euro, in line with the classification pursuant to IAS 39.

Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 included, as at 31 December 2022, for a total amount of 80 million euro, due from banks for 40 million euro and loans to customers for 40 million euro.
Following the application of the classification criteria of IFRS 9, the caption was mainly attributed to:
- **caption 30. Financial assets measured at fair value through other comprehensive income** for around 76 million euro, as it related to debt securities that are included in a Hold to collect and sell business model and pass the SPPI test;
- **caption 40. Financial assets measured at amortised cost** for around 3 million euro.

Caption 80. Technical insurance reserves reassured with third parties, which, as at 31 December 2022 had a balance of 163 million euro, was fully attributed to the new caption **80. Insurance Assets,** as a result of the new presentation introduced by IFRS 17.

Caption 130. Other Assets, which as at 31 December 2022 had a total balance at consolidated level of 22,851 million euro, was mainly attributed to:
- **caption 20. Financial assets mandatorily measured at fair value** for 264 million euro, attributable to assets relating to unit-linked products and pension funds, previously recognised under other assets, without entailing the recognition of impacts due to measurement;
- **caption 80. Insurance assets** for 108 million euro, mainly attributable to receivables due from insured parties and reinsurers;
- **caption 130. Other assets** for 22,704 million euro.

Liabilities

(millions of euro)

31 December 2022 Published 31 December 2022 New Circular 262		10. Financial liabilities measured at amortised cost	15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	40. Hedging derivatives	50. Fair value change of financial liabilities in hedged portfolios (+/-)	60. Tax liabilities	70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee termination indemnities	100. Allowances for risks and charges	110. Technical reserves	**TOTAL LIABILITIES**
10.	Financial liabilities measured at amortised cost	667,586	2,550	-	-	-	-	-	-	-	4	-	-	-	670,140
	a) due to banks	*137,481*	*629*	-	-	-	-	-	-	-	*4*	-	-	-	138,114
	b) due to customers	*454,025*	*587*	-	-	-	-	-	-	-	-	-	-	-	454,612
	c) securities issued	*76,080*	*1,334*	-	-	-	-	-	-	-	-	-	-	-	77,414
20.	Financial liabilities held for trading	-	-	46,512	-	-	-	-	-	-	-	-	-	-	46,512
30.	Financial liabilities designated at fair value	-	-	-	8,795	54,214	-	-	-	-	-	-	-	-	63,009
40.	Hedging derivatives	-	-	-	-	171	5,346	-	-	-	-	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	-	-	-	-8,031	-	-	-	-	-	-	-8,031
60.	Tax liabilities	-	-	-	-	-	-	-	2,306	-	-	-	-	-	2,306
	a) current	-	-	-	-	-	-	-	*297*	-	-	-	-	-	297
	b) deferred	-	-	-	-	-	-	-	*2,009*	-	-	-	-	-	2,009
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	15	-	-	-	-	15
80.	Other liabilities	-	-	-	-	-	-	-	-	-	10,966	-	-	-	10,966
90.	Employee termination indemnities	-	-	-	-	-	-	-	-	-	-	852	-	-	852
100.	Allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	4,960	-	4,960
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	*711*	-	711
	b) post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	*139*	-	139
	c) other allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	*4,110*	-	4,110
110.	Insurance liabilities	-	-	-	-	17,359	-	-	-	-	90	-	50	100,117	117,616
	a) insurance contracts issued that are liabilities	-	-	-	-	*17,359*	-	-	-	-	*5*	-	*50*	*100,117*	117,531
	b) reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	*85*	-	-	-	85
TOTAL		**667,586**	**2,550**	**46,512**	**8,795**	**71,744**	**5,346**	**-8,031**	**2,306**	**15**	**11,060**	**852**	**5,010**	**100,117**	**913,862**

With regard to **liabilities,** the introduction of the new standards resulted in the following reclassifications, mainly attributable to the new metrics for classifying insurance liabilities set out by IFRS 17.

Caption 15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39, which, as at 31 December 2022, included an amount of 2,550 million euro, has been fully reclassified to the new caption **10. Financial liabilities measured at amortised cost,** broken down as follows:
– **caption 10 a) due to banks** for 629 million euro;
– **caption 10 b) due to customers** for 587 million euro;
– **caption 10 c) securities issued** for 1,334 million euro.

Caption 35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39, which, as at 31 December 2022, included an amount of 71,744 million euro, mainly referred to investment products (unit-linked products, pension funds and multi-line products) issued by the insurance companies, for which the fair value option had been exercised, in order to mitigate the accounting mismatch with the related captions under assets, recorded at fair value.
In application of the new accounting standards, that caption was attributed to:
– **caption 30. Financial liabilities designated at fair value** for 54,214 million euro, referring to investment products (unit-linked products and pension funds), for which the fair value option was exercised, also pursuant to IFRS 9;
– **caption 110. Insurance liabilities** for 17,359 million euro, referring to multi-line products as, pursuant to IFRS 17, the Class III component with an investment nature is measured together with the insurance component of the product;
– **caption 40. Hedging derivatives** for 171 million euro.

Caption 80. Other liabilities, which amounted to 11,060 million euro at consolidated level as at 31 December 2022, remained substantially unchanged, with the exception of a portion of 90 million euro, mainly attributable to payables and deposits with reinsurers, which are attributed to **caption 110. Insurance liabilities.**

From caption **100. Allowances for risks and charges,** which amounted to 5,010 million euro as at 31 December 2022, 50 million euro was reclassified to the caption **110. Insurance Liabilities,** due to the new approaches to measuring liabilities pursuant to IFRS 17.

Caption 110. Technical Reserves, which amounted to 100,117 million euro as at 31 December 2022, was fully attributed to the new caption **110. Insurance Liabilities.**

Shareholders' equity

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262	120. Valuation reserves	125. Valuation reserves pertaining to insurance companies	130. Redeemable shares	140. Equity instruments	150. Reserves	155. Interim dividend (-)	160. Share premium reserve	170. Share capital	180. Own shares (-)	190. Minority interests (+/-)	200. Net income (loss) (+/-)	**TOTAL**
120. Valuation reserves	-1,939	-696	-	-	-	-	-	-	-	-	-	-2,635
130. Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
140. Equity instruments	-	-	-	7,211	-	-	-	-	-	-	-	7,211
150. Reserves	-	-	-	-	15,827	-	-	-	-	-	-	15,827
155. Interim dividend (-)	-	-	-	-	-	-1,400	-	-	-	-	-	-1,400
160. Share premium reserve	-	-	-	-	-	-	28,053	-	-	-	-	28,053
170. Share capital	-	-	-	-	-	-	-	10,369	-	-	-	10,369
180. Treasury shares (-)	-	-	-	-	-	-	-	-	-124	-	-	-124
190. Minority interests (+/-)	-	-	-	-	-	-	-	-	-	166	-	166
200. Net income (loss) (+/-)	-	-	-	-	-	-	-	-	-	-	4,354	4,354
TOTAL	**-1,939**	**-696**	**-**	**7,211**	**15,827**	**-1,400**	**28,053**	**10,369**	**-124**	**166**	**4,354**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY												**975,683**

With regard to **Shareholders' Equity**, **caption 125. Valuation reserves pertaining to insurance companies**, a negative 696 million euro as at 31 December 2022, was attributed to **caption 120. Valuation reserves.** The aggregate included the valuation reserves on financial assets available for sale and the valuation reserves for cash flow hedges (overall, a negative 8,708 million euro), as well as the effects of shadow accounting (a positive 8,012 million euro).

Reconciliation of the Group's Consolidated Balance Sheet as at 31 December 2022 (which incorporates the new rules of presentation of IFRS 9 and IFRS 17 for insurance companies) and the Group's Consolidated Balance Sheet as at 1 January 2023 (which incorporates the new valuation rules of IFRS 9 and IFRS 17)

The schedules below show the Reconciliation between the Group's Consolidated Balance Sheet as at 31 December 2022, which incorporates the reclassification with equivalent accounting balances required by the classification rules established by IFRS 9 and IFRS 17, described above, and the Balance Sheet as at 1 January 2023. In those tables, the accounting balances as at 31 December 2022 (amounts determined pursuant to IFRS 4 and IAS 39 for the contribution of the insurance companies) have been modified due to the application of the measurement approaches of IFRS 9 and IFRS 17, respectively.

Specifically, the following details are provided:
- "Effect of transition to IFRS 9/IFRS 17": this column shows the effects due to the different classification and measurement introduced by IFRS 9 from 1 January 2022 as well as the application of IFRS 17, breaking them down into:
  - "Effect as at 1.1.2022": highlights the impacts of the two standards referring to the accounting balances existing at the transition date;
  - "Effect during 2022": highlights the cumulative valuation impacts deriving from the two standards in 2022;
- "Total assets as at 31.12.2022 Post IFRS 9 and IFRS 17 FTA Classification and Measurement": the column shows the accounting balances as at 31 December 2022 restated in application of IFRS 17 and IFRS 9 with the exception of the impairment model;
- "Total assets as at 1.1.2023": the column shows the accounting balances restated also in application of the impairment model pursuant to IFRS 9.

This key described above is also applicable to the following table of liabilities.

Assets

(millions of euro)

		TOTAL ASSETS as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9 / IFRS 17 Effect as at 1.1.2022 (b)	 Effect during 2022 (c)	 Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL ASSETS as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Effect of transition to IFRS 9 (f) Impairment	TOTAL ASSETS as at 01.01.2023 (g) = (e) + (f)
10.	Cash and cash equivalents	112,924	-	-	-	112,924	-	112,924
20.	Financial assets measured at fair value through profit or loss	150,616	-	-	-	150,616	-	150,616
30.	Financial assets measured at fair value through other comprehensive income	119,504	-	4	4	119,508	-	119,508
40.	Financial assets measured at amortised cost	528,081	-	-	-	528,081	-	528,081
50.	Hedging derivatives	10,075	-	-	-	10,075	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-	-	-	-9,752	-	-9,752
70.	Investments in associates and companies subject to joint control	2,013	-	-	-	2,013	-	2,013
80.	Insurance assets	272	-149	28	-121	151	-	151
90.	Property and equipment	10,505	-	-	-	10,505	-	10,505
100.	Intangible assets	9,830	-685	92	-593	9,237	-	9,237
110.	Tax assets	18,273	163	-306	-143	18,130	-	18,130
120.	Non-current assets held for sale and discontinued operations	638	-	-	-	638	-	638
130.	Other assets	22,704	-84	-159	-243	22,461	-	22,461
TOTAL ASSETS		**975,683**	**-755**	**-341**	**-1,096**	**974,587**	**-**	**974,587**

Within the asset captions, the most significant impacts include, pursuant to the application of IFRS 17:
- a decrease in caption 80. Insurance assets of around 149 million euro as at 1 January 2022 due to the new IFRS 17 measurement criteria which result in a different method for measuring reserves reassured with third parties. During 2022, the change in that caption due to the change in standards was a positive 28 million euro;
- the derecognition from caption 100. Intangible assets of insurance intangible assets with a finite useful life (Value of Business Acquired – VoBA) for a total of 685 million euro before tax as at 1 January 2022 (transition date), of which 528 million euro relating to new business insurance intangible assets and 157 million euro relating to distribution insurance intangible assets. The derecognition was necessary because, according to IFRS 17, the amounts attributed and recognised on Purchase Price Allocation (PPA) are presented in the Contractual Service Margin, i.e. the specific

caption posted among insurance liabilities, representing the future profits of the insurance company. That derecognition on transition resulted in the reversal of the effects recorded during 2022, due to the elimination of the accumulated amortisation of those captions (equal to around 92 million euro);
– the derecognition of other assets as at 1 January 2022 of 84 million euro and 159 million euro during 2022 mainly includes the derecognition of deferred acquisition costs.

As stated, the introduction of IFRS 9 mainly resulted in reclassifications among the various captions of financial assets which are measured at fair value (essentially from fair value through other comprehensive income to fair value through profit and loss). As a result, the value at which those reclassifications were made remained unchanged, not resulting in total net impacts on Shareholders' Equity due to different measurement. The marginal impact recorded on Consolidated Shareholders' Equity of the Intesa Sanpaolo Group as at 31 December 2022, of 4 million euro is attributable to the different measurement of some debt securities previously classified under loans to customers measured at amortised cost pursuant to IAS 39.

As a result of the overall changes recorded in the asset and liability captions, higher net deferred tax assets of 431 million euro as at 1 January 2022 was recognised, in reduction of 289 million euro during 2022.

Liabilities

(millions of euro)

			Effect of transition to IFRS 9/IFRS 17				Effect of transition to IFRS 9 (f)	
		TOTAL LIABILITIES as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL LIABILITIES as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Impairment	TOTAL LIABILITIES as at 01.01.2023 (g) = (e) + (f)
10.	Financial liabilities measured at amortised cost	670,140	-	-13	-13	670,127	-	670,127
20.	Financial liabilities held for trading	46,512	-	-	-	46,512	-	46,512
30.	Financial liabilities designated at fair value	63,009	-1	-1	-2	63,007	-	63,007
40.	Hedging derivatives	5,517	-	-	-	5,517	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-	-	-	-8,031	-	-8,031
60.	Tax liabilities	2,306	-268	-17	-285	2,021	-	2,021
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	-	-	15	-	15
80.	Other liabilities	10,966	-101	-102	-203	10,763	-	10,763
90.	Employee termination indemnities	852	-	-	-	852	-	852
100.	Allowances for risks and charges	4,960	-	-	-	4,960	-	4,960
110.	Insurance liabilities	117,616	600	-641	-41	117,575	-	117,575
TOTAL LIABILITIES		**913,862**	**230**	**-774**	**-544**	**913,318**	**-**	**913,318**
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**	**-**	**61,269**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**975,683**	**-755**	**-341**	**-1,096**	**974,587**	**-**	**974,587**

Within liabilities, the application of the new IFRS 17 measurement criteria mainly impacted the caption Insurance liabilities, whose amount increased by 600 million euro as at 1 January 2022. That higher value was more than reabsorbed during 2022, due to the financial trends that characterised the year, which are directly represented in the measurement at present values of insurance liabilities. With specific reference to contracts with direct participation features, the capital losses recorded on the underlying investments are recognised in insurance liabilities, as an offsetting entry to valuation reserves and the income statement, in correlation with the accounting allocation of the underlying assets (mirroring).

In that regard, the Contractual Service Margin amounted to 9,069 million euro as at 31 December 2022, slightly down on 1 January 2022 (when it amounted to 9,274 million euro).

In terms of quantitative impacts, the most significant changes are attributable to Shareholders' Equity captions. For an illustration of these, refer to the subsequent section.

Shareholders' equity

(millions of euro)

			Effect of transition to IFRS 9/IFRS 17				Effect of transition to IFRS 9 (f)	
		TOTAL as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Impairment	TOTAL as at 01.01.2023 (g) = (e) + (f)
120.	Valuation reserves	-2,635	-138	315	177	-2,458	59	-2,399
130.	Redeemable shares	-	-	-	-	-	-	-
140.	Equity instruments	7,211	-	-	-	7,211	-	7,211
150.	Reserves	15,827	-847	93	-754	15,073	-59	15,014
155.	Interim dividend (-)	-1,400	-	-	-	-1,400	-	-1,400
160.	Share premium reserve	28,053	-	-	-	28,053	-	28,053
170.	Share capital	10,369	-	-	-	10,369	-	10,369
180.	Treasury shares (-)	-124	-	-	-	-124	-	-124
190.	Minority interests (+/-)	166	-	-	-	166	-	166
200.	Net income (loss) (+/-)	4,354	-	25	25	4,379	-	4,379
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**	**-**	**61,269**

With regard to the effects of the application of IFRS 17, as mentioned in the 2022 Financial Statements, at the transition date (1 January 2022), the Shareholders' Equity in the Group Consolidated Financial Statements decreased by 985 million euro, net of the tax effect, due to:

- greater insurance liabilities[39] for 731 million euro (505 million euro net of the tax effect) due to the different measurement criteria set out in IFRS 17 in place of the previous IFRS 4 and, in particular, the recognition of the present value of future profits on insurance contracts (Contractual Service Margin) under insurance liabilities and the adjustment for non-financial risk (Risk Adjustment);
- derecognition of intangible assets (new business and distribution) with a finite useful life, for a total of 685 million euro (480 million euro net of the tax effect), as illustrated above.

The complete implementation, also in terms of IT applications, of the mechanisms of combined application of IFRS 17 and IFRS 9, finalised in the first quarter 2023, determined, also in relation to the trend in the financial markets, a positive effects for 2022 on shareholders' equity of 433 million euro compared to that recognised as at 1 January 2022, of which 25 million euro in net income, which also includes the elimination of the amortisation of the VoBA in accordance with the previous standards. The overall effect is attributable to the new criteria introduced by IFRS 17 which, as previously stated, guarantee greater correlation between the measurement of insurance liabilities and the underlying investments.
The total effect on shareholders' equity as at 31 December 2022 deriving from the combined application of IFRS 9 and IFRS 17 was a negative 552 million euro net of the tax effect. As illustrated above, that effect is due to the impacts of transition to IFRS 17/IFRS 9 as at 1 January 2022 (a negative 985 million euro), partially offset during the year by greater income (25 million euro) and greater reserves (408 million euro) expressed in accordance with the new standards.

Impairment

For the insurance companies, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in caption 30. Financial assets measured at fair value through other comprehensive income (HTCS business model). The application of those new impairment rules on those debt securities had an effect of 59 million euro net of the tax effect, with an overall nil effect on Shareholders' equity, given that it took the form of a reclassification from valuation reserves to retained earnings reserves, as these are financial instruments already measured at fair value. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.

[39] Based on this, the effects of the derecognition of technical reserves and additional insurance captions were presented (e.g. DAC and specific allocations to allowances for risks). In detail, in the above tables of reconciliation of assets and liabilities, this is mainly broken down as follows: caption 110. Insurance Liabilities and caption 80. Insurance Assets + 749 million euro, caption 80. Other Liabilities and caption 130. Other Assets -17 million euro.

Effects on regulatory capital

The accounting effects described above also have consequences on the regulatory capital and prudential ratios.
Specifically, Shareholders' Equity in terms of own funds decreased as at 31 December 2022 by -408 million euro[40], with an impact of -11 basis points on the CET 1 ratio.
The impact as at 31 December 2022 derived from:

- a decrease in Shareholders' equity in terms of own funds (-14 basis points);
- lower absorption due to application of the Danish Compromise (+3 basis points) as a result of the decrease in the carrying amount of the insurance investment.

Note that, for the purpose of the prudential calculation, the investment in the insurance companies falls under the Danish Compromise regime, which allows the investment to be weighted at 370% instead of deducting it from CET1.

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In addition to that illustrated in the previous paragraph, for the purpose of completeness, the trend in the contractual service margin is shown below, relating only to contracts issued (without considering the reinsurance component), broken down by transition method and separately showing life business and non-life business products.

	LIFE					NON-LIFE					TOTAL
	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured using the fair value approach at the transition date	Contracts subject to carve-out	**TOTAL LIFE BUSINESS**	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured using the fair value approach at the transition date	Contracts subject to carve-out	**TOTAL NON-LIFE BUSINESS**	
Contractual service margin											
Balance as at 1 January 2022	**1,294**	**686**	**3,779**	**3,182**	**8,941**	**224**	**90**	**19**	**-**	**333**	**9,274**
Balance as at 31 December 2022	**1,220**	**606**	**3,939**	**2,976**	**8,741**	**206**	**86**	**36**	**-**	**328**	**9,069**
Changes related to current service	**-77**	**-63**	**-202**	**-261**	**-603**	**-30**	**-10**	**-3**	**-**	**-43**	**-646**
- Contractual service margin recognised through profit and loss for the services provided	-77	-63	-202	-261	-603	-30	-10	-3	-	-43	**-646**
Changes related to future services and financial changes	**214**	**-5**	**37**	**441**	**687**	**47**	**-**	**-7**	**-**	**40**	**727**
- Operating and financial changes that modify the contractual service margin	139	-5	37	-53	118	27	-	-7	-	20	**138**
- Effects of contracts initially recognised in the period	75	-	-	494	569	20	-	-	-	20	**589**
Total changes in the period	**137**	**-68**	**-165**	**180**	**84**	**17**	**-10**	**-10**	**-**	**-3**	**81**
Balance as at 30 June 2023	**1,357**	**538**	**3,774**	**3,156**	**8,825**	**223**	**76**	**26**	**-**	**325**	**9,150**

As at 30 June 2023 the contractual service margin for contracts issued – recognised among insurance liabilities - totalled 9,150 million euro, while as at 31 December 2022 it amounted to 9,069 million euro (it was 9,274 million euro as at 1 January 2022). Those amounts do not include the value of reinsurance contracts held, which is recognised under insurance assets.
The table illustrates the changes in the contractual service margin during the period, separately showing the life business and the non-life business, and the transition method used. Specifically, the following information is shown:

- current service, i.e. the amount released to the income statement during the half year for the service provided, for a positive effect on the income statement of 646 million euro in the reference period (641 million euro also including the reinsurance component);
- future service and financial changes, distinguishing the changes in estimates and net financial costs/revenues relating to the insurance contracts issued (which increased in value for a total of 138 million euro) from the effects of contracts initially recognised in the reference period, known as “new business” (amounting to 589 million euro).

[40] That amount is calculated excluding from the overall impact on shareholders’ equity of -552 million euro recorded as at 31 December 2022, 144 million euro in effects relating to the intangibles of the Banking Group derecognised, as they were already deducted for prudential purposes.

The main financial statement captions

To ensure uniformity in the accounting policies used for the financial statements, the Intesa Sanpaolo Group has adopted an internal set of rules and policies for the various operational and organisational areas.

The methodological document used for the application of the accounting standards is the Group Accounting Policies, which describes the application models adopted by the Group, within the framework of the standards and the legislation applicable to the various companies/subsidiaries, and sets out the choices made when the regulations envisage alternative or optional accounting treatments.

With regard to the valuation processes, the Group, in the document "Guidelines for the valuation of Balance Sheet Items", has drawn up the principles and regulatory framework for the valuation of the balance sheet items and the roles and responsibilities of the Corporate Bodies, the Manager responsible for preparing the Company's financial reports and the Parent Company's corporate functions involved in the valuation process; the prerequisites for the existing valuation processes and the control system necessary to ensure proper valuation; the general valuation processes based on accounting standards specific to the various categories of balance sheet items being measured (assets and liabilities); and the rules for guidance and coordination of Group Companies on the valuation of balance sheet items.

The guidelines and policies also include the Business Model Rules, the Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy), and the Rules for Valuation of Financial Instruments at Fair Value (e.g. Fair Value Policy), in addition to more specific documents relating to non-performing loans, equity investments, and the management of hedging financial instruments.

Finally, with regard to prudential supervision, the Group has drawn up a specific document called "Harmonised Prudential Supervision Rules".

In general, these documents are approved by the competent Corporate Bodies. They are updated by the management structures in response to needs arising both from external factors (e.g. changes in regulations) and from internal factors within the Group (e.g. new operations and products). Those documents are subject to a specific approval process, based on the significance and scope of the changes made.

For the purpose of preparing the Half-yearly condensed consolidated financial statements as at 30 June 2023, also in line with that mentioned in the Consolidated interim report on operations as at 31 March 2023, in addition to the accounting standards specified with regard to the insurance assets and liabilities, the accounting standards adopted with regard to the classification, recognition, measurement and derecognition of the financial assets and liabilities in the balance sheet, and the recognition methods for revenues and costs, were updated compared to those adopted for the Intesa Sanpaolo Group 2022 Annual Report, to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group. Given the significance of the changes, the sections regarding the criteria of classification, measurement and recognition of the insurance assets and liabilities are shown in full below, as well as the sections regarding financial assets and liabilities – now also extended to the insurance companies – revenue and cost recognition and the use of estimates. For all other aspects of the accounting standards adopted by the Intesa Sanpaolo Group that were not modified, refer to that illustrated in the 2022 Financial Statements.

Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular:
– financial assets held for trading, essentially consisting of debt securities and equity instruments and the positive value of derivative contracts held for trading;
– financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding (SPPI Test not passed) or that are not held under a Hold to Collect business model or a Hold to Collect and Sell business model;
– financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

This caption therefore includes:
– debt securities and loans that are included in an Other/Trading business model (i.e., that do not come under the Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are not part of a Hold to Collect and Sell business model. These also include the debt securities of the Insurance Division covering the liabilities to insured parties represented by unit-linked products, multi-line products and pension funds;
– equity instruments – that do not qualify as investments in subsidiaries, associates or joint ventures – held for trading purposes or for which the option was not exercised, upon initial recognition, to designate them at fair value through other comprehensive income;
– quotas of UCI (Undertakings for Collective Investment).

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from

transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.
Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:
- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.
On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial assets measured at fair value through profit or loss are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. For equities and derivative instruments that have equities as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section “A.4 – Information on Fair Value” of the Notes to the Consolidated Financial Statements of the Intesa Sanpaolo Group as at 31 December 2022.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity’s continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria
This category includes the financial assets that meet both the following conditions:
- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI Test” passed).

This caption also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this caption includes:
- debt securities that can be attributed to a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income;
- loans that are attributable to a Hold to Collect and Sell business model and have passed the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are part of a Hold to Collect and Sell business model.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.
In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon the total or partial sale, the cumulative gain or loss in the valuation reserve is transferred, in whole or in part, to the income statement.
Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold. The only component related to these equities that is recognised through profit or loss is their dividends.
Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.
For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value" of the Notes to the Consolidated Financial Statements of the Intesa Sanpaolo Group as at 31 December 2022.

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and loans – are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, in the same way as Assets measured at amortised cost, with the consequent recognition through profit or loss of a value adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination, when not impaired, and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised.
Equity instruments are not subject to the impairment process.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Financial assets measured at amortised cost

Classification criteria
This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:
– the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

More specifically, the following are recognised in this caption:
– loans to banks in their various forms that meet the requirements referred to above;
– loans to customers in their various forms that meet the requirements referred to above;
– debt securities that meet the requirements referred to above.

This category also includes the operating loans and receivables connected to the provision of financial activities and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (e.g. for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Repurchase agreements and reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the spot amount received, whereas reverse repurchase agreements are recognised as receivables for the spot amount paid.

Measurement criteria

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.

The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.

The measurement criteria, as described in more detail in the paragraph "Impairment of financial assets" of the 2022 Financial Statements, are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (stage 3) consists of non-performing financial assets and the remaining (stages 1 and 2) of performing financial assets.

With regard to the accounting representation of the above measurement effects, the adjustments for this type of asset are recognised in profit or loss:

– on initial recognition, for an amount equal to the 12-month expected credit loss;
– on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
– on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;
– on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer "significant" due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These financial assets, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognised in the financial statements, at the level of individual loan (or "tranches" of securities), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "non-performing", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, as detailed in the paragraph "Impairment of financial assets" in the 2022 Financial Statements, takes account of forward-looking information and possible alternative recovery scenarios.

Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment with time value effects are recognised in net interest income.
In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.
In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis is (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.
The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: e.g. renegotiations for commercial reasons and forbearance measures due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for "reasons of credit risk" (forbearance measures), relate to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are considered to result in derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Conversely, the amendments to financial assets following the Interest Rate Benchmark Reform (so-called IBOR Reform), relating to the change in the basis for determining contractual cash flows (the replacement of the existing interest rate benchmark with an alternative benchmark rate), do not constitute a derecognition event, but are to be considered a modification from an accounting standpoint. Such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, are represented with a prospective adjustment of the effective interest rate - by applying paragraph B5.4.5 of IFRS 9 instead of modification accounting, with impacts on net interest income in future periods.

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Hedging transactions

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

Classification criteria: type of hedge

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39

endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
– cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
– hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.
The choice made by the Group to take advantage of the possibility of continuing to fully apply the IAS 39 rules for hedging relationships means that the equity instruments classified as Financial assets measured at fair value through other comprehensive income (FVOCI) cannot be measured as hedged items for price or exchange rate risk, since these instruments are not recognised through profit or loss, not even if they are sold (except for dividends that are recognised through profit or loss).

Recognition criteria
Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

A relationship qualifies as a hedging relationship, and is appropriately reported in the financial statements only if, all of the following conditions are met:
– at the inception of the hedge, the hedging relationship is formally designated and documented, including the company's risk management objectives and strategy in undertaking the hedge. This documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
– the hedge is expected to be highly effective;
– the planned transaction hedged, to hedge the cash flows, is highly probable and has an exposure to changes in cash flows that could have effects on the income statement;
– the effectiveness of the hedge can be reliably measured;
– the hedge is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
– in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (with regard to the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the balance sheet under caption 60. "Fair value change of financial assets in hedged portfolios" or under caption 50. "Fair value change of financial liabilities in hedged portfolios";
– in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
– hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction. A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:
– prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
– retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:
– the hedging instrument expires or is sold, terminated, or exercised;
– the hedge no longer meets the hedge accounting criteria described above;
– the entity revokes the designation.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet. If the assets or liabilities hedged are measured at amortised cost, the higher or lower value resulting from the fair value measurement due to the hedge becoming ineffective is recognised through profit or loss, using the effective interest rate method. When a fair value macrohedging relationship is discontinued, the cumulative change in fair value losses carried under caption 60 "Fair value change of financial assets in hedged portfolios" or caption 50. "Fair value change of financial liabilities in hedged portfolios" are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:
a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity's documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders' equity until the end of the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed transaction, being hedged, occurs;
b) the hedge no longer meets the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument is recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective and continues to be recognised separately in shareholders' equity until the programmed transaction occurs;
c) it is no longer considered that the future transaction will occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;
d) the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective continue to be recognised separately in shareholders' equity until the programmed transaction occurs or it is expected that it will no longer occur.

As an exception to the provisions of IAS 39 discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) does not apply in the case of modifications required as a direct consequence of the Interest Rate Benchmark Reform (so-called IBOR Reform) and applied on equivalent economic bases.

Insurance assets and liabilities

Classification criteria

This category contains the insurance assets and liabilities within the scope of application of IFRS 17 Insurance Contracts.
Specifically, the caption insurance liabilities presents the liabilities recognised by the Group for contracts for which insurance risk is deemed significant and which include: temporary class I life policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies, insurance pension funds and damage cover, as well as reinsurance components.
This caption also includes liabilities recognised for investment products that entail discretionary participation features (separate management schemes) as well as mixed class I products and class V capitalisation policies.
Note that the financial products issued by insurance companies that do not have significant insurance risk and no not provide for discretionary participation features are recognised in the financial statements as financial liabilities and accounted for pursuant to IFRS 9. Specifically, the Group measures those products at fair value, exercising the option provided by the standards (Fair Value Option) to avoid accounting mismatches with the correlated investments measured at fair value. These financial products substantially include unit-linked policies without extra return clauses.
Their classification as assets or liabilities is based on the net balance of the portfolio the contracts belong to. Generically, the insurance contracts present a balance payable (insurance liabilities) while reinsurance contracts present a balance receivable (insurance assets).

Recognition criteria

When the contract is signed with the policyholder, a liability is recognised whose amount represents the sum of the present value of all of the expected contractual cash flows (Present Value of Future Cash Flows), discounted and also including an appropriate Risk Adjustment (for non-financial risks) and the Contractual Service Margin which represents the present value of the future profits;
Contracts are recognised by groups (units of account), not contract by contract. In order to identify the units of account, the contracts issued are firstly divided into "portfolios", or groups of contracts with similar risks, which are managed as a unit. Each portfolio is then divided into profitability buckets, distinguishing between onerous contracts at the time of initial recognition, contracts which have no significant possibility of becoming onerous at the time of initial recognition and groups composed of other contracts in the portfolio. A specific test is conducted to define the profitability classes (onerousness test).
Lastly, groups of contracts shall not contain contracts issued more than 12 months previously (grouping by "cohorts"), with the exception of contracts linked to separate management schemes, for which the European Commission's endorsement of IFRS 17 provided the option to depart from that requirement (carve-out).
The Intesa Sanpaolo Group aggregates the contracts belonging to the Non-Life Business based on the Solvency II Line of Business ("LoB") they belong to. For the Life Business, groups of contracts are aggregated for products included in the same Separate Management, Multi-Line products linked to the same Separate Management, Unit-Linked products, products linked to Pension Funds and pure risk products (e.g. temporary life policies).
With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group exercises the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore aggregates these types of contracts only based on the concept of sharing similar risks and uniform management as well as belonging to the same profitability bucket.

Measurement criteria

IFRS 17 requires the measurement of insurance liabilities based on up-to-date information that reflects the conditions existing at the measurement date.
Specifically, the standard sets out:

– a reference accounting model (General Model) used for life insurance contracts without contractual links to other assets and liabilities (life policy products and credit protection insurance) and for long-term non-life contracts ineligible for the simplified model;
– a model that modifies the General Model called the Variable Fee Approach, which is mandatory for measuring certain specific types of liabilities (for example, contracts linked to separate management schemes); and
– an optional simplified approach called the Premium Allocation Approach.

For the General Model, the standard requires, at the initial measurement date, the measurement of a group of contracts as the sum of the present value of future cash flows, a risk adjustment – a liability that reflects the uncertainty of cash flows due to non-financial risks - and the Contractual Service Margin, which represents the unaccrued profits that the entity will recognise gradually as it provides the service provided by the group of insurance contracts. To determine the expected cash flows, all flows directly linked to the performance of the insurance contracts are considered. Because the insurance products in the Intesa Sanpaolo Group are distributed by Group companies other than those in the Insurance Division, to quantify the cash flows and thus, the contractual service margin at consolidated level, the real costs incurred by the Group due to third parties are considered.
Following initial recognition, the carrying amount of a group of insurance contracts at each reporting date must be revised based on the most up-to-date assumptions, both operational (i.e. costs of claims, expenses) and financial (i.e. interest rate).
At each accounting closing it is thus necessary to update the balances of the present value of future cash flows and the risk adjustment. In this context:
– the update of the present value of future cash flows or the risk adjustment attributable to operational assumptions (i.e. the update to the estimated future claims) is recorded as an offsetting entry to the contractual service margin (i.e. a reduction in the present value of future cash flows due to a decrease in expected claims is recorded as an increase in the contractual service margin);
– the update of the present value of future cash flows or the risk adjustment attributable to financial changes (i.e. the update to the interest rate) is recognised, instead, in the income statement (i.e. as a reduction in the present value of future cash flows due to an increase in the discount rate is recognised in the income statement).
Once the changes attributable to operational assumptions of the present value of future cash flows and the risk adjustments have been applied, the estimated portion of the contractual service margin for the insurance service provided during the period is released to the income statement. The release method follows the service provided over the term of the contract (coverage unit). Vice versa, for groups of onerous contracts, the standard requires that the overall estimated loss over the entire life of the policies be immediately recognised to the income statement.

For insurance contracts with direct participation features (life products whose value is influenced by the underlying assets), the standard requires the mandatory application of a modified version of the General Model called the Variable Fee Approach. A contract has direct participating features if its terms and conditions envisage that:
– the policyholder obtains returns linked to a clearly identified group of underlying items;
– the entity expects to pay out a substantial share of the fair value returns on the underlying assets;
– a substantial proportion of the cash flows that the issuer expects to pay the policyholder will vary with the change in the fair value of the underlying assets.
The Variable Fee Approach has the same rules of initial recognition as the General Model, but provides several variants on the changes in subsequent measurements.
Under the Variable Fee Approach, the contractual service margin includes, in addition to that set out in the General Model, the financial profits pertaining to the Group deriving from the management of the assets underlying contracts measured using the Variable Fee Approach.

To determine whether discretionary participation features are significant, the Group performs both a qualitative and quantitative test to verify the requirements. Within the Insurance Division’s products, all the linked insurance contracts and pension funds and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.

Lastly, IFRS 17 requires the application of the Premium Allocation Approach to simplify the measurement of a group of insurance contracts if the coverage period of each contract in the group (including the insurance services deriving from all premiums included within the contractual limit) does not exceed 12 months or if the application of that approach does not provide results that deviate significantly from the application of the General Model.
That approach does not require the identification of the single components of liabilities for future coverage (present value of future cash flows, risk adjustment and contractual service margin) but the identification of an “overall” insurance liability. The Intesa Sanpaolo Group applies this approach solely to the Non-Life Business, with the general rule being to use the Premium Allocation Approach for insurance policies with a duration of one year or less.
In some cases, the interaction between IFRS 17 and IFRS 9 may generate mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI).
The decision to carry out disaggregation is made for groups of contracts in applying IFRS 17 with the following methods:
– with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
– for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments is reclassified to other comprehensive income (mirroring).
In line with the decisions to classify the securities under assets to cover the insurance products, and to reduce potential

accounting mismatches, the Intesa Sanpaolo Group adopts the disaggregation illustrated above (also known as the "OCI option") on all portfolios of insurance contracts, except those relating to unit-linked policies not linked to multi-line products or open pension funds.

Modification and derecognition criteria

According to IFRS 17, an insurance contract is derecognised from the accounts when, and only when, the contract is extinguished, i.e., when the specific obligation in the insurance contract has expired or has been fulfilled or eliminated.
Moreover, following contractual modifications (agreed between the parties or due to changes in regulations) that reflect at least one of the following conditions:

– the modified contract would have been excluded from the scope of application of IFRS 17 if the modified terms had been included in the contract on initial recognition; the separation of the different components, bringing a different contract to be measured under IFRS 17; or a substantially different "contract boundary"[41] or the assignment of a different group of contracts;
– the original contract meets the definition of insurance contract with direct participation features, but the modified contract no longer does, and vice versa;
– the original contract is measured using the simplified approach or the premium allocation approach, but the modified contract no longer meets the eligibility criteria to be measured using this approach;

IFRS 17 requires that the original contract be derecognised and the new contract be recognised. Conversely, if the contractual modifications meet none of the conditions listed above, they shall be treated as changes in the measurement assumptions of the present value of future cash flows and, as a result, shall modify the previously calculated risk adjustment and contractual service margin.

Use of estimates to determine the insurance liabilities pursuant to IFRS 17

Discount rate

For the purpose of defining the discount curve under IFRS 17, the Group uses a bottom-up approach. According to this approach, the discount rate is determined as the risk-free rate adjusted to take account of the illiquidity of the liabilities to be measured (liquidity premium). The risk-free rate curve is obtained by starting from the Euro Swap rates denominated in the same currency as the liability to be measured, deducting the credit risk adjustment for interbank risk implicit in swap rates. The liquidity premium is estimated based on the risk premium inherent in each Company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.

Estimates of future cash flows for the performance of insurance contracts

Future cash flows represent future liabilities that the insurance company posts to cover its commitments regarding insurance business. These include cash flows to insured parties, including forward-looking returns on insurance products and expenses to be incurred to support the business in force. To estimate the expected future cash flows within the scope of each group of contracts, the Group applies the following criteria:

– incorporating all available information obtained in a reasonable and justifiable manner, without superfluous costs or efforts, with regard to the amount, timing and uncertainty of the cash flows;
– maintaining consistency of the estimate of any market variables with the corresponding values observable on the market for those variables;
– reflecting the conditions existing at each measurement date, i.e. the estimate is based on current information, updated for each reporting period.

The estimate of future cash flows is based on a range of scenarios used to carry out stochastic calculations that are processed with the purpose of reducing the variance in the sample. To identify the amount of expenses included in the scope of IFRS 17, reference is made to the cost captions in the IFRS Income Statements of the Life and Non-Life insurance companies, net of several expenses (e.g. training expenses, donations and fines etc…), in line with the provisions of the standard. Specifically, the expenses include those directly attributable to groups of contracts, including the allocation of fixed and variable general overhead costs. Moreover, under several methods used to measure claims incurred for Non-Life/Accident contracts, the estimate of future payments of claims are adjusted to take account of inflation. The Insurance Acquisition Cash Flows incurred in a lump-sum on issuing new contracts are not part of future cash flows, but are included in the measurement of the Contractual Service Margin of New Business, as a decrease thereto, by virtue of the fact that those costs were paid against the payment of the premium.
Note that at consolidated level, the presence of intragroup transactions means that, in quantifying cash flows, intragroup costs projected by the Insurance Division in estimating its stand alone accounting statement (typically commissions paid to the bank distribution network) must be "replaced" with the real costs incurred by the Group to third parties.

With regard to the assumptions on mortality rates, the Italian national mortality tables published by ISTAT are considered. A survey on the Group's experience in the last ten years is conducted, and statistical methods are used to adjust the mortality tables in order to generate the expected mortality rates differentiated by macro-type of product (credit protection insurance, temporary life policies, savings/investment/pension) and by age and gender classes.

The other technical assumptions are also obtained starting with the historical data taken from ERP/management applications. Specifically, for redemption rates, a statistical analysis is conducted by claim duration[42] of the historical frequencies recorded by the single insurance companies, suitably adjusted based on expert judgement, specifically regarding the claim durations not yet subject to observation.

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[41] The contract boundary is composed of substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.
[42] Time passed since the contract was entered into.

To measure the future cash flows relating to the liability for incurred claims, the Group uses the most commonly used methods in the sector, also based on the availability of data and time series on claims. The estimate of liabilities for claims occurred includes the estimate of reimbursements and direct costs for claims occurred and reported, occurred but not yet reported, direct liquidation fees and management and liquidation fees allocated.

Methods used to measure the adjustment for non-financial risk

The non-financial risk adjustment is the compensation required to support the uncertainty on the amount and timing of cash flows deriving from non-financial risk at the time of performance of the insurance contract. As the risk adjustment compensates for uncertainty, estimates are made both on a proportionate approach to calculating the risk adjustment as the product of an average percentage applied to the present value of future cash flows, where the percentage is obtained by leveraging an *ex-ante* VaR approach on a quarterly basis. The analysis of the requirements of the standard entailed the selection, for the purposes of calculating the risk adjustment for the Life Business and the Non-Life Business, of the following underwriting risks (Underwriting modules):

– for the Life business, reference is made to the following underwriting risk modules: Mortality, Longevity, Expenses and the higher of the Lapse Up risk and Lapse Down risk;
– for Non-Life business, the following underwriting risk modules are referred to: Premium and Reserve and Lapse.

Both for the Life business and the Non-Life business, Catastrophic risk is excluded.

Financial liabilities measured at amortised cost

Classification criteria

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the entity in the capacity of lessee in lease transactions.

Recognition criteria

Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.
Lease payables are recognised at the present value of the future lease payments, discounted using the implicit interest rate of the transaction or, where it cannot be determined, the marginal financing rate.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.
Lease payables are remeasured when there is a lease modification (e.g. a change in the contract which is not accounted for/considered as a separate contract); the effect of the remeasurement will be a corresponding adjustment to the right-of-use asset.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

Financial liabilities held for trading

Recognition criteria

These financial instruments are recognised at the subscription or issue date at the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, in particular, the negative fair value of trading derivatives, as well as embedded derivatives with a negative fair value separated from liabilities measured at amortised cost.
It also includes liabilities determined by short selling generated by trading of securities and certificates forming part of the trading business model.

Measurement criteria

All financial liabilities held for trading are measured at fair value through profit or loss.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

Financial liabilities designated at fair value

Classification criteria

Financial liabilities designated at fair value are recorded under this caption, on the basis of the fair value option given to companies by IFRS 9 and in compliance with the cases contemplated in the reference regulations.
With reference to the financial liabilities of the subsidiaries insurance companies, which therefore do not fall within the scope of application of IFRS 17, the Group has availed itself of the possibility of designating as fair value liabilities products of a financial nature without a significant insurance risk and which are not included in separate management and therefore do not provide elements of discretionary participation features. Investments relating to these forms of funding, as already set out above, are also measured at fair value through profit or loss as they are managed according to an "Other" Business Model.

This category of liabilities also includes certificates included in the banking book business model.

Recognition criteria

These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria

These liabilities are measured at fair value according to the following rules established by IFRS 9:
– changes in fair value attributable to changes in own credit risk must be recognised in the statement of comprehensive income (shareholders' equity);
– the remaining changes in fair value must be recognised in the income statement.

The amounts recognised in the statement of comprehensive income are not subsequently recycled to the income statement. This method of accounting must not be applied when recognition of the effects of own credit risk on shareholders' equity results in or accentuates an accounting mismatch in the income statement. In this case, gains and losses associated with the liability, including those resulting from changes in own credit risk, must be recognised in the income statement.

Derecognition criteria

The financial liabilities designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed with the substantial transfer of all the risks and rewards connected to it.

Other information

Recognition of revenues and costs

Revenues are gross flows of economic benefits deriving from the performance of the company's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the company considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:
– identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
– identification of the individual performance obligations contained in the contract;
– determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
– allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
– recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

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

Revenues may be recognised:
– at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
– over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.
In particular:
– interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued up to the reporting date, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
– overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;

– dividends are posted in the income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
– commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
– profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
– profits deriving from insurance contracts recorded pursuant to IFRS 17, posted in the balance sheet caption Contractual Service Margin are released to the income statement for the estimated portion of insurance services rendered during the period;
– revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

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

Use of estimates and assumptions in preparing financial reports
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the contingent assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.
If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.

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

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

- to determine the insurance liabilities, estimates are used to measure the future cash flows for fulfillment of the contracts and to define the technical assumptions on mortality rates and other technical assumptions, and, for example, redemption rates and claims occurred for the measurement of non-life contracts. The assumptions used to determine the discount rates and the methods used to measure the non-financial risk adjustment are of particular importance;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences and tax losses carried forward).

With regard to the measurements concerning the risks induced by the conflict between Russia and Ukraine and the overall risks regarding the loan portfolio, refer to that set out in the first chapter of the Half-yearly report on operations “The first half of 2023” and the section “Risk management” of these Explanatory notes.
With regard to the recoverability of the amounts of intangible assets with an indefinite life and the recoverability of deferred tax assets recognised, there were no factors identified in the half year that suggest that the amounts posted under assets are no longer recoverable. Specifically, the updated macroeconomic scenario as a whole showed no significant changes than that used for the purposes of the 2022 Financial Statements. Moreover, the forecasts for future cash flows are expected to improve due to the greater contribution of net interest income.

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, 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.

It should be noted that Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

With respect to 31 December 2022, the changes in the line-by-line consolidation area involved the entry of:
- Reyl Finance (MEA) Ltd, previously consolidated using the equity method;

and the exit of:
- Fideuram Bank Luxembourg, merged by incorporation into Intesa Sanpaolo Wealth Management S.A. (formerly Compagnie de Banque Privée Quilvest - CBPQ);
- Asteria Obviam S.A., as it fell below the materiality threshold;
- Intesa Sanpaolo Provis S.p.A., merged by incorporation into Intesa Sanpaolo S.p.A.;

For completeness, it is also noted that Banca 5 S.p.A. changed its company name to Isybank S.p.A.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2022 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 2023 refer to the same date.
In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
In particular, with regard to the Ukrainian subsidiary Pravex Bank, considering the limited impact on the consolidated financial statements of the balance sheet and income statement balances of the bank, and with a view to reducing operational risks, the Group decided to consolidate the Ukrainian subsidiary on a line-by-line basis, maintaining in the accounts the balance sheet balances as at 31 March 2023 and making central value adjustments linked to the impairment of the Bank's assets. The balance sheet and income statement results of the subsidiary Banca Intesa Russia as at 30 June 2023 were incorporated through line-by-line consolidation.
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 2023.

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
1	Acantus S.p.A.	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 800,000 euro						
2	Anti Financial Crime Digital HUB S.c.a.r.l. (c)	Turin	Turin	1	Intesa Sanpaolo Innovation Center S.p.A.	10.00	
	Capital 100,000 euro				Intesa Sanpaolo S.p.A.	60.00	
						70.00	
3	Asteria Obviam S.A. (c)	Geneva	Geneva	1	REYL & Cie S.A.	100.00	
	Capital CHF 11,200,000						
4	Banca Comerciala Eximbank S.A.	Chişinău	Chişinău	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital MDL 1,250,000,000						
5	Banca Intesa AD Beograd	Novi Beograd	Beograd	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital RSD 21,315,900,000						
6	Bank of Alexandria S.A.E.	Cairo	Cairo	1	Intesa Sanpaolo S.p.A.	80.00	
	Capital EGP 5,000,000,000						
7	Banka Intesa Sanpaolo d.d. (d)	Koper	Koper	1	Intesa Sanpaolo S.p.A.	48.13	
	Capital 22,173,218 euro				Privredna Banka Zagreb d.d.	51.00	
						99.13	
8	Carnegie Fund Services S.A. (c)	Geneva	Geneva	1	REYL & Cie S.A.	100.00	
	Capital CHF 435,000						
9	CBP Quilvest PE Fund GP S.a r.l. (c)	Luxembourg	Luxembourg	1	Intesa Sanpaolo Wealth Management (Luxembourg) S.A.	100.00	
	Capital USD 20,000						
10	Centai Institute S.p.A. (c)	Turin	Turin	2	Intesa Sanpaolo S.p.A.	49.00	
	Capital 50,000 euro						
11	Cib Bank Ltd.	Budapest	Budapest	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital HUF 50,000,000,003						
12	CIB Insurance Broker Ltd.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital HUF 10,000,000						
13	CIB Leasing Ltd.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital HUF 53,000,000						
14	CIB Rent Operative Leasing Ltd.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital HUF 5,000,000						
15	Colline e oltre S.p.A. (c)	Pavia	Pavia	1	Intesa Sanpaolo S.p.A.	51.00	
	Capital 50,000 euro						
16	Compagnia Italiana Finanziaria - CIF S.r.l.	Milan	Milan	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	61.45	
	Capital 10,000 euro						
17	Consorzio Studi e ricerche fiscali Gruppo Intesa Sanpaolo (c)	Rome	Rome	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	7.50	
	Capital 258,228.45 euro				Eurizon Capital SGR S.p.A.	5.00	
					Intesa Sanpaolo Vita S.p.A.	7.50	
					Intesa Sanpaolo S.p.A.	80.00	
						100.00	
18	Duomo Funding Plc (e)	Dublin	Dublin	2	Intesa Sanpaolo S.p.A.	-	
19	Epsilon SGR S.p.A.	Milan	Milan	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital 5,200,000 euro						
20	Etoile François Premier S.a.r.l. (f)	Paris	Paris	1	Risanamento Europa S.r.l.	100.00	
	Capital 5,000 euro						
21	Eurizon Asset Management Croatia D.O.O.	Zagreb	Zagreb	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
	Capital 663,614 euro						
22	Eurizon Asset Management Hungary Ltd.	Budapest	Budapest	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
	Capital HUF 600,000,000						
23	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	Bratislava	Bratislava	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital 4,093,560 euro						
24	Eurizon Capital Asia Limited (formerly Eurizon Capital (HK) limited) (c)	Hong Kong	Hong Kong	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital HKD 95,000,000						
25	Eurizon Capital Real Asset SGR S.p.a.	Milan	Milan	1	Eurizon Capital SGR S.p.A.	19.98	51.00 (*)
	Capital 4,166,667 euro				Intesa Sanpaolo Vita S.p.A.	40.01	24.50 (*)
						59.99	75.50 (*)

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
26	Eurizon Capital S.A. Capital 7,974,600 euro	Luxembourg	Luxembourg	1	Eurizon Capital SGR S.p.A.	100.00	
27	Eurizon Capital SGR S.p.A. Capital 99,000,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
28	Eurizon Slj Capital Ltd. Capital GBP 1,001,000	London	London	1	Eurizon Capital SGR S.p.A.	65.00	
29	Exelia S.r.l. (c) Capital RON 8,252,600	Brasov	Brasov	1	Intesa Sanpaolo Holding International S.A.	100.00	
30	Exetra S.p.A. (g) Capital 158,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	85.00	
31	Fideuram Intesa Sanpaolo Private Banking S.p.A. Capital 300,000,000 euro	Rome	Turin	1	Intesa Sanpaolo S.p.A.	100.00	
32	Fideuram Asset Management (Ireland) Dac (formerly Fideuram Asset Management (Ireland) Ltd.) Capital 1,000,000 euro	Dublin	Dublin	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
33	Fideuram Asset Management SGR S.p.A. Capital 25,870,000 euro	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	99.52	
34	Fideuram Asset Management Uk Ltd (c) Capital GBP 1,000,000	London	London	1	Fideuram Asset Management (Ireland) Dac	100.00	
35	Fideuram Vita S.p.A.	Rome	Rome	1	Intesa Sanpaolo S.p.A.	80.01	
	Capital 357,446,836 euro				Fideuram Intesa Sanpaolo Private Banking S.p.A.	19.99	
						100.00	
36	Fondo Sviluppo ecosistemi di Innovazione (c) Capital 15,000,000 euro	Turin	Turin	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
37	Gap Manco Sarl (c) Capital 12,500 euro	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
38	Iberia Distressed Assets Manager Sarl (c) Capital 12,500 euro	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
39	IIF SME Manager Ltd. (c) Capital USD 1,000	George Town	George Town	1	REYL & Cie S.A.	100.00	
40	IMI Capital Market USA Corp. Capital USD 5,000	New York	New York	1	IMI Investments S.A.	100.00	
41	IMI Finance Luxembourg S.A. (c) Capital 100,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
42	IMI Investments S.A. Capital 21,660,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
43	IMMIT - Immobili Italiani S.r.l. Capital 185,680,000 euro	Bergamo	Bergamo	1	Intesa Sanpaolo S.p.A.	100.00	
44	Immobiliare Cascina Rubina S.r.l. (f) Capital 10,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
45	IN.FRA - Investire nelle Infrastrutture S.r.l. Capital 10,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
46	Iniziative Logistiche S.r.l. Capital 10,000 euro	Milan	Milan	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	60.02	
47	Insalute Servizi S.p.A. (h) Capital 909,091 euro	Turin	Turin	1	Intesa Sanpaolo Vita S.p.A.	65.00	
48	Intesa Invest A.D. Beograd (c) Capital RSD 236,975,800	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
49	Intesa Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000	Moscow	Moscow	1	Joint-Stock Company Banca Intesa	100.00	
50	Intesa Leasing d.o.o. Beograd Capital RSD 960,374,301	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
51	Intesa Sanpaolo (Qingdao) Service Company Ltd (c) Capital CNY 80,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo S.p.A.	100.00	
52	Intesa Sanpaolo Albania Sh.A. Capital ALL 5,562,517,674	Tirana	Tirana	1	Intesa Sanpaolo S.p.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
53	Intesa Sanpaolo Assicura S.p.A. Capital 27,912,258 euro	Turin	Turin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
54	Intesa Sanpaolo Bank Ireland Plc Capital 400,500,000 euro	Dublin	Dublin	1	Intesa Sanpaolo S.p.A.	100.00	
55	Intesa Sanpaolo Bank Luxembourg S.A. Capital 1,389,370,555 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
56	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 (**)
57	Intesa Sanpaolo Brasil S.A. - Banco Multiplo Capital BRL 986,228,279.52	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo S.p.A. Intesa Sanpaolo Holding International S.A.	99.90 0.10 100.00	
58	Intesa Sanpaolo Casa S.p.A. (c) Capital 1,000,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
59	Intesa Sanpaolo Expo Institutional Contact S.r.l. (c) Capital 50,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
60	Intesa Sanpaolo Funding LLC (formerly Intesa Funding LLC) Capital USD 25,000	New York	Wilmington Delaware	1	Intesa Sanpaolo S.p.A.	100.00	
61	Intesa Sanpaolo Harbourmaster III S.A. Capital 5,500,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
62	Intesa Sanpaolo Highline S.r.l. (c) Capital 500,000 euro	Turin	Turin	1	Intesa Sanpaolo S.p.A.	100.00	
63	Intesa Sanpaolo Holding International S.A. Capital 2,157,957,270 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
64	Intesa Sanpaolo House Luxembourg S.A. Capital 24,990,317 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
65	Intesa Sanpaolo Imi Securities Corp. Capital USD 44,500,000	New York	New York	1	IMI Capital Market USA Corp.	100.00	
66	Intesa Sanpaolo Innovation Center S.p.A. Capital 9,254,940 euro	Turin	Turin	1	Intesa Sanpaolo S.p.A. Intesa Sanpaolo Vita S.p.A.	99.99 0.01 100.00	
67	Intesa Sanpaolo Insurance Agency S.p.A. Capital 500,000 euro	Turin	Turin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
68	Intesa Sanpaolo International Value Services d.o.o. Capital 13,272.28 euro	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
69	Intesa Sanpaolo Life Designed Activity Company (formerly Intesa Sanpaolo Life Ltd.) Capital 625,000 euro	Dublin	Dublin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
70	Intesa Sanpaolo Private Argentina S.A. (c) Capital ARS 13,404,506	Buenos Aires	Buenos Aires	1	Fideuram Intesa Sanpaolo Private Banking S.p.A. REYL & Cie S.A.	4.97 95.03 100.00	
71	Intesa Sanpaolo Private Banking S.p.A. Capital 117,497,424 euro	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
72	Intesa Sanpaolo RBM Salute S.p.A. Capital 305,208,000 euro	Venice	Venice	1	Intesa Sanpaolo Vita S.p.A.	100.00	
73	Intesa Sanpaolo RE.O.CO. S.p.A. Capital 13,000,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
74	Intesa Sanpaolo Rent FORYOU S.p.A. Capital 630,000 euro	Turin	Turin	1	Intesa Sanpaolo S.p.A.	100.00	
75	Intesa Sanpaolo Romania S.A. Commercial Bank Capital RON 1,216,639,410	Bucharest	Bucharest	1	Intesa Sanpaolo S.p.A. Intesa Sanpaolo Holding International S.A.	99.73 0.27 100.00	
76	Intesa Sanpaolo Servicos e emprendimentos Ltda. em Liquidacao (c) Capital Brl 3.283.320	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo S.p.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
77	Intesa Sanpaolo Servitia S.A. Capital 1,500,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
78	Intesa Sanpaolo Vita S.p.A. Capital 320,422,509 euro	Milan	Turin	1	Intesa Sanpaolo S.p.A.	99.99	
79	Intesa Sanpaolo Wealth Management (Luxembourg) S.A. Capital 123,813 euro	Luxembourg	Luxembourg	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
80	ISP CB Ipotecario S.r.l. (c) Capital 120,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
81	ISP CB Pubbico S.r.l. (c) Capital 120,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
82	ISP OBG S.r.l. (c) Capital 42,038 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
83	Isybank S.p.A. (Banca 5 S.p.A.) Capital 30,000,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
84	IW Private Investments SIM S.p.A. Capital 67,950,000 euro	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
85	Joint-Stock Company Banca Intesa Capital RUB 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Holding International S.A. Intesa Sanpaolo S.p.A.	53.02 46.98 100.00	
86	Lux Gest Asset Management S.A. Capital 200,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg S.A.	100.00	
87	Morval Bank & Trust Cayman Ltd. in liquidation (c) Capital USD 7,850,000	Grand Cayman	Grand Cayman	1	REYL & Cie S.A.	100.00	
88	MSG Bonifiche S.r.l. (f) Capital 20,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
89	MSG Comparto Secondo S.r.l. (f) Capital 50,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
90	MSG Infrastrutture S.r.l. (f) Capital 20,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
91	Neva S.G.R S.p.A. (formerly Imi Fondi Chiusi S.p.a.) (h) Capital 2,000,000 euro	Turin	Turin	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
92	Oro Italia Trading S.p.A. in liquidation (h) Capital 500,000 euro	Arezzo	Arezzo	1	Intesa Sanpaolo S.p.A.	100.00	
93	PBZ Card d.o.o. Capital 5,763,110 euro	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
94	PBZ Leasing d.o.o. Capital 1,990,842 euro	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
95	Porta Nuova Gioia (i) Capital 7,529,550 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
96	Portugal Real Estate Opportunities Manager Sarl (c) Capital 12,500 euro	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
97	Pravex Bank Joint-Stock Company Capital UAH 979,089,724	Kiev	Kiev	1	Intesa Sanpaolo S.p.A.	100.00	
98	Prestitalia S.p.A. Capital 205,722,715 euro	Bergamo	Bergamo	1	Intesa Sanpaolo S.p.A.	100.00	
99	Private Equity International S.A. Capital 101,000,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
100	Privredna Banka Zagreb d.d. Capital 243,954,711 euro	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
101	Qingdao Yicai Fund Distribution Co. Ltd. Capital CNY 591,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo S.p.A.	100.00	
102	RB Partecipationes S.A. Capital CHF 100,000	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
103	Recovery Property Utilisation and Services Zrt. Capital HUF 20,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
104	REYL & Cie (Malta) Holding Ltd. (c) Capital 730,000 euro	Valletta	Valletta	1	REYL & Cie S.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
105	REYL & Cie (Malta) Ltd. (c) Capital 730,000 euro	Valletta	Valletta	1	REYL & Cie (Malta) Holding Ltd.	100.00	
106	REYL & Cie S.A. (j) Capital CHF 31,500,001	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	39.00	
					RB Partecipationes S.A.	30.00	
						69.00	
107	REYL & CO (UK) Llp. (c) Capital GBP 2,500,000	London	London	1	REYL & CO Holdings Ltd.	100.00	
108	REYL & CO Holdings Ltd. (c) Capital GBP 2,400,000	London	London	1	REYL & Cie S.A.	100.00	
109	REYL Finance (MEA) Ltd. Capital USD 2,875,000	Dubai	Dubai	1	REYL & Cie S.A.	100.00	
110	REYL Overseas AG (c) Capital CHF 2,000,000	Zurich	Zurich	1	REYL & Cie S.A.	100.00	
111	REYL Private Office Luxembourg Sarl (c) Capital 50,000 euro	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
112	REYL Singapore Holding Pte. Ltd. (c) Capital SGD 1,201	Singapore	Singapore	1	REYL & Cie S.A.	75.00	
113	REYL Singapore Pte. Ltd. (c) Capital SGD 500,000	Singapore	Singapore	1	REYL & Cie S.A.	76.00	
					REYL Singapore Holding Pte. Ltd.	24.00	
						100.00	
114	RI Rental S.r.l. (f) Capital 10,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
115	Risanamento Europa S.r.l. (f) Capital 10,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
116	Risanamento S.p.A. (f) Capital 107,689,512.20 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	48.88	
117	Romulus Funding Corporation (e)	New York	New York	2	Intesa Sanpaolo S.p.A.	-	
118	Società Benefit Cimarosa 1 S.p.A. (c) Capital 100,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
119	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital 2,600,000 euro	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
120	SRM Studi e Ricerche per il Mezzogiorno (c) Capital 90,000 euro	Naples	Naples	1	Intesa Sanpaolo S.p.A.	60.00	20.00 (*)
121	Sviluppo Comparto 3 S.r.l. (f) Capital 50,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
122	UBI Finance S.r.l. (c) Capital 10,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
123	UBI Trustee S.A. (c) Capital 250,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Wealth Management (Luxembourg) S.A.	100.00	
124	Vseobecna Uverova Banka A.S. Capital 510,819,064 euro	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International S.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
125	Vub Generali Dochodkova Spravcovska Spolocnost A.S. (k) Capital 10,090,976 euro	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	55.26	
126	Vub Operating Leasing Capital 25,000 euro	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 consolidated using the equity method given its limited materiality.

(d) Minority shareholders are subject to a legal commitment to purchase 0.7% of share capital.

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

(f) Company not subject to the management and coordination activities pursuant to Article 2497 and following of the Italian Civil Code.

(g) In the event of liquidation of the equity investment, the minority shareholder has the right to sell, and Intesa Sanpaolo is required to purchase, the entire minority investment.

(h) Please note that there are put and call option agreements on 35.00% of share capital held by minority shareholders.

(i) A closed-end alternative real estate investment fund managed by COIMA SGR S.p.A.

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

(k) Please note that there are put and call option agreements on 44.74% of share capital held by minority shareholders.

Subsequent events

No significant events occurred after the end of the half year.

Information on the Consolidated balance sheet

ASSETS

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

Financial assets held for trading: breakdown

(millions of euro)

Captions	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	12,166	1,210	69	9,150	1,194	50
1.1 Structured securities	*2,130*	*74*	*4*	*1,016*	*74*	*-*
1.2 Other debt securities	*10,036*	*1,136*	*65*	*8,134*	*1,120*	*50*
2. Equities	1,099	-	23	860	-	22
3. Quotas of UCI	353	8	7	264	5	21
4. Loans	-	27	54	-	32	54
4.1 Repurchase agreements	*-*	*-*	*-*	*-*	*-*	*-*
4.2 Other	*-*	*27*	*54*	*-*	*32*	*54*
Total (A)	**13,618**	**1,245**	**153**	**10,274**	**1,231**	**147**
B. Derivatives						
1. Financial derivatives	164	27,540	27	107	29,876	36
1.1 trading	*164*	*27,536*	*27*	*105*	*29,876*	*36*
1.2 fair value option	*-*	*-*	*-*	*-*	*-*	*-*
1.3 other	*-*	*4*	*-*	*2*	*-*	*-*
2. Credit derivatives	-	1,306	-	-	936	-
2.1 trading	*-*	*1,306*	*-*	*-*	*936*	*-*
2.2 fair value option	*-*	*-*	*-*	*-*	*-*	*-*
2.3 other	*-*	*-*	*-*	*-*	*-*	*-*
Total (B)	**164**	**28,846**	**27**	**107**	**30,812**	**36**
TOTAL (A+B)	**13,782**	**30,091**	**180**	**10,381**	**32,043**	**183**

Other financial assets mandatorily measured at fair value: breakdown

(millions of euro)

Captions	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**6,152**	**878**	**208**	**5,707**	**359**	**516**
1.1 Structured securities	-	6	-	-	-	5
1.2 Other debt securities	6,152	872	208	5,707	359	511
2. Equities	**5,211**	**186**	**279**	**5,059**	**107**	**309**
3. Quotas of UCI	**86,413**	**196**	**6,799**	**87,284**	**191**	**6,655**
4. Loans	**176**	**332**	**869**	**218**	**334**	**1,269**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	176	332	869	218	334	1,269
Total	**97,952**	**1,592**	**8,155**	**98,268**	**991**	**8,749**

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30

Financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

Captions	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**122,930**	**6,848**	**160**	**107,788**	**8,365**	**292**
1.1 Structured securities	1,311	-	-	1,373	-	-
1.2 Other debt securities	121,619	6,848	160	106,415	8,365	292
2. Equities	**412**	**511**	**232**	**513**	**517**	**325**
3. Loans	**-**	**998**	**75**	**-**	**1,685**	**23**
Total	**123,342**	**8,357**	**467**	**108,301**	**10,567**	**640**

FINANCIAL ASSETS MEASURED AT AMORTISED COST – CAPTION 40

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

(millions of euro)

Transaction type/Amount	30.06.2023				31.12.2022			
	Book value			Fair value	Book value			Fair value
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	
A. Due from Central Banks	**8,735**	**-**	**-**	**8,735**	**9,712**	**-**	**-**	**9,712**
1. Time deposits	1,775	-	-	-	3,622	-	-	-
2. Compulsory reserve	5,849	-	-	-	5,427	-	-	-
3. Repurchase agreements	974	-	-	-	543	-	-	-
4. Other	137	-	-	-	120	-	-	-
B. Due from banks	**22,864**	**105**	**-**	**22,899**	**23,136**	**36**	**-**	**23,111**
1. Loans	21,355	105	-	21,452	21,478	36	-	21,520
1.1 Current accounts	-	-	-	-	-	-	-	-
1.2 Time deposits	3,924	-	-	-	2,449	-	-	-
1.3 Other loans:	17,431	105	-	-	19,029	36	-	-
- Reverse repurchase agreements	*6,424*	-	-	-	*5,397*	-	-	-
- Finance leases	*4*	-	-	-	*5*	-	-	-
- Other	*11,003*	*105*	-	-	*13,627*	*36*	-	-
2. Debt securities	1,509	-	-	1,447	1,658	-	-	1,591
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	1,509	-	-	1,447	1,658	-	-	1,591
TOTAL	**31,599**	**105**	**-**	**31,634**	**32,848**	**36**	**-**	**32,823**

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

(millions of euro)

Transaction type/Amount	30.06.2023				31.12.2022			
	Book value			Fair value	Book value			Fair value
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	
1. Loans	**424,250**	**5,068**	**250**	**416,878**	**432,450**	**5,255**	**271**	**424,229**
1.1. Current accounts	22,933	490	13	X	22,967	484	12	X
1.2. Reverse repurchase agreements	15,360	-	-	X	15,366	-	-	X
1.3. Mortgages	232,981	3,003	143	X	242,049	3,083	156	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	19,403	314	2	X	19,435	339	2	X
1.5. Finance leases	7,423	289	78	X	7,780	328	85	X
1.6. Factoring	9,315	44	-	X	10,869	52	-	X
1.7. Other loans	116,835	928	14	X	113,984	969	16	X
2. Debt securities	**64,435**	**25**	**-**	**61,197**	**57,188**	**33**	**-**	**53,508**
2.1. Structured securities	4,917	-	-	4,363	-	-	-	-
2.2. Other debt securities	59,518	25	-	56,834	57,188	33	-	53,508
Total	**488,685**	**5,093**	**250**	**478,075**	**489,638**	**5,288**	**271**	**477,737**

Debt securities – Structured securities, under sub-caption 2.1, amounted to 3,439 million euro at 31 December 2022 and were included in sub-caption 2.2 Other debt securities.

LIABILITIES

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - CAPTION 10

Financial liabilities measured at amortised cost: breakdown of amounts due to banks

(millions of euro)

Transaction type/Amount	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
1. Due to central banks	**47,207**	**X**	**98,444**	**X**
2. Due to banks	**47,620**	**X**	**39,688**	**X**
2.1 Current accounts and on demand deposits	3,935	X	3,240	X
2.2 Time deposits	2,825	X	3,807	X
2.3 Loans	28,681	X	19,231	X
2.3.1 Repurchase agreements	*22,531*	*X*	*12,753*	*X*
2.3.2 Other	*6,150*	*X*	*6,478*	*X*
2.4 Debts for commitments to repurchase own equity instruments	-	X	-	X
2.5 Lease liabilities	4	X	6	X
2.6 Other debts	12,175	X	13,404	X
Total	**94,827**	**94,559**	**138,132**	**137,906**

Financial liabilities measured at amortised cost: breakdown of amounts due to customers

(millions of euro)

Transaction type/Amount	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
1. Current accounts and on demand deposits	**369,762**	**X**	**412,667**	**X**
2. Time deposits	**32,807**	**X**	**20,309**	**X**
3. Loans	**19,000**	**X**	**5,200**	**X**
3.1 Repurchase agreements	15,058	X	1,284	X
3.2 Other	3,942	X	3,916	X
4. Debts for commitments to repurchase own equity instruments	**208**	**X**	**541**	**X**
5. Lease liabilities	**1,256**	**X**	**1,315**	**X**
6. Other debts	**15,644**	**X**	**14,563**	**X**
Total	**438,677**	**438,238**	**454,595**	**454,168**

Financial liabilities measured at amortised cost: breakdown of securities issued

(millions of euro)

Transaction type/Amount	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
A. Securities				
1. bonds	82,225	81,961	66,159	65,913
1.1 structured	*1,284*	*1,296*	*1,806*	*1,787*
1.2 other	*80,941*	*80,665*	*64,353*	*64,126*
2. other	14,402	14,402	11,241	11,241
2.1 structured	-	-	-	-
2.2 other	*14,402*	*14,402*	*11,241*	*11,241*
Total	**96,627**	**96,363**	**77,400**	**77,154**

FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 20

Financial liabilities held for trading: breakdown

(millions of euro)

Transaction type/Amount	30.06.2023					31.12.2022				
	Nominal or notional amount	Fair value			Fair value (*)	Nominal or notional amount	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	**5,384**	**5,320**	**1**	**-**	**5,321**	**4,729**	**4,240**	**-**	**-**	**4,239**
2. Due to customers	**3,794**	**3,559**	**232**	**-**	**3,791**	**3,121**	**3,001**	**-**	**-**	**3,001**
3. Debt securities	**2,693**	**-**	**2,524**	**-**	**X**	**3,000**	**-**	**2,779**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 Other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	2,693	-	2,524	-	X	3,000	-	2,779	-	X
3.2.1 Structured	*2,693*	-	*2,524*	-	*X*	*3,000*	-	*2,779*	-	*X*
3.2.2 Other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**11,871**	**8,879**	**2,757**	**-**	**9,112**	**10,850**	**7,241**	**2,779**	**-**	**7,240**
B. Derivatives										
1. Financial derivatives	**X**	**132**	**34,443**	**102**	**X**	**X**	**44**	**35,363**	**142**	**X**
1.1 Trading	X	132	34,423	102	X	X	44	35,343	142	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	20	-	X	X	-	20	-	X
2. Credit derivatives	**X**	**-**	**1,335**	**-**	**X**	**X**	**-**	**943**	**-**	**X**
2.1 Trading	X	-	1,335	-	X	X	-	943	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**132**	**35,778**	**102**	**X**	**X**	**44**	**36,306**	**142**	**X**
Total (A+B)	**11,871**	**9,011**	**38,535**	**102**	**X**	**10,850**	**7,285**	**39,085**	**142**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 30

Financial liabilities designated at fair value: breakdown

(millions of euro)

Transaction type/Amount	30.06.2023					31.12.2022				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Due to customers	**53,165**	**-**	**53,164**	**-**	**53,164**	**54,218**	**-**	**54,216**	**-**	**54,217**
2.1 Structured	5	-	4	-	X	5	-	4	-	X
2.2 Other	53,160	-	53,160	-	X	54,213	-	54,212	-	X
of which:										
- commitments to disburse funds	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**14,459**	**694**	**12,878**	**32**	**13,465**	**9,885**	**-**	**8,761**	**30**	**8,719**
3.1 Structured	14,459	694	12,878	32	X	9,885	-	8,761	30	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**67,624**	**694**	**66,042**	**32**	**66,629**	**64,103**	**-**	**62,977**	**30**	**62,936**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

GROUP SHAREHOLDERS' EQUITY – CAPTIONS 120, 130, 140, 150, 160, 170 AND 180

Share capital – Parent Company's number of shares: half-yearly changes

Captions/Type	Ordinary
A. Initial number of shares	**18,988,803,160**
- fully paid-in	*18,988,803,160*
- not fully paid-in	-
A.1 Own shares (-)	-23,892,236
A.2 Shares outstanding: initial number	**18,964,910,924**
B. Increases	**15,011,713**
B.1 New issues	-
- for consideration:	-
- business combinations	-
- conversion of bonds	-
- exercise of warrants	-
- other	-
- for free:	-
- in favour of employees	-
- in favour of directors	-
- other	-
B.2 Sale of own shares	15,011,713
B.3 Other	-
C. Decreases	**-706,199,101**
C.1 Annulment	-706,004,171
C.2 Purchase of own shares	-194,930
C.3 Disposal of companies	-
C.4 Other	-
D. Shares outstanding: final number	**18,273,723,536**
D.1 Own shares (+)	9,075,453
D.2 Final number of shares	18,282,798,989
- fully paid-in	*18,282,798,989*
- not fully paid-in	-

Share capital: other information

The share capital of Intesa Sanpaolo as at 30 June 2023 amounted to 10,369 million euro, divided into 18,282,798,989 ordinary shares, with no par value. Each ordinary share gives the right to one vote in the Shareholders' Meeting. At the date of this document, the share capital was fully paid-in.

As at 30 June 2023, the Group held Intesa Sanpaolo treasury shares for a total of 70 million euro, of which approximately 19 million euro held by the Parent Company, around 38 million euro held by Fideuram-ISPB and the remaining 13 million euro by the other Group companies.

Information on the consolidated income statement

INTEREST – CAPTIONS 10 AND 20

Interest and similar income: breakdown

(millions of euro)

Captions/Types	Debt securities	Loans	Other transactions	Total
1. Financial assets measured at fair value through profit or loss	**101**	**22**	**-**	**123**
1.1 Financial assets held for trading	90	3	-	93
1.2 Financial assets designated at fair value	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	11	19	-	30
2. Financial assets measured at fair value through other comprehensive income	**1,856**	**50**	**X**	**1,906**
3. Financial assets measured at amortised cost	**847**	**10,278**	**X**	**11,125**
3.1 Due from banks	33	2,367	X	2,400
3.2 Loans to customers	814	7,911	X	8,725
4. Hedging derivatives	**X**	**X**	**1,074**	**1,074**
5. Other assets	**X**	**X**	**333**	**333**
6. Financial liabilities	**X**	**X**	**X**	**1**
Total as at 30.06.2023	**2,804**	**10,350**	**1,407**	**14,562**
of which: interest income on impaired financial assets	*-*	*231*	*-*	*231*
of which: interest income on financial lease	*X*	*203*	*X*	*203*
Total as at 30.06.2022				**6,588**

Interest and similar expense: breakdown

(millions of euro)

Captions/Types	Debts	Securities	Other transactions	Total
1. Financial liabilities measured at amortised cost	**3,610**	**1,324**	**X**	**4,934**
1.1 Due to Central Banks	1,127	X	X	1,127
1.2 Due to banks	1,066	X	X	1,066
1.3 Due to customers	1,417	X	X	1,417
1.4 Securities issued	X	1,324	X	1,324
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**7**	**-**	**-**	**7**
4. Other liabilities and allowances	**X**	**X**	**59**	**59**
5. Hedging derivatives	**X**	**X**	**1,434**	**1,434**
6. Financial assets	**X**	**X**	**X**	**196**
Total as at 30.06.2023	**3,617**	**1,324**	**1,493**	**6,630**
of which: interest expense on lease liabilities	*12*	*X*	*X*	*12*
Total as at 30.06.2022				**1,428**

NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

Fee and commission income: breakdown

(millions of euro)

Type of service/Amounts	Total
a) Financial instruments	**808**
1. Placement of securities	258
1.1 Through underwriting and/or on a firm commitment basis	21
1.2 Without firm commitment	237
2. Reception and transmission of orders and execution of orders on behalf of customers	128
2.1 Reception and transmission of orders for one or more financial instruments	61
2.2 Execution of orders on behalf of customers	67
3. Other fee and commission income related to activities connected to financial instruments	422
of which: dealing on own account	*1*
of which: individual portfolio management	*421*
b) Corporate Finance	**4**
1. M&A advisory	4
2. Treasury services	-
3. Other fee and commission income related to corporate finance services	-
c) Investment advice	**126**
d) Clearing and settlement	**-**
e) Collective portfolio management	**1,019**
f) Custody and administration	**52**
1. Depositary bank	1
2. Other fee and commission income related to custody and administration services	51
g) Central administrative services for collective portfolio management	**-**
h) Fiduciary services	**5**
i) Payment services	**1,520**
1. Current accounts	684
2. Credit cards	301
3. Debit cards and other payment cards	147
4. Credit transfers and other payment orders	199
5. Other fee and commission income related to payment services	189
j) Distribution of third-party services	**323**
1. Collective portfolio management	245
2. Insurance products	33
3. Other products	45
of which: individual portfolio management	*17*
k) Structured finance	**10**
l) Servicing related to securitisations	**3**
m) Commitments to disburse funds	**8**
n) Financial guarantees given	**241**
of which: credit derivatives	*1*
o) Financing transactions	**398**
of which: for factoring transactions	*40*
p) Currency dealing	**7**
q) Commodities	**-**
r) Other fee and commission income	**782**
of which: for management of multilateral trading facilities	*-*
of which: for management of organised trading facilities	*-*
Total as at 30.06.2023	**5,306**
Total as at 30.06.2022	**5,759**

Fee and commission expense: breakdown

(millions of euro)

	Total
a) Financial instruments	**126**
of which: trading in financial instruments	*21*
of which: placement of financial instruments	*100*
of which: individual portfolio management	*5*
- Own portfolio	*5*
- Third-party portfolio	*-*
b) Clearing and settlement	**17**
c) Collective portfolio management	**26**
- Own portfolio	5
- Third-party portfolio	21
d) Custody and administration	**41**
e) Collection and payment services	**302**
of which: credit cards, debit cards and other payment cards	*234*
f) Servicing related to securitisations	**-**
g) Commitments to receive funds	**-**
h) Financial guarantees received	**180**
of which: credit derivatives	*13*
i) "Out-of-branch" offer of financial instruments, products and services	**484**
j) Currency dealing	**3**
k) Other fee and commission expense	**187**
Total as at 30.06.2023	**1,366**
Total as at 30.06.2022	**1,354**

PROFITS (LOSSES) ON TRADING - CAPTION 80

Profits (Losses) on trading: breakdown

(millions of euro)

Transactions/Income components	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**150**	**432**	**-141**	**-227**	**214**
1.1 Debt securities	61	331	-108	-200	84
1.2 Equities	78	94	-27	-24	121
1.3 Quotas of UCI	11	5	-6	-2	8
1.4 Loans	-	1	-	-	1
1.5 Other	-	1	-	-1	-
2. Financial liabilities held for trading	**24**	**7**	**-124**	**-15**	**-108**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	21	-	-70	-	-49
2.3 Other	3	7	-54	-15	-59
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**268**
4. Derivatives	**18,699**	**31,349**	**-20,760**	**-29,285**	**-305**
4.1 Financial derivatives:	17,804	30,515	-19,834	-28,486	-309
- on debt securities and interest rates	*16,371*	*24,762*	*-17,006*	*-24,239*	*-112*
- on equities and stock indexes	*1,026*	*4,547*	*-2,403*	*-3,088*	*82*
- on currencies and gold	*X*	*X*	*X*	*X*	*-308*
- other	*407*	*1,206*	*-425*	*-1,159*	*29*
4.2 Credit derivatives	895	834	-926	-799	4
of which: natural hedging associated with the fair value option	*X*	*X*	*X*	*X*	-
Total	**18,873**	**31,788**	**-21,025**	**-29,527**	**69**

PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

Captions/Income components	Profits	Losses	Net result
A. Financial assets			
1. Financial assets measured at amortised cost	131	-59	72
1.1 Due from banks	*3*	*-*	*3*
1.2 Loans to customers	*128*	*-59*	*69*
2. Financial assets measured at fair value through other comprehensive income	256	-443	-187
2.1 Debt securities	*256*	*-416*	*-160*
2.2 Loans	*-*	*-27*	*-27*
Total assets (A)	**387**	**-502**	**-115**
Financial liabilities valued at amortized cost			
1. Due to banks	-	-	-
2. Due to customers	-	-	-
3. Securities issued	23	-5	18
Total liabilities (B)	**23**	**-5**	**18**
Total (A+B) as at 30.06.2023	**410**	**-507**	**-97**
Total (A+B) as at 30.06.2022			**-50**

PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 110

Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**4,930**	**660**	**-1,086**	**-583**	**3,921**
1.1 Debt securities	169	26	-45	-8	142
1.2 Equities	705	185	-174	-70	646
1.3 Quotas of UCI	3,992	380	-460	-443	3,469
1.4 Loans	64	69	-407	-62	-336
2. Financial assets: foreign exchange differences	**X**	**X**	**X**	**X**	**-10**
Total	**4,930**	**660**	**-1,086**	**-583**	**3,911**

NET LOSSES/RECOVERIES FOR CREDIT RISK – CAPTION 130

Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				Total
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
			Write-off	Other	Write-off	Other					
A. Credit to banks	**-19**	**-3**	**-**	**-**	**-**	**-**	**26**	**10**	**-**	**-**	**14**
- Loans	-16	-3	-	-	-	-	23	9	-	-	13
- Debt securities	-3	-	-	-	-	-	3	1	-	-	1
B. Credit to clients	**-351**	**-687**	**-35**	**-1,166**	**-3**	**-13**	**261**	**733**	**568**	**10**	**-683**
- Loans	-340	-649	-35	-1,159	-3	-13	250	722	564	10	-653
- Debt securities	-11	-38	-	-7	-	-	11	11	4	-	-30
Total as at 30.06.2023	**-370**	**-690**	**-35**	**-1,166**	**-3**	**-13**	**287**	**743**	**568**	**10**	**-669**
Total as at 30.06.2022											**-1,217**

Risk management

THE CORE 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 and Sustainability Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework (RAF).
The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.
The Corporate Bodies also benefit from the action of some managerial 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.
The Chief Risk Officer Governance Area, directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the "second line of defence" of the internal control system that is separate and independent from the business supporting functions. This Area is responsible for: 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) assisting the Corporate Bodies in setting and implementing the Group's risk management guidelines and policies, in accordance with the company's strategies and objectives; iii) coordinating and verifying their implementation by the responsible units of the Group, also within the various corporate areas; iv) guaranteeing the measurement and control of the Group's exposure to various types of risk and v) implementing the second level controls on credit and other risks, in addition to ensuring the validation of internal risk measurement and management systems.
The Parent Company performs a guidance and coordination role with respect to the Group companies[43], 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.
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, at a given confidence level, 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 at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group's capital adequacy within the ICAAP.
The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks and Sustainability 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.

Since the beginning of the conflict, the Group has continued to carefully monitor the evolution of the fallout of the Russian-Ukrainian crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of profitability and capital adequacy. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess, these analyses confirm the Group's ability to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

[43] 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 Articles 2497 *et seq.* of the Italian Civil Code.

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 credit risks, the ECB's authorisation to use the new Corporate models for regulatory purposes was implemented starting from March 2023. The periodic updating and alignment to changes in regulations governing IRB systems and their extension continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

The situation as at 30 June 2023 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 (Bank products; Leasing and Factoring)	CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 (1)
	Simulation models (Specialised Lending)	Simulation models (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)	IRB Other Retail authorised since September 2018, IRB Mortgage since December 2010 (2)
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	IRB PD/LGD authorised since December 2012, EAD authorised since June 2021 (3)

1) ISP authorised for FIRB from December 2008, for LGD AIRB from December 2010 and for EAD from 2017, Banca IMI (2012, merged by incorporation into the Parent company since 2020), ISP Ireland (2010), VUB (2010), Intesa Sanpaolo Bank (2017), and ISP Luxembourg (2017). From 2017, the Corporate model has also been used to calculate the risk on the Banking book equity portfolio with LGD 65%/90%.
2) VUB authorised from June 2012 for PD and LGD of Retail Mortgage models and from December 2022 in reference to PD-LGD-EAD models of Other Retail.
3) VUB authorised from June 2014.
4) ISP and Banca IMI (merged by incorporation into the Parent company in 2020) authorised from 2017.

With regard to counterparty risk on derivatives (OTC – Over The Counter and ETD – Exchange-Trade-Derivatives) and Securities Financing Transactions (SFTs), the Group has further 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). There were no changes in the scope of application of the model compared to 31 December 2022.
With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. As at 30 June 2023, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb Banka.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in March 2023.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

THE VALUATION IMPACTS FOR THE ISP GROUP OF THE MILITARY CONFLICT BETWEEN RUSSIA AND UKRAINE

Valuation of exposures to counterparties resident in Russia and Ukraine

As stated, as at 30 June 2023 the Group presented the following on-balance sheet exposures to counterparties resident in Russia and Ukraine, net of ECA guarantees and gross/net of value adjustments carried out:

(millions of euro)

	30.06.2023 (*)				31.12.2022 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	**1,141**	**207**	**891**	**113**	**1,629**	**216**	**1,168**	**103**
Banca Intesa Russia	*257*	*-*	*142*	*-*	*372*	*-*	*205*	*-*
Pravex	*-*	*93*	*-*	*-*	*-*	*112*	*-*	*-*
Cross-border exposures	*884*	*114*	*749*	*113*	*1,257*	*104*	*963*	*103*
Due from banks	**673**	**78**	**664**	**77**	**797**	**63**	**782**	**62**
Banca Intesa Russia	*629*	*-*	*622*	*-*	*751*	*-*	*740*	*-*
Pravex	*-*	*78*	*-*	*77*	*-*	*63*	*-*	*62*
Cross-border exposures	*44*	*-*	*42*	*-*	*46*	*-*	*42*	*-*
Securities	**11**	**6**	**10**	**2**	**73**	**11**	**41**	**2**
Banca Intesa Russia	*10*	*-*	*10*	*-*	*13*	*-*	*13*	*-*
Pravex	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
IMI C&IB Division	*-*	*-*	*-*	*-*	*31*	*-*	*14*	*-*
Insurance Division	*1*	*6*	*-*	*2*	*29*	*11*	*14*	*2*

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 69 million euro (60 million euro net) at Banca Intesa Russia, and 40 million euro (gross and net value) at Pravex, in addition to 34 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.
There is also 107 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Russia and 19 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, the amounts as at 30 June 2023 and the increase of around 10 million euro compared to 31 December 2022 mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

(**) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 126 million euro (113 million euro net) at Banca Intesa Russia, and 67 million euro (66 million euro net) at Pravex, in addition to 232 million euro (186 million euro net) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.
There are also 155 million euro (152 million euro net) in cross-border off-balance sheet exposures to banks resident in Russia and 18 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

At the end of the half year, Banca Intesa Russia's remaining on-balance sheet exposures to customers amounted to 257 million euro in gross terms (142 million euro net) and those of Pravex Bank amounted to 93 million euro (zero book value in net terms).
The cross-border exposures to customers resident in Russia (net of ECA guarantees) amounted to 884 million euro (749 million euro net). In addition, there were exposures to banks resident in Russia totalling 673 million euro (664 million euro net) and banks resident in Ukraine totalling 78 million euro (77 million euro net). The exposures in securities were minimal.
The majority of the exposures to Russian[44] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 "Financial Instruments".

During the half year, following the significant reduction in credit risks related to the Russia-Ukraine conflict achieved in 2022 mainly as a result of the final disposal of two major exposures (for 2.5 billion euro), there were further reductions due to disposals, repayments and settlements (loans and securities) totalling 674 million euro for Russia and substantial stability for Ukraine. Specifically, in the second quarter of 2023, a position classified as UTP was sold for 154 million euro, which generated a recovery on repayment of 51 million euro, and payments falling due were collected regarding another position classified as UTP, whose gross value therefore decreased by around 44 million euro.

Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group's exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement. As at 30 June 2023, in the

[44] For these purposes, the small exposures to Belarusian counterparties have been treated and disclosed together with the exposures to the Russian Federation.

Group companies other than those resident in the countries in conflict, there was a significant decrease compared to 31 December 2022. The on-balance sheet non-performing loans to counterparties resident in Russia amounted to 64 million euro and related to positions already classified as at 30 June 2022, mainly attributable to two counterparties.
The non-performing loans of the Russian subsidiary amounted to 52 million euro, while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 93 million euro in bad loans.
In line with the disclosure already provided in the previous Financial Reports, for the portfolio for which no impairment has been identified, the methodological choices resulting from the Russian/Ukraine crisis, regarding the valuation of the credit exposures, are substantially the same. The analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses (ECLs) in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[45], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[46]), using the post-model adjustment in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
With specific reference to cross-border positions, the Group thus decided to adopt a valuation approach strongly guided by the emerging geopolitical risk “via transfer”, i.e. the risk that counterparties do not honour their commitments to pay debt following restrictions or decisions by their countries of residence, not due to aspects directly pertaining to their business, thus applied based on the country of residence of the counterparties. That approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL by applying a management overlay. This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. At the same time, the ratings for the highest risk class already assigned to the most significant counterparties exposed to conflict-related country risk have been maintained.
In detail, the choices made for the purposes of calculating ECL on cross-border exposures were as follows:
- application of PD through the cycle associated with the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict;
- calculation of an additional prudential buffer that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar 2 modelling (unconditional LGD set by the transfer risk model of 55%);
- introduction of prudent margins in addition to the ECL estimates deriving from the above elements, in relation to potential further worsening of the credit ratings of Russian counterparties.

With reference to loans to customers disbursed by Pravex Bank, the absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on rationales, which consider the uncertainties and the risk elements associated with the military conflict. Therefore, in light of the worsening and continuation of the conflict with the consequent impacts on the Ukrainian economy, the choice adopted in the 2022 Annual Report regarding the classification of the Ukrainian subsidiary’s loans to customers as non-performing loans (bad loans), with full write-down of the on-balance sheet component, has been maintained.

With regard to Banca Intesa Russia, specific prudent choices were defined, while also considering the different situation of risk/operations than that of the Ukraine subsidiary. An approach to classifying and measuring performing loans was therefore adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, the assessments carried out on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 39.5% of their gross value.

Also of note was the repayment - between the end of March and the beginning of April - of the intragroup amount made available to Banca Intesa Russia and originally intended for a future capital increase (whose implementation had been suspended as a result of the war events).
The sums repaid amounted to an equivalent value of around 200 million euro, in line with what was initially made available.

For completeness, it should be noted that also for the real estate assets, given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to confirm the write-off of the value of Pravex Bank’s investment and branch assets and other properties used in operations. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged. On the other hand, with regard to Banca Intesa Russia’s small real estate asset portfolio, essentially consisting of the Moscow headquarters, no items were identified that required a write-down.

Overall, these valuation processes on Russian exposures led to the recognition in the first half of the year, before tax, of net recoveries totalling 128 million euro, as the offsetting effect of 167 million euro of net recoveries on loans and 39 million euro of other allowances for risks and charges (in addition to the 80 million euro already set aside as at December 2022), made upon consolidation of the investee Banca Intesa Russia, mainly to write off its equity contribution to the Group’s consolidated financial statements, which was positive at the end of the half year due to the investee’s positive operating performance in the period.

[45] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5, IFRS 9 B5.5.18 and IFRS 9 B5.5.52.

[46] IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

CREDIT RISK

The Intesa Sanpaolo Group's strategies, Risk Appetite Framework, and Powers and Rules for credit granting and management are aimed at:
- achieving a sustainable goal consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing the quality of its lending operations;
- diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency and mitigating potentially associated losses;
- given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
- constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

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.

The Group has always proactively and prudently managed its risk portfolio. In the 2022-2025 Business Plan, the Group intends to pursue a modular de-risking strategy, which was mostly launched during the previous Business Plan, placing it among the best in Europe in terms of non-performing loan ratio and stock and generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level, due to the extensive reserves of provisions on loans and ongoing prudent credit management.

During the first half, new de-risking initiatives were launched, targeting not only portfolios classified as non-performing loans, but also Stage 2 performing exposures (in this regard, see also that set out in the disclosure on the Business Plan in the introductory chapter of the Half-Yearly Report on Operations).

With regard to the non-performing loans that were reclassified as assets held for sale as at 31 December 2022, all the related project activities, within the scope of the 2021-2022 de-risking plans, were completed in March 2023.

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.

Positions are detected and automatically entered in the credit management processes by way of daily 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 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.

Macroeconomic scenario for forward-looking conditioning

For the purposes of forward-looking conditioning of the parameters for estimating the ECL – in accordance with the approach described in Part A - Accounting Policies of the 2022 Financial Statements and in particular in the paragraph "Impairment of assets" – Intesa Sanpaolo's policy involves the use of the macroeconomic scenario defined and updated by the Research Department.

The table shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the "Most-Likely scenario + Add-on" model.

Intesa Sanpaolo macroeconomic scenarios for calculating the ECL as at 30 June 2023

		Baseline				Mild				Severe			
		2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
Euro Area	Real GDP EUR (annual change)	3.5%	0.7%	1.2%	1.6%	3.5%	0.9%	1.6%	2.0%	3.5%	0.2%	0.3%	0.8%
	CPI EUR (annual change)	8.4%	5.6%	2.4%	2.1%	8.4%	5.6%	2.6%	2.4%	8.4%	5.5%	2.0%	1.8%
	Euribor 3M	0.34	3.49	3.91	3.24	0.34	3.49	4.16	3.38	0.34	3.44	3.56	2.97
	EurIRS 10Y	1.92	3.15	3.63	3.95	1.92	3.15	3.80	4.18	1.92	2.73	2.17	2.86
	EUR/USD	1.05	1.10	1.14	1.15	1.05	1.10	1.14	1.13	1.05	1.10	1.13	1.15
Italy	Real GDP Italy (annual change)	3.8%	1.2%	1.3%	1.2%	3.8%	1.4%	1.6%	1.9%	3.8%	-0.0%	0.2%	0.5%
	CPI Italy (annual change)	8.2%	6.3%	2.3%	2.1%	8.2%	6.4%	2.7%	2.7%	8.2%	6.3%	1.7%	1.5%
	Residential Property Italy (annual change)	3.7%	-0.1%	0.1%	1.0%	3.7%	0.1%	1.0%	1.8%	3.7%	-1.9%	-3.9%	-2.4%
	6-month BOT yield	0.5	3.4	3.9	3.5	0.5	3.3	4.0	3.6	0.5	3.2	3.3	3.1
	10Y BTP yield	3.0	4.4	5.0	5.5	3.0	4.2	5.0	5.6	3.0	4.1	3.7	4.9
	BTP-Bund Spread 10Y (basis points)	188	181	165	167	188	169	155	151	188	193	188	212
	Italian Unemployment (%)	8.1	8.0	7.8	7.7	8.1	7.9	7.7	7.4	8.1	8.1	8.3	8.5
Commodities	Natural gas price (€/MWh)	131	54	48	40	131	54	49	41	131	54	46	39
	Oil price (BRENT)	99.0	80.1	80.0	80.0	99.0	80.5	83.4	82.0	99.0	79.4	74.1	74.8
USA	Real GDP US (annual change)	2.1%	1.4%	0.8%	2.3%	2.1%	1.6%	1.4%	2.9%	2.1%	1.1%	-0.4%	1.7%
	US Unemployment (%)	3.7	3.7	4.3	4.4	3.7	3.5	3.7	3.8	3.7	3.8	4.7	4.9

Scenarios produced in June 2023 by the Research Department. Forecast data for 2023, 2024 and 2025.

The updated baseline forecast as at June 2023 of the Research Department provides a relatively favourable assumption on the outlook for growth. Despite the fact that in the main advanced countries growth will remain modest both in 2023 and in 2024, an actual recession is not expected. Inflation is expected to fall to levels relatively consistent with the objectives of stability, due to the direct and indirect effects of the drop in energy prices, the completion of the adjustment processes of service prices and a decrease in the profit margins of companies, which will amortise the increase in the cost of labour due to the rise in wages.

In the Eurozone, following the slight recession that marked the quarters straddling the year, the economy should start growing once again. The recovery, expected in the second half of 2023 and the first half of 2024, will nonetheless be weak overall, burdened by the effects of the monetary restriction. GDP growth will amount to 0.7% in 2023 and 1.2% in 2024. Among the main economies, growth during the current year will be driven by Italy and Spain, due to a much better than expected start to the year and the growth in the tourism sector, while Germany will continue to grow at a pace lower than expected, due to the weakness of the manufacturing sector, before accelerating in 2024.

With regard to capital expenditure, the expectation of interest rates remaining high for a significant period will keep the demand for mortgage loans down and, as a result, residential investments, expected to drop sharply in 2023 and be substantially stagnant in 2024. Investments in businesses are expected to slow due to credit restrictions, despite profits remaining positive. Lastly, the contribution of public investments should be positive overall, especially next year, on the back of the use of the Next Generation EU (NGEU) funds. Consumer spending is expected to decrease, given the rather limited appetite for consumption of households and the increase in the cost of money, which will weight on disposable income, especially in countries where consumers have higher rates of indebtedness.

For companies in the energy sector specifically, despite the drop in energy commodity prices, business is not showing signs of recovery, and the expectations of recovery remain low. Services will drive growth, mainly guided by the segments most penalised by the pandemic, such as tourism, which still have not returned to their pre-COVID levels. Supporting elements that reduce recession risks, at least in the short-term, mainly include the strength of the labour market.

The slowing trend in inflation should continue in the upcoming months, for all the main components, with the important exception of services. Risks on the scenario concerning expectations of inflation tend upwards and are concentrated on the "baseline" component. Sharp growth in wages and maintenance of profits due to demand more resilient than expected, specifically in the services sector, could keep inflation at high levels for longer than forecast.

The forecast of growth for Italy for 2023 comes to 1.2%, due to the positive surprise of the first quarter, driven by private and public consumption. The Italian GDP increased in the initial months of 2023 at a higher pace than the leading countries in the Eurozone: the growth in household spending was particularly positive (driven by consumer spending on durable and non-durable goods), especially if compared with other countries in the Eurozone. The forecast for 2024 comes to +1.3%. In detail,

investments should remain the main growth driver of the GDP in the second half of 2023 and in 2024, also due to increasing incentives linked to the energy and digital transitions. Investment in construction will be impacted by both the increase in interest rates and the reduction of tax incentives, but in the short term, the completion of the works financed by the tax bonuses for construction will continue to support activities, and in the medium term the non-residential segment will benefit from the setup of the construction sites for the infrastructural projects envisaged in the NRRP. Consumer spending will continue to be driven by services, while the drop in real disposable income will weigh on the purchases of goods.
Inflation seems to have definitively passed its peak. The decreasing trend will continue over the coming months, but inflation should return to slightly above 2% only in December 2024. In the short term, Italian inflation will remain higher than the European average, due to the greater contribution of energy prices. Vice versa, core inflation will be lower due to the less positive trend in wages.
Residential property prices have been negatively impacted by the decrease, starting in April, in the tax incentives for construction and the restriction of credit conditions: the expected drop in the demand for credit will mainly regard residential mortgages, with the resulting impacts on property prices.
With regard to employment levels, companies' hiring intentions remain expansive, not only in services but also in manufacturing.
As described in Part A - Accounting Policies of the 2022 Financial Statements, and in particular in the section "Impairment of assets", the methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).
Specifically, highest GDP growth forecasts in the Consensus Economics survey published in June 2023 for the main advanced economies were identified for the favourable scenario, and all the private consumption and fixed investment trends of the baseline scenario were adjusted to provide an annual average GDP growth profile identical to those forecasts. The other variables were recalculated accordingly. Those assumptions provide a scenario characterised by higher real growth rates, higher inflation and a lower unemployment rate: those deviations, however, are relatively small compared to the baseline scenario.
The "adverse" scenario was formulated using the lowest forecasts for GDP growth in the Consensus Economics survey, published in June 2023, for the main advanced countries. The private consumption and fixed investment trends of the baseline scenario were adjusted to yield GDP growth in line with those forecasts, and a negative shock was also applied to the performance of stock market indices and real estate prices, while the other variables were consistently recalculated. The "adverse" scenario generates greater deviations from the baseline compared to the "favourable" scenario. Specifically, the performance of the Italian GDP is expected to be substantially stagnant in the three-year period, lower than that assumed in the baseline scenario, by 120, 110 and 70 basis points over the three years of the forecast. The decline in growth results in a quicker and sharper decrease in inflation, which allows the ECB to implement a less restrictive policy of increasing interest rates. That assumption results in an estimate of short-term rates 27 basis points lower than the central scenario at the end of the three-year period, while 10-year IRS are estimated at 110 points less.
It is recalled the decision made by the Bank in the 2022 Financial Statements to consider the more prudent assumptions used in the less favourable scenario included in the "Macroeconomic projections for the euro area" published by the ECB on 15 December 2022. According to the ECB, a significant risk for the outlook for the euro area related to the possibility of more severe disruptions in European energy supplies, leading to further spikes in energy prices and production cuts. In the assumptions made by the ECB, the less favourable scenario reflected these risks and, in order to take these more drastic assumptions into account, the Bank added a shock to the European natural gas market, calibrated to that predicted in the Eurosystem's adverse scenario for this variable, to the adverse forecast prepared, through a very significant increase in gas prices compared to the baseline scenario forecasts in both 2023 and 2024. As a result, the effects on growth were aggravated to capture possible rationing. These assumptions resulted in a much more aggressive inflation trend than in the baseline scenario and severe impacts on Italian and Euro area GDP, with two years of fall in GDP.
Compared to the forecasts of December 2022, the uncertainties linked to the trend in prices of energy goods decreased. In the June update, the ECB merely provided a sensitivity analysis, which was quite restricted, of the estimates of the GDP and inflation to alternative growth scenarios in energy prices, while continuing to highlight the significant elements of uncertainty that weight on the macroeconomic scenario. Risks for growth are described as focused mainly downwards.
The Research Department also highlighted those risks in the forecast scenario updated to June 2023. Forecast risks remain downwards, in particular as the central forecast for inflation to 2025 is just in line with the target and, therefore, has a very high probability of implicit deviation: inflation exceeding the target also in the next few years could result in more restrictive monetary policy than the one currently affecting prices and, thus, lower growth even in 2024. For Italy, additional downwards risks could derive from possible delays in implementing the NRRP.
In the update for the purpose of assessing loans as at 30 June, the Bank adopted the central and alternative scenarios drawn up by the Research Department, as illustrated above. Overall, an impact of around 100 million euro of recoveries was recognised on the ECL of performing loans due to the macroeconomic scenario during the half year, mainly originating from overcoming the assumptions of the adverse scenario adopted by the ECB at the end of 2022. Given that there continue to be elements of uncertainty on the forecasts, the decisions made by the Bank for the purpose of the 2023 Half-yearly Report were aimed at not currently changing the policies of provisions on performing loans and maintaining coverage ratios substantially unchanged, though in the presence of an improving scenario, by adopting management overlays.

Management overlays
As for the Financial Statements as at 31 December 2022, also for the purpose of assessing loans as at 30 June, 'post-model adjustments' were made to the results of the ECL estimation methodologies, within the framework of IFRS 9 and in light of the greater prudence required due to the significant uncertainties arising from the current and prospective situation.
Indeed, despite incorporating forward-looking approaches and updates to the macroeconomic scenario, the results of the above-mentioned methodologies were considered currently insufficient to take better account of the uncertainties and risks of the forecasts, in addition to the fact that the estimation characteristics adopted, which are based on modelling anchored to long-term observed relationships, may not be fully adequate in an evolving situation that may arise from unobserved and unpredictable events. That decision is the result of considering the persistent conditions of uncertainty weighing on the

economic forecasts, whose risks continue to be downwards, given the continued, significant inflationary pressures that could lead central banks to considerably extend the restrictive monetary policies, with potential recessive effects, as highlighted above. In that context, the measures adopted in the 2022 Financial Statements were extended to additional portfolios, in order to take greater account of those forecast risks on loan assessments.
With regard to the Parent Company, post-model adjustments were applied to the Retail/SME Retail and SME Corporate segments starting from medium/high risk levels, with specific modulation for sectors particularly exposed to risks deriving from macroeconomic forecasts (commercial real estate perimeter or sectors with negative performance or energy-intensive sectors of the Banca dei Territori Division).
The banks of the International Subsidiary Banks Division have also adopted prudent margins, through management overlays, based on specific assessments of the current and future situation and the characteristics of their portfolios.
On the whole, post-model adjustments of around 0.9 billion euro were applied to the provisions adjusting performing exposures in the first half, in line with that recognised in the 2022 Financial Statements.

ECL sensitivity analysis
The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios in accordance with the ESMA Recommendations ("Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses – ECL" of 15 December 2021). That analysis was conducted on a performing loan portfolio (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the Parent Company and the Banks in the IMI C&IB Division that represent around 90% of the Group's total exposure). It should be noted that, according to the approach adopted by the Group to estimate the ECL, the parameters for calculating it are determined on the basis of the Most-Likely scenario and an Add-on calculated based on the distance between the baseline scenario and alternative scenarios. The sensitivity analysis is determined using the assumptions adopted for the alternative scenarios (best-case and worst-case), produced internally by the Research Department, each weighted at 100%. This result is then compared with the ECL calculated with the Most-Likely plus Add-On scenario. Both comparisons were carried out before applying the overlays.
Applying the downside scenario, 3.6 billion euro in exposures would slide into Stage 2, with an increase in the ECL of 73 million euro and a slight increase in the coverage ratio of 2 basis points. On the other hand, the sensitivity of the portfolio to the best-case scenario would see a decrease of 133 million euro in the ECL, with a return to Stage 1 of 1.9 billion euro of exposures. The coverage ratio for performing exposures would decrease by 3 basis points.

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 margining arrangements, where possible, typically with daily frequency, to hedge bilateral OTC derivatives (CSAs or Credit Support Annexes) and SFTs (GMRAs or Global Master Repurchase Agreements and GMSLAs or General Market Securities Lending Agreements). Transactions in ETD is also subject to daily margining, according to the rules of the reference markets.

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.
Those advanced risk measurement methods are also used at operational level to perform the “use test”: the IMI C&IB 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 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 analyses 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.

There were no changes in the scope of application of the model compared to 31 December 2022.

Impacts of the Russia-Ukraine conflict

The exposure in OTC derivatives to Russian counterparties or subsidiaries of Russian entities, already very low in March 2022, was further decreased due to cash flows or deals that were completed or deals that were unwound. In this period, despite the operational difficulties triggered by the sanctions imposed on Russian counterparties, and the related countermeasures adopted by the Russian Central Bank, no missed payments relating to contracts were recorded. The gradual decrease in prices and volatility of natural gas and electricity, which began in the last few months of 2022, resulted in a lower impact of exposures deriving from commodity derivatives with customers and lower margins paid to central agencies and brokers in this segment.

MARKET RISKS

TRADING BOOK

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

- 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.

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

Managerial VaR

Definition: Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.
Method: the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.
Specifically, the approach used in Intesa Sanpaolo has the following characteristics:

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

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.
Please note that, in the first quarter of 2023, on the ordinary annual update of the market risk managerial framework, the Board of Directors (as part of the 2023 Group Risk Appetite Framework) confirmed the specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks

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

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

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

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

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

Level measures

Definition: Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.
The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.
Method: nominal (or equivalent) position is determined by identifying:

- the notional amount;

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

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.
At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests
Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.
Method: Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:
- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group's Stress Testing Programme:
- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity;
- regulatory multi-risk exercise, ordered and coordinated by the supervisor/regulator which defines its general assumptions and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Stressed VaR
Definition: the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.
Method: that period was identified considering the following guidelines:
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolio of Intesa Sanpaolo;
- the period must allow real time series to be used for all portfolio risk factors.

While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the Half-yearly Report as at 30 June 2023, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.
For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

Incremental Risk Charge (IRC)
Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure, which is additional to the VaR, is applied to the entire trading book of Intesa Sanpaolo (just as for the other regulatory metrics, it is not applied to the sub-portfolios).
The IRC enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.
This measure applies to all financial products that are sensitive to credit spreads included in the trading book except for the securitisations.
Method: The simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.
A regular stress program is applied to the model's main parameters (correlation, and transition, default and credit spread matrices).

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)

	2023				2022			
	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)	35.5	26.9	45.9	27.9	26.6	26.0	22.8	21.4
of which: Group Treasury and Finance Department	*4.4*	*3.5*	*5.6*	*5.1*	*6.6*	*7.2*	*6.1*	*3.8*
of which: IMI C&IB Division	*33.7*	*25.5*	*43.7*	*25.3*	*24.7*	*26.0*	*21.2*	*17.5*

Each line in the table estimates the daily average 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 2023, as shown in the table above, compared to the averages of the first quarter of 2023, there was an increase in managerial risk of the trading book, from 27.9 million euro (2023 first quarter average) to 35.5 million euro (2023 second quarter average). The increase is mainly attributable to the management of exposure to interest rate risk of the trading book.

Also with regard to the overall performance in the first half of 2023 compared to the same period in 2022, there was an increase in the trading managerial VaR. This increase was attributable both to portfolio actions for interest rate risk management and to market scenarios characterised by higher volatility than in the same period of 2022.

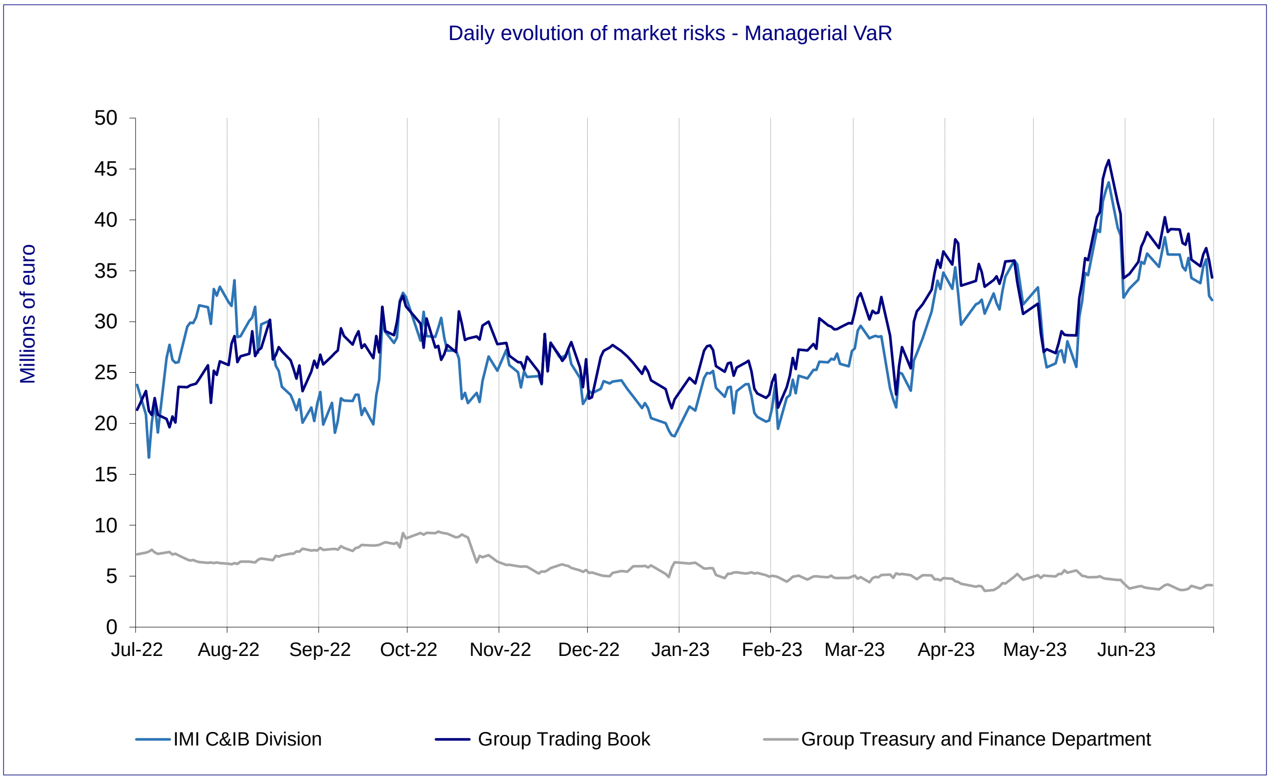
(millions of euro)

	2023			2022		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Total GroupTrading Book (a)	31.6	21.5	45.9	22.1	15.4	29.6
of which: Group Treasury and Finance Department	*4.8*	*3.5*	*6.3*	*5.0*	*2.4*	*7.1*
of which: IMI C&IB Division	*29.3*	*19.5*	*43.7*	*19.4*	*13.9*	*28.9*

Each line in the table estimates the daily average 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.

The trend in the trading VaR in the second quarter of 2023 was mainly marked by transactions conducted by the IMI C&IB Division. Specifically, as shown in the chart below, there was an initial increase and then a reduction, mainly attributable to the management of interest rate risk of the trading book.



The breakdown of the Group's risk profile in the trading book in the second quarter of 2023 shows a prevalence of credit spread risk and interest rate risk, accounting for 41% and 35%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (49% and 37%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (42% and 34%, respectively).

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

2nd quarter 2023	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	8%	37%	6%	49%	0%	0%
IMI C&IB Division	10%	34%	42%	5%	5%	4%
Total	**9%**	**35%**	**41%**	**7%**	**4%**	**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 2023, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

Risk control with regard to the activity of the Intesa Sanpaolo Group also uses scenario analyses and stress tests. The impact of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates 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		INFLATION	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	64	94	-30	51	-3	9	16	-10	-10	0	6	-6

In particular:
– for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;

– for positions in interest rates, there would be potential losses of 30 million euro in the event of a rise in interest rates;
– for positions in credit spreads, a tightening of credit spreads of 25 basis points would result in an overall loss of 3 million euro;
– for positions in exchange rates, there would be potential losses of 10 million euro in the event of appreciation in the Euro against the other currencies;
– for positions in commodities, there would be a loss of 10 million euro in the event of a fall in prices of commodities other than precious metals;
– lastly, for the inflation-indexed positions, there would be potential losses of 6 million euro in the event of a reduction in inflation.

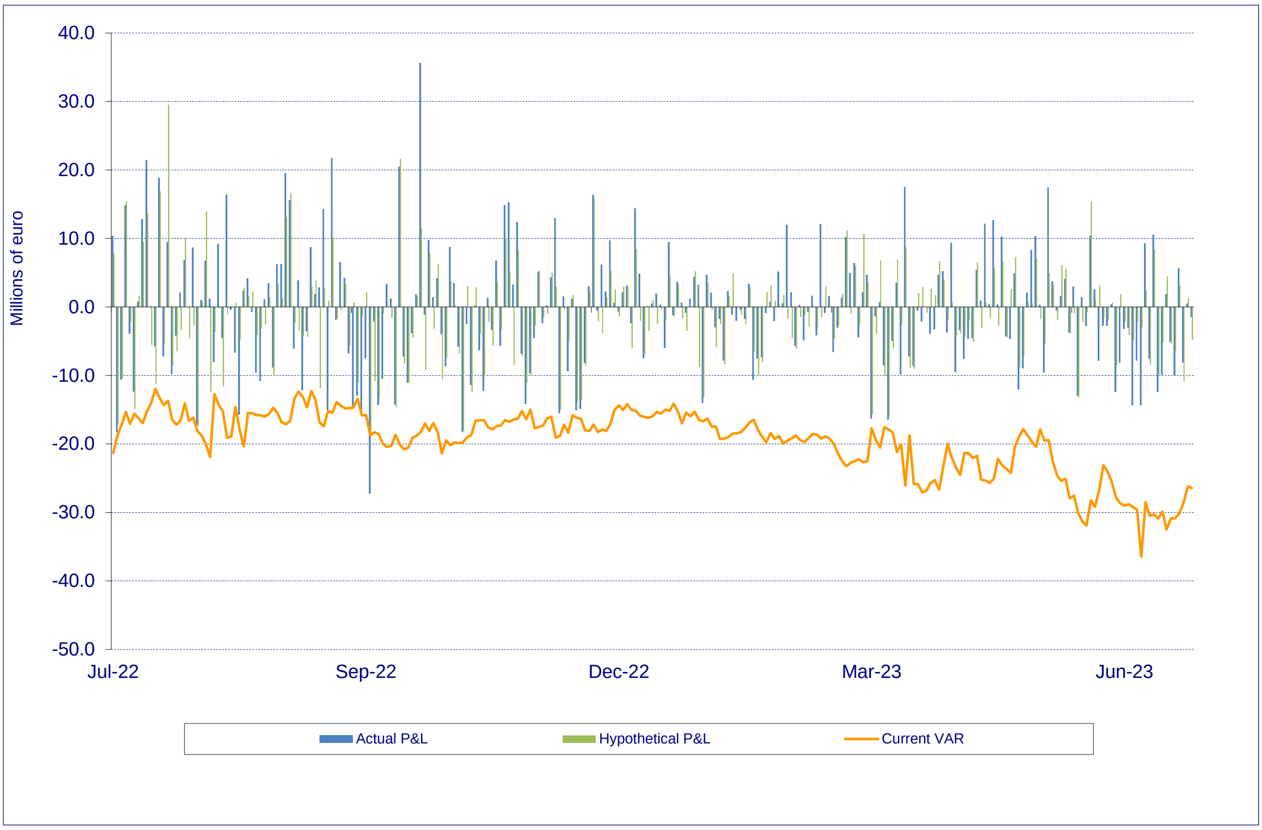
With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was a slight reduction in managerial VaR in the second quarter of 2023 from 178 million euro (average managerial VaR first quarter of 2023) to 166 million euro (average managerial VaR second quarter of 2023).

Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:
– the daily estimates of value at risk;
– the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting: these include, for example, fees and financial costs of managing the positions that are regularly reported within the managerial area.

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

During the last year the regulatory VaR measure for Intesa Sanpaolo was sufficiently conservative, recording only one backtesting exception. There were no exceptions in the second quarter of 2023.



Impacts of the Russia-Ukraine conflict

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

BANKING BOOK

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 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 sensitivity limits EVE and NII are accompanied by two risk indicators, which constitute an “early warning” threshold, and are approved within the RAF, which make it possible to control exposure to the risk of yield curve twists;
- individual shift sensitivity and net interest income sensitivity limits, which are part of the “cascading” process of the Group’s RAF limit, and are proposed, after being shared with the operating structures, by the Market and Financial Risk Management Head Office Department and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks’/divisions’ portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

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

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

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

The **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 risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the shift sensitivities of the positions in the various currencies by applying a parallel shock of +100 basis points to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 basis points, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.
The 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 consistently with the strategies and limits defined for the sensitivity of economic value.

The **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in 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. The reference area is represented by 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 Market and Financial Risk Management Head Office Department.

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The prepayment ratios for Retail mortgages are estimated through a Survival Analysis that expresses the repricing portfolio of each single mortgage, based on several fundamental variables:
- macroeconomic variables (consumer price index (CPI) - inflation, trend in market IRS rates, etc.);
- personal details of the counterparty (age, region of location);
- financial variables (original duration, seasoning, type of rate, unpaid instalments, incentive).

For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.
In order to measure the Group's vulnerability to market turbulence, the interest rate risk measurement system measures the impacts on the economic value and net interest income produced by strains on the market ("scenario analysis"), i.e. sudden changes in the general level of interest rates, changes in the relationships between fundamental market rates (basis risk), in the slope and shape of the yield curve (yield curve risk), in the liquidity of the main financial markets or in the volatility of market rates.
These analyses are conducted by subjecting the portfolio to various interest rate change scenarios:
- regulatory scenarios produced by the Supervisory Outlier Test (SOT), which introduces an "early warning" referring to changes in economic value of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down);
- 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 of the Russia-Ukraine conflict

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

Quantitative information

Banking book: internal models and other sensitivity analysis methodologies

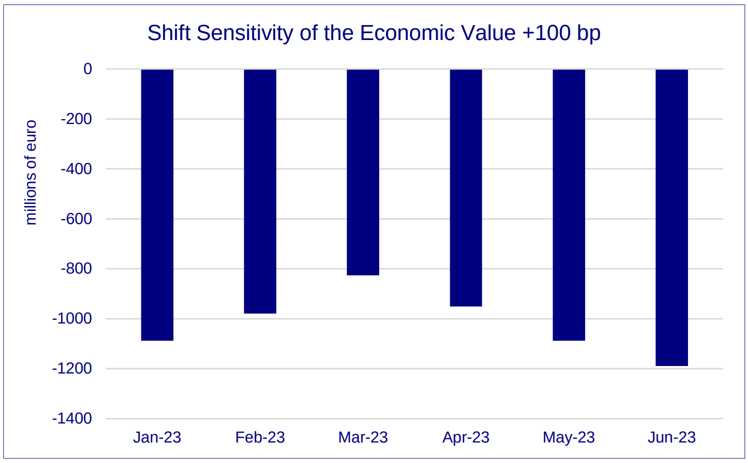
In the first half of 2023, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of economic value, averaged -1,020 million euro, with a minimum of -826 million euro and a maximum value of -1,189 million euro, with the latter coinciding with the value at the end of June 2023. The latter figure increased by -173 million euro on the end of 2022, when it came to -1,016 million euro. This was due to the increase in exposure of the portfolio of securities HTC and HTCS recorded during the half year, and to new derivatives hedging core deposits, partially offset by new derivatives hedging fixed-rate loans to customers.

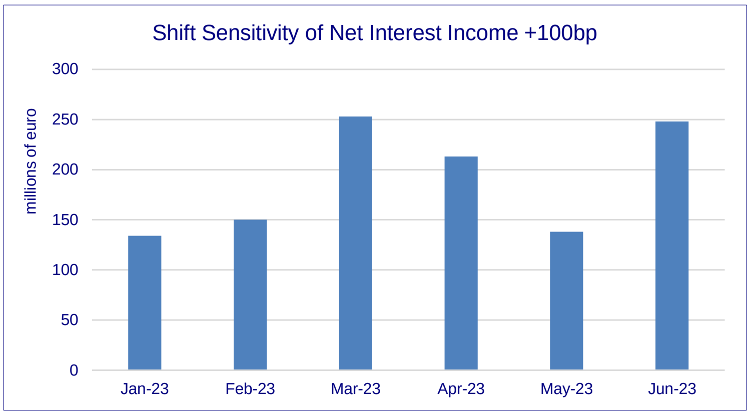
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 160 million euro, -424 million euro and 248 million euro, respectively, at the end of June 2023. The latter figure was stable (-3 million euro) on the value at the end of 2022, amounting to 251 million euro. The decrease in the measure due to the reduction in volumes of demand deposits from customers during the half year, the new derivatives hedging the core deposits model and the repricing of floating-rate loans to customers, was offset by a decline in implicit reactivity of core deposits, specifically starting in March.

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

(millions of euro)

	1st half 2023			30.06.2023	31.12.2022
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,020	-826	-1,189	-1,189	-1,016
Shift Sensitivity of Net Interest Income -50bp	-474	-424	-575	-424	-668
Shift Sensitivity of Net Interest Income +50bp	269	157	495	160	633
Shift Sensitivity of Net Interest Income +100bp	189	134	253	248	251





Interest rate risk, measured in terms of VaR, averaged 517 million euro in the first half of 2023, with a maximum value of 584 million euro, reached in April, and a minimum value of 427 million euro, recorded in January 2023. The figure at the end of June 2023 came to 475 million euro, up on the value at the end of December 2022, equal to 442 million euro, due to the increased exposure to increases in interest rates.

Foreign exchange risk, expressed by equity investments in foreign currency (banking book) and measured in terms of VaR, averaged 130 million euro in the first half of 2023, with a maximum value of 178 million euro, reached in January, and a minimum value of 111 million euro, recorded in June 2023. The latter figure decreased on the value of 126 million euro at the end of December 2022. That change was mainly linked to the exit of the Croatian Kuna (HRK) from the scope of structural foreign exchange risk.

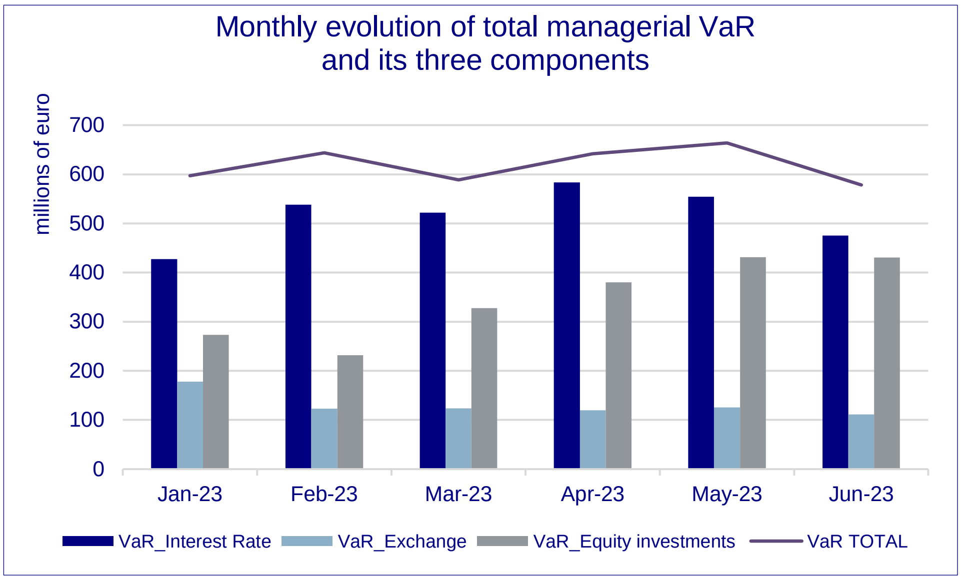
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during the first half of 2023 of 346 million euro, with minimum and maximum values of 232 million euro and 431 million euro, respectively, the latter being the figure of the end of June 2023, up on the value at the end of December 2022 of 334 million euro. That growth was mainly due to the increase in the volatility of prices of the equity portfolio.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange Rate VaR and Equity VaR) averaged 619 million euro in the first half of 2023, with a maximum value of 664 million euro and a minimum value of 578 million euro, recorded at the end of June 2023. This figure decreased on the value of 639 million euro at the end of December 2022, due to the increase in the benefit of overall diversification, linked to the recomposition of the portfolio illustrated with regard to the single risks (Interest Rate, Foreign Exchange and Equity Investments).

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

(millions of euro)

	1st half 2023			30.06.2023	31.12.2022
	average	minimum	maximum		
Value at Risk - Interest Rate	517	427	584	475	442
Value at Risk - Exchange	130	111	178	111	126
Value at Risk - Equity investments	346	232	431	431	334
Total Value at Risk	**619**	**578**	**664**	**578**	**639**



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

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 30.06.2023	Impact on shareholders' equity at 31.03.2023	Impact on shareholders' equity at 31.12.2022
Price shock	10%	58	65	73
Price shock	-10%	-58	-65	-73

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, as well as the rules for 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 indicators, the definition of the main assumptions underlying stress scenarios and the composition of early warning thresholds used to activate emergency plans.

In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed.
The corporate functions of the Parent Company responsible for ensuring the correct application of these Guidelines and the adequacy of the Group's liquidity position are the Group Treasury and Finance Head Office Department and the Planning and Control Head Office Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management Head Office Department, which is directly responsible, within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.
The 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 and its supplements/amendments.

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

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

The Group's liquidity position, which continues to be 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 2023. The levels of both regulatory indicators, LCR and NSFR, were above the regulatory requirements. The Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[47] of 171.1% (181.9% in December 2022). As at 30 June 2023, the exact value of unencumbered HQLA reserves at the various Treasury Departments of the Group amounted to 140.5 billion euro (172.5 billion euro at the end of 2022), approximately 55% of which consisted of cash as a result of temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Including the other marketable reserves and/or eligible Central Bank reserves, also comprising retained self-securitisations, the Group's total unencumbered liquidity reserves amounted to 183.2 billion euro (177.7 billion euro in December 2022).
The Group's total reserves increased in relation to the ECB's return of the collateral underlying the TLTROs repaid during the half year, a change only partially offset by the decrease in available cash among HQLA.

(millions of euro)

	Unencumbered (net of haircut)	
	30.06.2023	**31.12.2022**
HQLA Liquidity Reserves	**140,485**	**172,528**
Cash and Deposits held with Central Banks (HQLA)	72,332	109,792
Highly liquid securities (HQLA)	59,782	55,931
Other HQLA securities non included in LCR	8,371	6,805
Other eligible and/or marketable reserves	**42,705**	**5,222**
Total Group's Liquidity Buffer	**183,190**	**177,750**

The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and, now to a residual extent, the remaining portion of TLTRO funding from the ECB. At 30 June 2023, the Group's NSFR, measured in accordance with regulatory instructions, was 125.5% (126.0% in December 2022). That ratio remains well above 100%, also completely excluding the contribution of the TLTRO funding still outstanding. 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.

Impacts of the Russia-Ukraine conflict

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

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

ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) RISKS AND CLIMATE CHANGE RISK

This section illustrates Intesa Sanpaolo's exposure to ESG risks and the main actions taken by the Bank to monitor and manage those risks. For a more detailed illustration of that topic, refer to the 2022 Consolidated Financial Statements. The main elements useful in understanding the context in which the Bank operates, and which impact the activities under way during the first half of 2023, are summarised below.
Sustainability, a term referring to the ability to avoid harming the environment and communities, in order to support a medium/long-term economic, social and environmental balance, is a factor of significant, increasing importance for society as a whole. The management of ESG issues therefore requires considering not only the impacts of the related risks on the Bank's organisation, but also the potential impact on stakeholders and the risks that the Bank exposes its stakeholders and the environment to through its operations. The Intesa Sanpaolo Group is aware of the importance of fair, responsible allocation of the resources and the influence that a banking group can have in terms of sustainability in both the short and long term and pays particular attention to managing ESG risks, both regarding its operations and relating to the activities of its corporate customers and the sectors considered sensitive, i.e. with a significant ESG risk profile.
ESG risks are therefore included in the overall risk management framework as they represent potential negative impacts that an organisation or activity may have on the environment, people and communities, including risks related to the corporate conduct (corporate governance), earnings, reputational profile and credit quality with possible legal consequences. Within the ESG risks, particular importance is given to climate risk, namely the financial risk arising from exposure to the physical and transition risk related to climate change. The risks and opportunities related to climate change are identified and analysed in a coordinated manner by the various corporate functions, in order to include them in the ordinary processes of risk identification, assessment and monitoring, in the Group's credit strategies and commercial offering.
The Group is therefore committed to incorporating the impact of climate-related aspects into its strategic decision-making processes, in order to fully integrate them into the risk management framework with the aim of maintaining a low risk profile. This includes the monitoring and management of ESG risks, including risks arising from climate change (credit, operational, reputational, market and liquidity risks) and the implementation of ethical and environmental standards in the internal processes, products and services offered to customers, and selection of counterparties and suppliers.
Accordingly, since 2021 a specific section dedicated to ESG, climate change and reputational risks has been included in the Risk Appetite Framework (RAF), which represents the general framework used for the management of enterprise risk. This section includes qualitative and quantitative information. Specifically, with regard to ESG & Climate risks, the Group recognises the strategic importance of ESG factors and the urgent need to curb climate change.

Climate change risks can be divided into physical and transitional risks.

Physical risks represent the negative financial impact from climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss, and deforestation. These risks – which can usually arise in both the short/medium and long term – can be broken down into acute and chronic risks:
- **acute physical risks,** which refer to specific events that have the potential to create significant physical damage (e.g. flooding of rivers and oceans, tropical storms). These events are occurring more frequently, on both a regional and global basis;
- **chronic physical risks,** which involve a series of physical impacts of considerably longer duration than those posed by acute risks. They are identifiable as processes of change rather than single events. In most cases, the impacts are localised (e.g., drought) but chronic risks are likely to become more significant in the long term.

Transition risks are the negative financial impacts that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy, arising from:
- **public policy and legal risks**: this category includes policies that attempt to limit actions that contribute to the negative effects of climate change or political actions that seek to promote adaptation to climate change and the legal risk arising from the inability of organisations to mitigate/adapt to climate change;
- **technological developments**: these include innovations that support the transition to a low-carbon and energy-efficient economic system;
- **consumer preferences**: changes in the demand and supply of certain goods, products and services that are more sustainable;
- **reputational risk:** arising from changes in customer or community perceptions of an organisation's contribution to the transition to a low-carbon economy.

The integration of ESG risks, and in particular climate change risk, into the risk management framework comprises:
- a materiality analysis;
- establishment of specific controls within the Risk Appetite Framework (RAF);
- execution of a Climate Scenario Analysis;
- monitoring of ESG risks divided according to the different risk categories (e.g. credit, market, liquidity), with a particular focus, within the environmental risks (e.g. earthquakes, biodiversity loss), on climate change risk.

An in-depth description of the processes of identification, management and monitoring set out in the Group ESG risk governance framework and summarised below is provided in the 2022 Consolidated financial statements.

Climate/ESG Materiality Assessment

The Climate/ESG Materiality Assessment is a process of assessing the potential impacts of ESG and climate risks for the Group. The main tool is the annually updated ESG sectoral assessment, which identifies the sectors (and subsectors) most exposed to climate change and ESG risks. The methodology used involves assigning scores to each risk driver (transition risk, physical risk, environmental risk, social risk and governance risk).

The results of the Materiality Assessment form the basis for setting the ESG Sectoral Strategy and guide the identification, within the Risk Appetite Framework, of limits, Key Risk Indicators and specific actions aimed at containing ESG risks, particularly with regard to the sectors most exposed to those risks.

Risk Appetite Framework (RAF)
The RAF integrates and translates what has been defined in terms of strategic guidelines into specific controls, and the ESG/Climate Materiality Assessment and the ESG Sectoral Strategy are used to identify, on an annual basis, limits, key risk indicators and specific actions aimed at containing the ESG risks, specifically with regard to the sectors with the highest exposure to those risks. This also includes specific actions related for example to the Group's commitment to the "Net-Zero" objectives.
Specific limits have therefore been set in relation to the exposure to the coal mining and oil & gas sectors, which are more exposed to transition risk. For coal mining in particular, the limit is reviewed annually in line with the target of phasing out lending by 2025. In order to fulfil the commitments made within the Net-Zero Banking Alliance, specific early warning and monitoring thresholds have been introduced relating to the CO_2 emissions of financed counterparties from the Oil & Gas, Power Generation and Automotive sectors. An attention threshold in relation to the Group's exposure has also been introduced for sectors characterised by significant issues, especially with regard to the social dimension, in line with the ESG sectoral strategy of associated credit disincentives.
The RAF also identifies the main limitations and exclusions to lending to sectors/counterparties most exposed to ESG risks, which are then integrated into the self-regulatory policy and/or company processes. Specifically, Intesa Sanpaolo has issued the "Rules for lending operations in the coal sector", the "Rules for lending operations in the unconventional oil&gas sector" and the "Rules governing transactions with subjects active in the armaments sector", aimed at establishing general and specific criteria for limiting and excluding lending operations to counterparties in those sectors.

Climate Scenario Analysis
Scenario analysis is a key element in integrating the risks and opportunities associated with climate change into the business strategies, also considering the medium- to long-term implications. In general, Climate Scenario Analysis is used to explore potential portfolio vulnerabilities, particularly credit related, within regulatory stress testing exercises or the ICAAP.
In 2022, for the purpose of assessing banks' vulnerability to climate and environmental risks, Intesa Sanpaolo participated in the 2022 SSM Climate Risk Stress Test conducted by the ECB. The results of this exercise were integrated into the supervisory review and assessment process (SREP). Starting from the 2023 ICAAP/ILAAP, capabilities and methodologies to integrate climate-related scenarios have also been developed, in order to provide an overall picture of the main vulnerabilities to Climate-Related Risk, for the Group's main exposures and main assets.

Monitoring of ESG/climate risks in the different risk categories
Intesa Sanpaolo's risk management framework involves the integration of climate and environmental risk factors with the different risk categories impacted. This decision takes into account the fact that the impact of climate and environmental risks may be direct, for example due to lower earnings of companies or the reduction in value of assets, or indirect, for example due to legal actions (legal risk) or reputational damage that arises when the public, counterparties of the institution and/or investors associate the institution with adverse environmental effects (reputational risk).

With reference to **credit risk**, the qualitative component of the Corporate models currently validated and used by the Group considers various aspects and elements related to ESG and Climate, by means of specific questions answered by the analysts when assigning the rating. These include aspects such as the presence and quality of environmental certificates held by the company, the presence of legal disputes related to environmental issues (pollution resulting from production activities), and, more generally, human rights and the stability of corporate governance.
To take account of the counterparty's exposure to physical risks arising from catastrophic events (e.g. damage to production facilities and/or warehouses), a specific new module has been developed in the new Corporate models (companies or groups with a size of less than 500 million euro), validated in the first half of 2023, which uses a top-down approach (the data at individual level is currently very limited, especially for smaller companies) based on historical and public information on catastrophic events observed at geographical area level. More specifically, for domestic counterparties, this module provides an assessment of the risk of damage related to natural disasters (floods, fires, earthquakes) to which a company is potentially exposed depending on the region (and/or municipality) where it operates and/or mainly conducts its business.

In managing **market risk**, Intesa Sanpaolo also assesses the effects of climate and environmental factors on its current positions exposed to market risk. Specifically, the Group:
– analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
– analyses the impact of climate and environmental risks on the fair value measurement of financial instruments, focusing in particular on the main asset classes, payoffs and positions explicitly linked to climate and environmental (C&E) risk factors, as well as the future investments proposed by the business structures;
– classifies current positions subject to market risk using the ESG indicators available internally (e.g. ESG Sectoral Assessment, ESG Sectoral Strategy) and externally (e.g. economic-industrial business sectors, ESG score/rating), also through recognised providers.

With regard to **liquidity risk**, significant climate and environmental risks may lead to an increase in net cash outflows or erode available liquidity reserves. After the prior identification of climate and environmental risk factors that could adversely affect the Group's liquidity positions, specific analyses and monitoring of exposures are carried out to assess the materiality of the risk factors identified, maintaining a close connection with the qualitative assessments adopted by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes.
In the assessment of the various scenarios, including stress scenarios, on the timing of inflows and outflows and the quantitative and qualitative adequacy of liquidity buffers, particular attention is also devoted to analysing the impact of climate

and environmental risk factors that could compromise the liquidity positions on a forward-looking basis over medium-term horizons (1-3 years). These analyses are incorporated into the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP) without highlighting material absorptions of the Group's liquidity reserves.

In managing **operational risks**, Intesa Sanpaolo also considers the possible adverse impact of climate and environmental events on its real estate, business continuity and litigation risk. Specifically, the Group:
- within the loss data collection for operational events, identifies those related to climate and environmental risks, through specific event types;
- during the Operational Risk Assessment process, uses specific risk scenarios dedicated to climate and environmental risks to assess possible losses resulting from property damage, possible disruptions to its operations and potential legal liabilities;
- to protect business continuity, assesses the impact of the physical risks associated with IT centres and sites (including outsourced IT services), identifying alternative locations for disaster recovery.

In relation to climate/environmental litigation risk, Intesa Sanpaolo has set up monitoring of market disputes (domestic and international), refined its litigation monitoring process, and established a special training initiative for the staff involved.

In managing **reputational risk**, the Group makes prior assessments of the potential ESG and reputational risks associated with the Group's business operations and supplier/partner, selection through the ESG & Reputational Risk Clearing process.
With regard to the corporate credit granting process in particular, it is aimed at making a prior assessment of the potential ESG and reputational risks associated with credit transactions involving counterparties operating in sectors sensitive to ESG and/or reputational risks. The ESG & Reputational risk clearing process is applied on a proportional basis and in a differentiated manner according to the complexity of the counterparties/transactions and has escalation mechanisms differentiated according to the ESG/reputational risk class assigned to the transaction/counterparty.

With regard to **direct environmental risks**, in view of the increasing strategic significance of the issue of CO_2 emissions, in 2022 Intesa Sanpaolo drew up a plan, called the Own Emissions Plan, which sets a Net Zero target for own emissions to 2030 through energy efficiency measures and greater use of energy from renewable sources. With regard to hydrogeological risk (floods and landslides), which also relates to climate change and the possible occurrence of crisis scenarios in Italy which could have repercussions on Intesa Sanpaolo's properties, a series of company structures is to be activated.
In 2022, a project was launched to map the exposure of all the physical risks, both acute and chronic, from climate change for all the banking assets in line with the Bank's Business Plan. The project involves assessing environmental vulnerabilities through a platform used to identify hazard risk for each real estate asset of the Intesa Sanpaolo Group related to Climate Change Risks and other Geographical Risks. The aim is to establish an application to produce an index of exposure to physical risks from climate change (floods, hydrogeological risks, droughts, fires, etc.) and internal risks (e.g. radon and asbestos) for all the company real estate assets, as support for the monitoring and preparation of the risk mitigation plan. The scope of areas subject to constraints related to the protection of biodiversity will also be taken into account. The platform will be operational at the end of 2023 on the Italian scope of capital assets, and will be gradually extended also to the international branches and offices.

The results of the analyses conducted so far (materiality assessment and the stress test) have shown that the Group is not exposed in the short term to a material extent to the above-mentioned risks.
In particular, with regard to the Transition Risk on the most emission-intensive sectors of the Banking Book (Oil & Gas, Power Generation and Automotive), intermediate sector targets to 2030 have been set in the Business Plan – aligned to the Net Zero target by 2050 – subject to a transition plan in accordance with the Net-Zero Banking Alliance (NZBA) guidance, to mitigate the potential future risk. Further sectors will gradually be added to the three mentioned above, as a result of the analyses that will be carried out in relation to the commitments made when joining the NZBA and to the SBTI (Science Based Target Initiative) validation.

Further information on the monitoring of environmental and climate risks is contained in the TCFD Report (Task Force on Climate-related Financial Disclosures) the Group has published on a voluntary basis since 2021.

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. This section also includes the disclosure concerning the Interest Rate Benchmark Reform.

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 Guidelines / Rules for Valuation of Financial Instruments at Fair Value", prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the insurance companies.
The "Guidelines for Valuation of Financial Instruments at Fair Value", once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The "Rules for Valuation of Financial Instruments at Fair Value" are reviewed, revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.
The "Rules for the Measurement of Unlisted Equity Investments", drawn up by the Group M&A and Equity Investments Head Office Department and approved by the Group Financial Risk Committee, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.
The methodologies for the fair value measurement of financial instruments, as well as any adjustments attributable to uncertainties in valuation, are governed by the Intesa Sanpaolo Group through the "Rules for Valuation of Financial Instruments at Fair Value" and are described in detail in the 2022 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). Specifically:
- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs (the comparable approach);
- fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.
The attachment "Fair Value Hierarchy Rules" to the "Rules for Valuation of Financial Instruments at Fair Value" defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
The following are considered level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), UCITS funds (covered by EU directives), spot exchange rates, and derivatives for which prices are available on an active market (for example, exchange traded futures and options) and UCITS hedge funds.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the "Rules for Valuation of Financial Instruments at Fair Value" are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
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;
- non-UCITS hedge funds, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

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

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) Regulation (EU) 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) Regulation (EU) 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 2022 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 the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. 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 2022 Annual Report and to which reference is made for further information.

Fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis: fair value by level (Banking and Insurance Segments)

(millions of euro)

Assets / liabilities at fair value	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	111,734	31,684	8,335	108,649	33,035	8,932
a) Financial assets held for trading	13,782	30,091	180	10,381	32,043	183
of which: Equities	*1,099*	*-*	*23*	*860*	*-*	*22*
of which: quotas of UCI	*353*	*8*	*7*	*264*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	97,952	1,592	8,155	98,268	991	8,749
of which: Equities	*5,211*	*186*	*279*	*5,059*	*107*	*309*
of which: quotas of UCI	*86,413*	*196*	*6,799*	*87,284*	*191*	*6,655*
2. Financial assets measured at fair value through other comprehensive income	123,342	8,357	467	108,301	10,567	640
of which: Equities	*412*	*511*	*232*	*513*	*517*	*325*
3. Hedging derivatives	-	8,986	-	-	10,075	-
4. Property and equipment	-	-	7,075	-	-	7,151
5. Intangible assets	-	-	-	-	-	-
Total	**235,076**	**49,027**	**15,877**	**216,950**	**53,677**	**16,723**
1. Financial liabilities held for trading	9,011	38,535	102	7,285	39,085	142
2. Financial liabilities designated at fair value	694	66,042	32	-	62,977	30
3. Hedging derivatives	-	5,177	-	-	5,517	-
Total	**9,705**	**109,754**	**134**	**7,285**	**107,579**	**172**

The table above shows the figures for the entire Group, including the insurance companies, which are applying IFRS 9 Financial Instruments from 2023, for which the application had been deferred under the Deferral Approach. The balance sheet figures are compared with 31 December 2022, adjusted following the retrospective application of the above-mentioned standard.
Looking at the table, with regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, they represent a small portion of the portfolio, with an impact of 5.3% on total assets (5.82% as at 31 December 2022). The level 3 financial assets mainly relate to quotas of UCIs, of which, under Financial assets mandatorily measured at fair value, 279 million euro is represented by units of the Atlante Fund and the Italian Recovery Fund put in place as part of the regulations to support the banking system.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 44.6% of the balance sheet assets at level 3 fair value.
A total of 78.4% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
A total of 91.8% of the liabilities at fair value are attributable to Level 2 and in particular to Financial liabilities designated at fair value.

Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which Banking Segment)

(millions of euro)

Assets / liabilities at fair value	30.06.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	15,006	30,863	3,439	11,311	32,672	3,594
a) Financial assets held for trading	13,750	30,087	180	10,331	32,008	183
of which: Equities	*1,099*	*-*	*23*	*860*	*-*	*22*
of which: quotas of UCI	*353*	*8*	*7*	*264*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	1,256	775	3,259	980	663	3,411
of which: Equities	*11*	*186*	*200*	*122*	*107*	*242*
of which: quotas of UCI	*1,145*	*196*	*2,496*	*858*	*191*	*2,401*
2. Financial assets measured at fair value through other comprehensive income	53,568	6,558	316	41,937	7,422	357
of which: Equities	*412*	*505*	*231*	*513*	*510*	*325*
3. Hedging derivatives	-	8,951	-	-	10,062	-
4. Property and equipment	-	-	7,068	-	-	7,144
5. Intangible assets	-	-	-	-	-	-
Total	**68,574**	**46,372**	**10,823**	**53,248**	**50,156**	**11,095**
1. Financial liabilities held for trading	9,005	38,532	102	7,285	39,085	142
2. Financial liabilities designated at fair value	694	12,882	32	-	8,765	30
3. Hedging derivatives	-	5,090	-	-	5,346	-
Total	**9,699**	**56,504**	**134**	**7,285**	**53,196**	**172**

With regard to the assets of the Banking Segment, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 8.6% on total assets (9.7% as at 31 December 2022).
A total of 54.5% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 65.3% of the balance sheet assets at level 3 fair value.

As far as the liabilities of the Banking Segment are concerned, level 3 instruments account for less than 1% of total liabilities.

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

- from level 1 to level 2:
  - financial assets held for trading for 7 million euro (book value as at 30 June 2023);
  - financial assets measured at fair value through other comprehensive income for 228 million euro (book value as at 30 June 2023);
  - financial liabilities held for trading for 1 million euro (book value as at 30 June 2023);
- from level 2 to level 1:
  - financial assets held for trading for 95 million euro (book value as at 30 June 2023);
  - financial assets measured at fair value through other comprehensive income for 80 million euro (book value as at 30 June 2023);
  - financial liabilities held for trading for 25 million euro (book value as at 30 June 2023);
  - financial liabilities designated at fair value for 703 million euro (book value as at 30 June 2023).

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.
The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Group's Fair Value Policy. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which Insurance Segment)

(millions of euro)

Assets / liabilities at fair value		**30.06.2023**			**31.12.2022**	
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	96,728	821	4,896	97,338	363	5,338
a) Financial assets held for trading	32	4	-	50	35	-
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	96,696	817	4,896	97,288	328	5,338
of which: Equities	*5,100*	-	*79*	*4,937*	-	*67*
of which: quotas of UCI	*85,268*	-	*4,303*	*86,426*	-	*4,254*
2. Financial assets measured at fair value through other comprehensive income	69,774	1,799	151	66,364	3,145	283
of which: Equities	-	*7*	-	-	*7*	-
3. Hedging derivatives	-	35	-	-	13	-
4. Property and equipment	-	-	7	-	-	7
5. Intangible assets	-	-	-	-	-	-
Total	**166,502**	**2,655**	**5,054**	**163,702**	**3,521**	**5,628**
1. Financial liabilities held for trading	7	2	-	-	-	-
2. Financial liabilities designated at fair value	-	53,160	-	-	54,212	-
3. Hedging derivatives	-	87	-	-	171	-
Total	**7**	**53,249**	**-**	**-**	**54,383**	**-**

With regard to insurance companies, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio. They amount to 2.9% of Assets (3.2% as at 31 December 2022).
95.6% of financial assets measured at fair value in the insurance segment are determined based on market prices, and therefore without any discretion by the valuator.
Liabilities at fair value were almost entirely measured using level 2 inputs.

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

- from level 1 to level 2:
  - other financial assets mandatorily measured at fair value for 84 million euro (book value as at 30 June 2023);
  - financial assets measured at fair value through other comprehensive income for 30 million euro (book value as at 30 June 2023);
- from level 2 to level 1:
  - other financial assets mandatorily measured at fair value for 30 million euro (book value as at 30 June 2023);
  - financial assets measured at fair value through other comprehensive income for 1,656 million euro (book value as at 30 June 2023);

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.
The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the Group’s Guidelines and Rules for Valuation of Financial Instruments at Fair Value. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

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

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair value*				
1. Initial amount	**8,932**	**183**	**-**	**8,749**	**640**	**-**	**7,151**	**-**
2. Increases	**831**	**32**	**-**	**799**	**60**	**-**	**98**	**-**
2.1 Purchases	517	19	-	498	-	-	64	-
2.2 Gains recognised in:	190	5	-	185	6	-	10	-
2.2.1 Income statement	190	5	-	185	-	-	4	-
- of which capital gains	*165*	*4*	-	*161*	-	-	*4*	-
2.2.2 Shareholders' equity	-	X	X	X	6	-	6	-
2.3 Transfers from other levels	7	5	-	2	53	-	-	-
2.4 Other increases	117	3	-	114	1	-	24	-
3. Decreases	**-1,428**	**-35**	**-**	**-1,393**	**-233**	**-**	**-174**	**-**
3.1 Sales	-371	-21	-	-350	-115	-	-16	-
3.2 Reimbursements	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	-84	-10	-	-74	-102	-	-88	-
3.3.1 Income statement	-84	-10	-	-74	-	-	-87	-
- of which capital losses	*-76*	*-10*	-	*-66*	-	-	*-25*	-
3.3.2 Shareholders' equity	-	X	X	X	-102	-	-1	-
3.4 Transfers to other levels	-43	-4	-	-39	-	-	-	-
3.5 Other decreases	-930	-	-	-930	-16	-	-70	-
4. Final amount	**8,335**	**180**	**-**	**8,155**	**467**	**-**	**7,075**	**-**

The captions Other increases and Other decreases for the Financial assets mandatorily measured at fair value refer in part to quotas of UCI due to the reclassification to the caption Equity Investments as a result of controlling interests having been acquired (Efesto and UTP Italia Comparto Crediti) and in part to loans. With regard to Property and equipment, the captions mainly include transfers of these assets from investment to operations and vice versa.

Half-yearly changes in assets measured at fair value on a recurring basis (level 3) (of which Banking Segment)

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair value*				
1. Initial amount	**3,594**	**183**	**-**	**3,411**	**357**	**-**	**7,144**	**-**
2. Increases	**731**	**32**	**-**	**699**	**60**	**-**	**98**	**-**
2.1 Purchases	493	19	-	474	-	-	64	-
2.2 Gains recognised in:	114	5	-	109	6	-	10	-
2.2.1 Income statement	114	5	-	109	-	-	4	-
- of which capital gains	*89*	*4*	-	*85*	-	-	*4*	-
2.2.2 Shareholders' equity	-	X	X	X	6	-	6	-
2.3 Transfers from other levels	7	5	-	2	53	-	-	-
2.4 Other increases	117	3	-	114	1	-	24	-
3. Decreases	**-886**	**-35**	**-**	**-851**	**-101**	**-**	**-174**	**-**
3.1 Sales	-61	-21	-	-40	-1	-	-16	-
3.2 Reimbursements	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	-81	-10	-	-71	-98	-	-88	-
3.3.1 Income statement	-81	-10	-	-71	-	-	-87	-
- of which capital losses	*-73*	*-10*	-	*-63*	-	-	*-25*	-
3.3.2 Shareholders' equity	-	X	X	X	-98	-	-1	-
3.4 Transfers to other levels	-43	-4	-	-39	-	-	-	-
3.5 Other decreases	-701	-	-	-701	-2	-	-70	-
4. Final amount	**3,439**	**180**	**-**	**3,259**	**316**	**-**	**7,068**	**-**

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

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair value*				
1. Initial amount	**5,338**	**-**	**-**	**5,338**	**283**	**-**	**7**	**-**
2. Increases	**100**	**-**	**-**	**100**	**-**	**-**	**-**	**-**
2.1 Purchases	24	-	-	24	-	-	-	-
2.2 Gains recognised in:	76	-	-	76	-	-	-	-
2.2.1 Income statement	76	-	-	76	-	-	-	-
- of which capital gains	*76*	-	-	*76*	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-542**	**-**	**-**	**-542**	**-132**	**-**	**-**	**-**
3.1 Sales	-310	-	-	-310	-114	-	-	-
3.2 Reimbursements	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	-3	-	-	-3	-4	-	-	-
3.3.1 Income statement	-3	-	-	-3	-	-	-	-
- of which capital losses	*-3*	-	-	*-3*	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-4	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-229	-	-	-229	-14	-	-	-
4. Final amount	**4,896**	**-**	**-**	**4,896**	**151**	**-**	**7**	**-**

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

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Initial amount	**142**	**30**	**-**
2. Increases	**40**	**2**	**-**
2.1 Issues	2	-	-
2.2 Losses recognised in:	10	2	-
2.2.1 Income statement	10	2	-
- of which capital losses	*10*	*2*	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	28	-	-
2.4 Other increases	-	-	-
3. Decreases	**-80**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-20	-	-
3.3.1 Income statement	-20	-	-
- of which capital gains	*-20*	-	-
3.3.2 Shareholders' equity	X	-	-
3.4 Transfers to other levels	-58	-	-
3.5 Other decreases	-2	-	-
4. Final amount	**102**	**32**	**-**

Only one table is presented, because the insurance segment does not have this case.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (Banking and Insurance Segments)

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
1. Financial assets measured at amortised cost	525,732	509,709	528,081	510,560
2. Investment property	-	-	-	-
3. Non-current assets held for sale and discontinued operations	614	614	638	638
Total	**526,346**	**510,323**	**528,719**	**511,198**
1. Financial liabilities measured at amortised cost	630,131	629,160	670,127	669,228
2. Liabilities associated with non-current assets	-	-	15	15
Total	**630,131**	**629,160**	**670,142**	**669,243**

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (of which Banking Segment)

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
1. Financial assets measured at amortised cost	525,729	509,706	528,078	510,557
2. Investment property	-	-	-	-
3. Non-current assets held for sale and discontinued operations	614	614	638	638
Total	**526,343**	**510,320**	**528,716**	**511,195**
1. Financial liabilities measured at amortised cost	627,800	627,051	667,585	666,906
2. Liabilities associated with non-current assets	-	-	15	15
Total	**627,800**	**627,051**	**667,600**	**666,921**

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (of which Insurance Segment)

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2023		31.12.2022	
	Book value	Fair value	Book value	Fair value
1. Financial assets measured at amortised cost	3	3	3	3
2. Investment property	-	-	-	-
3. Non-current assets held for sale and discontinued operations	-	-	-	-
Total	**3**	**3**	**3**	**3**
1. Financial liabilities measured at amortised cost	2,331	2,109	2,542	2,322
2. Liabilities associated with non-current assets	-	-	-	-
Total	**2,331**	**2,109**	**2,542**	**2,322**

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 fair value, the following table lists the effects of a change in one or more significant non-observable parameters used in the valuation techniques adopted to determine the fair value. The table shows the main effects as at 30 June 2023.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-315	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-4	1%
FVTPL and FVTOCI securities and loans	Correlation	99	1%
OTC Derivatives - Equity	Historical volatility	1,226	10%
OTC Derivatives - Equity	Correlation between underlying equity baskets	293	10%
OTC Derivatives - Equity CPPI	Historical correlation	-22	10%

Information on "Day one profit/loss"

Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities. The fact that, upon initial recognition, the fair value of a financial instrument normally coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Any differences between the price and the fair value are usually attributable to the so-called commercial margins, which are considered as not falling within the scope of Day One Profit. Therefore, commercial margins are taken to the income statement on the first subsequent measurement of the financial instrument. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any residual differences, as in the previous case, are usually attributable to the commercial margins. With respect to level 3 instruments, no definite reference benchmark is available to compare the transaction price with, since there is more discretion in fair value measurement. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost, irrespective of whether it is possible to identify commercial margins. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as 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 unobservable inputs used to estimate the fair value become observable, the residual deferred DOPs are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the investment division's activities, the DOPs earned on transactions – included in the above on the book management – are taken to the income statement when transactions are carried out which substantially eliminate the risks linked to unobservable parameters of the instrument which generated the DOP.
At the end of the first half of 2023, as at the end of 2022, the amount of the DOP deferred in the balance sheet was immaterial (around 0.1 million euro).

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 3,861 million euro as at 30 June 2023, a net increase of 558 million euro compared to the stock of 3,303 million euro as at 31 December 2022. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 2,230 million euro, in ABSs (Asset-Backed Securities) of 1,560 million euro and in CDOs (Collateralised Debt Obligations) of 71 million euro, which continued to be a marginal activity also in 2023.

(millions of euro)

Accounting categories	30.06.2023				31.12.2022	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	431	428	-	859	817	42	5.1
Financial assets mandatorily measured at fair value	-	3	-	3	3	-	-
Financial assets measured at fair value through other comprehensive income	1,151	752	-	1,903	1,545	358	23.2
Financial assets measured at amortised cost	648	377	71	1,096	938	158	16.8
Total	**2,230**	**1,560**	**71**	**3,861**	**3,303**	**558**	**16.9**

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 performance of the portfolio in the first half of 2023, still focused on taking advantage of market opportunities, reflected overall higher investments than disposals and redemptions of 558 million euro and was mainly attributable to the operations of the IMI Corporate & Investment Banking Division. The increase mainly concerned instruments classified at level 2 of the fair value hierarchy.

Specifically, in the half year the exposures measured at fair value (ABS and CLO debt securities) increased by 400 million euro from 2,365 million euro in December 2022 to 2,765 million euro in June 2023, broken down into higher investments, financial assets measured at fair value through other comprehensive income of 479 million euro and financial assets held for trading of 392 million euro, offset by redemptions and disposals totalling 471 million euro, made up of 121 million euro for the first segment and 350 million euro for the second segment. Also contributing to the change in stock since the beginning of the year were increases totalling 158 million euro in assets measured at amortised cost, which rose from 938 million euro in December 2022 to 1,096 million euro in June 2023.

From the income statement perspective, the overall result of nil as at 30 June 2023, compared with -19 million euro for the first half of 2022, which was impacted by the adverse effects of the geopolitical tensions on the economic indicators.

The performance of assets held for trading, caption 80 of the income statement, amounted to +1 million euro and was attributable to impacts from realisation on CLO exposures (+1 million euro) as well as a zero overall impact on ABS exposures (+4 million euro realisation and -4 million euro valuation). In contrast, a result of -22 million euro was recorded as at 30 June 2022, relating to the valuation component for the CLO and ABS exposures.

The profits (losses) from financial assets mandatorily measured at fair value were nil as at 30 June 2023, as in the first six months of the previous year.

The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded an increase in fair value as at 30 June 2023 of +7 million euro through a shareholders' equity reserve (from a reserve of -44 million euro in December 2022 to -37 million euro in June 2023). In the current year, there have been no impacts from sales on the portfolio, as was the case in the first six months of the previous year.

On the debt securities classified as assets measured at amortised cost, the result as at 30 June 2023 of -1 million euro was substantially attributable to losses on disposals, compared with the impact from realised gains of +3 million in the first half of 2022.

(millions of euro)

Income statement results broken down by accounting category	30.06.2023				31.12.2022	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	1	-	-	1	-22	23	
Financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Financial assets measured at amortised cost	-	-1	-	-1	3	-4	
Total	**1**	**-1**	**-**	**-**	**-19**	**19**	

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 issuance 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 (SPEs).
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.
For 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 provided in 2022 Annual Report.

With regard to the Covered Bond issue programme, during the first half of the year – as part of the covered bond issue programme guaranteed by ISP CB Pubblico – the 14th retained series was partially redeemed in January for an amount of 200 million euro, bringing the remaining nominal amount to 800 million euro.
Under the covered bond programme guaranteed by UBI Finance, the 18th series matured in January for an amount of 1.250 billion euro.
With regard to the loan portfolio, a selective repurchase of bad, substandard and performing loans for 57 million euro was carried out in April.
As part of the programme guaranteed by ISP OBG, in February, the 19th retained series reached maturity, for 1.375 billion euro.
With regard to the loan portfolio, a selective repurchase of bad, substandard and performing loans for 118 million euro was carried out in April, while an extraordinary portfolio repurchase for 5 million euro took place in June.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, in March the 19th series matured for an amount of 1.250 billion euro and in June the 21st retained series was partially redeemed for an amount of 1 billion euro, bringing the remaining nominal amount to 1.2 billion euro.
Also in June, the 29th series was placed on the institutional market. The public issuance, amounting to 1.250 billion euro with a fixed-rate coupon of 3.625% per annum and a five-year maturity, is listed on the Luxembourg Stock Exchange with a Moody's rating of Aa3.
With regard to the loan portfolio, a selective repurchase of bad, substandard and performing loans for 30 million euro was carried out in April.

Lastly, with regard to securitisations, for Berica ABS 3, the last active transaction of the former Banca Popolare di Vicenza, the Class B Mezzanine listed on the market was fully redeemed at the end of June.

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all the significant entities subject to direct supervision by the ECB. The stated purpose of the guidance is to strengthen company controls over "leveraged" transactions, in view of the global increase in leveraged finance activities and the highly competitive market, characterised by a prolonged period of very low interest rates and the ensuing search for yields.
The scope of the ECB Guidance includes exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit facilities, such as trade finance transactions, are also excluded.
As at 30 June 2023, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to around 24.5 billion euro, relating to 1,745 credit lines. The stock was down compared to the end of the previous year (26.2 billion euro as at 31 December 2022). The decrease was entirely attributable to the second quarter of 2023, mainly driven by a fall of around 1.5 billion euro for the Parent Company due to higher outflows than new inflows and a reduction in positions remaining in the scope. The remaining reduction was attributable to the subsidiary Intesa Sanpaolo Bank Ireland due to the closure of material positions.
In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite specific limits for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank's risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company's hedge fund portfolio as at 30 June 2023 amounted to 193 million euro for the trading book and 189 million euro for the banking book for a total of 382 million euro, compared to 173 million euro and 184 million euro, respectively, as at 31 December 2022, for a total of 357 million euro.
The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of Undertakings for Collective Investment Schemes in Transferable Securities (UCITS) funds.
In the first half of 2023, there was an increase in stocks compared to the end of the previous year of 25 million euro, which included an increase in investments of 30 million euro carried out exclusivity on trading and primarily on UCITS hedge funds that better meet the capital absorption requirements, in continuity with the action taken in 2022 and in compliance with the CRR2 that came into force on 30 June 2021.
In terms of income statement effects, as at 30 June 2023, overall income was recorded of +11 million euro, relating entirely to valuation effects of funds held in the portfolio within the financial assets mandatorily measured at fair value (+8 million euro) and financial assets held for trading (+2 million euro), in addition to impacts from realisation on the trading segment (+1 million euro), whereas in the first half of the previous year, an overall economic performance of -6 million euro was recorded, attributable to the valuation of funds held in portfolio among financial assets mandatorily measured at fair value.
In the Intesa Sanpaolo Group, in addition to the Parent Company, as at 30 June 2023, Eurizon Capital SGR had hedge funds in its portfolio amounting to 51 million euro (50 million euro as at December 2022), with an impact on the income statement for the year of +2 million euro from valuation effects (-3 million euro as at 30 June 2022, also including the valuation component). Hedge funds are held according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 30 June 2023, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 2,690 million euro (3,049 million euro as at 31 December 2022). The notional value of these derivatives totalled 31,841 million euro (29,872 million euro as at 31 December 2022).
In particular, the notional value of plain vanilla contracts was 29,202 million euro (26,826 million euro as at 31 December 2022), while that of structured contracts was 2,639 million euro (3,046 million euro as at 31 December 2022).
The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,511 million euro (1,726 million euro as at 31 December 2022).
Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 5,096 million euro as at 30 June 2023 (6,149 million euro as at 31 December 2022). The notional value of these derivatives totalled 70,804 million euro (74,174 million euro as at 31 December 2022).
In particular, the notional value of plain vanilla contracts was 65,967 million euro (69,140 million euro as at 31 December 2022), while that of structured contracts was 4,837 million euro (5,034 million euro as at 31 December 2022).
The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 June 2023, this led to a negative impact of 6 million euro under "Profits (Losses) on trading" in the income statement (positive impact of 102 million euro as at 31 December 2022).
For details of the methodologies used in determining the fair value of financial instruments, see the paragraphs specifically dedicated to this subject in the 2022 Annual Report.
Please note that the figures reported above do not include fair value of derivatives embedded in structured bond issues as well as the related hedges taken out by the Group.

INTEREST RATE BENCHMARK REFORM

Interest Rate Benchmark Reform – General aspects

Initiated in 2016, following the publication of the EU Benchmark Regulation (EU Regulation 2016/1011), the reform of the Euribor rate was completed by EMMI (European Money Market Institute) in 2019. In the same year, the €STR rate – calculated and published daily by the ECB – replaced the previous fixing of the Eonia rate, also laying the foundations, with the recording of the compound rates and the €STR index, for a Euribor fallback rate, to be indicated in fallback contractual clauses and to be used in the event of any future permanent cessation of publication of the Euribor. Also outside the Eurozone, the supervisory authorities, central banks, specialised associations and market operators in the various jurisdictions have actively worked to identify new risk-free rates (RFR).

The summary of benchmarks for the main currencies is as follows:

IBOR	Risk Free Rate	Administrator	Secured or Unsecured	Transaction
GBP LIBOR	SONIA	Bank of England	Unsecured	o/n wholesale deposits
USD LIBOR	SOFR	New York Fed	Secured	o/n UST repo
JPY LIBOR	TONAR	Bank of Japan	Unsecured	o/n call rate
CHF LIBOR	SARON	SIX Swisse Exchange Ltd.	Secured	interbank o/n report
EUR LIBOR	€STR	ECB	Unsecured	o/n wholesale deposits

Source: ICE Benchmark Administration, Intesa Sanpaolo

With regard to Libor, the most important steps in the transition to risk-free rates were the following:

- March 2021: the Financial Conduct Authority (FCA) confirmed that the Libor would no longer be published or would lose validity (i) immediately after 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar and (ii) immediately after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month);
- September 2021: the FCA announced that it was exercising its powers, compelling the Administrator of the Libor, ICE Benchmark Administration (IBA), to publish a synthetic Libor at the end of 2022 for the Pound Sterling and Yen for the 1-, 3- and 6-month maturities, clarifying that the use of those synthetic Libor indices is permitted exclusively for existing contracts that have not yet been converted to the alternative risk-free rates SONIA and TONAR, respectively for the Pound Sterling and Yen, in order to guarantee the orderly wind down of the Libor;
- September 2022: the FCA confirmed the publication of the synthetic sterling Libor for the 1- and 6-month maturities only until March 2023, while for the 3-month maturity the termination was set at March 2024 in a November 2022 announcement;
- November 2022: the FCA launched a public consultation to assess the viable options for the definitive termination of the US dollar Libor;
- April 2023: the FCA announced its decision to request the administrator to continue with the publication for 1- 3- 6-month maturities of the synthetic USD Libor also after the termination date of 30 June 2023 and until September 2024 in order to facilitate the transition of legacy contracts (other than in cleared derivatives).

With regard to the US dollar, the Alternative Reference Rates Committee (ARRC) has been working in the United States to promote the transition from Libor to alternative rates based on the SOFR index, in particular through:

- the publication of recommendations on best practices for the various product categories (e.g. loans, floating-rate bonds, derivatives, etc.) and the related timing for winding down the use of the US dollar Libor in new contracts;
- the announcement of market conventions to be applied to the various categories of contracts (e.g. syndicated loans, floating-rate bonds, cross-currency swaps, etc.);
- the publication of the fallback clauses for the various categories of products.

Interest Rate Benchmark Reform – Intesa Sanpaolo's activities

In recent years, Intesa Sanpaolo has closely monitored the developments relating to benchmarks, and in 2016 it launched a dedicated project involving the participation of all the corporate and business functions involved in various capacities.

Leveraging the activities of specialised working sub-groups and within the expenditure limits set out in the project capital budget, the project work continued in the first half of 2023, aimed at managing the final stage of the transition with a focus mainly on the following aspects:

- definitive cessation of the offer of products linked to the Libor in GBP, CHF and JPY;
- completion of the initiatives to facilitate and bring forward, as much as possible, the discontinuation of the USD Libor according to the recommendations of the ARRC, implementing the adoption of the SOFR rate to be able to be compliant with the June 2023 deadline;
- completion of preparation of the IT structure necessary for the use of RFRs in the Bank's accounting and management systems;
- constant alignment with the Group's International Subsidiaries and Branches;
- participation in surveys and public consultations at European level;
- delivery of specialist training to staff via remote learning, in addition to courses on the digital learning platform;
- updating of the disclosure to customers on the pages of the Group's websites dedicated to illustrating the issue of the transition of benchmarks.

Intesa Sanpaolo has also continued to take part in various initiatives, among which the most significant were the European working groups managed by EMMI and ESMA. In this latter in particular, Intesa Sanpaolo has also acted over the past year as a voting member and participant to a workstream of the Working Group on euro risk free rates dedicated to monitoring developments in relation to the use of €STR as a Euribor fallback rate but also as a reference rate for the derivatives market and, in the long run, also potentially for other products.

In its previous annual and interim financial reports, the Intesa Sanpaolo Group had identified the financial instruments impacted by the IBOR Reform and the methods adopted to manage the transition, noting that, in light of the regulatory changes and the activities carried out by the Group, no critical issues were envisaged in completing the transition by the set deadlines, nor were critical issues envisaged for the forthcoming termination of the USD Libor. Specifically, the Group had envisaged the mass adoption of the new Risk Free Rates (RFR) on the financial instruments newly subscribed, thus abandoning the use of the benchmarks impacted by the reform and stabilising the stock of transactions to be transitioned, on the one hand, while setting up the solutions for the transition to the new RFR, defined based on the main international recommendations, capable of minimising the financial impacts of the transition, on the other.
With reference to the benchmarks being wound down at the end of 2021, the transition activities have been successfully completed for all these benchmarks.
Finally, with regard to instruments indexed to the USD Libor, as anticipated, 30 June 2023 was the last date of publication of the rate[48], although the authorities will continue to publish the rate in synthetic form for the 1- 3- and 6-month maturities until September 2024 to facilitate the transition of legacy contracts.
For the management of the stock of outstanding positions, phases were implemented similar to those adopted for the instruments linked to other benchmarks wound down at the end of 2021, both for cash and derivative instruments, are expected to follow.
In particular, with regard to the transition with the Clearing Houses for USD derivatives subject to clearing with underlying USD Libor and for derivatives traded on regulated markets (listed derivatives), the Group began the activities necessary to manage the transition during the second quarter of 2023, in a similar manner to that carried out in December 2021 for derivatives with underlying GBP, JPY, CHF and EUR Libor. That active transition mechanism is based on standard rules for all participants and considers the criteria for determining spreads based on the fallback provisions drawn up by the industry as part of the benchmark reform. With regard to OTC derivative instruments not cleared with CCPs, the reduction of the exposures open to risk, where the ISDA rule was not applied as in the case of contracts under US law, was carried out through renegotiations with the respective counterparties that resulted in a progressive reduction of the exposure to this benchmark, which was replaced by the new risk-free rates.
With regard to the securities under assets, although the outstanding positions remained substantially unchanged from December 2022, the respective reviews were completed, which in some cases required the analysis of specific releases issued by the issuers, and in others required direct interaction with the issuers on the fallback to be applied for each specific bond. Similarly, with regard to the securities under liabilities, the documentary analyses of the respective own issuances have been completed, for which the USD Libor rate will be continued for the additional period of publication using the synthetic method.
On the other hand, with regard to loans, mainly to corporate counterparties, most of the contracts have been renegotiated to the new RFR indices, and the remainder – under renegotiation – primarily consisted of loans in which Intesa Sanpaolo acted as a pool participant. The exposures for these loans are therefore decreasing and this will also happen progressively in the period after 30 June 2023, in conjunction with the contractually envisaged rollover date on each individual loan where the Libor rate will be replaced with the new RFR.

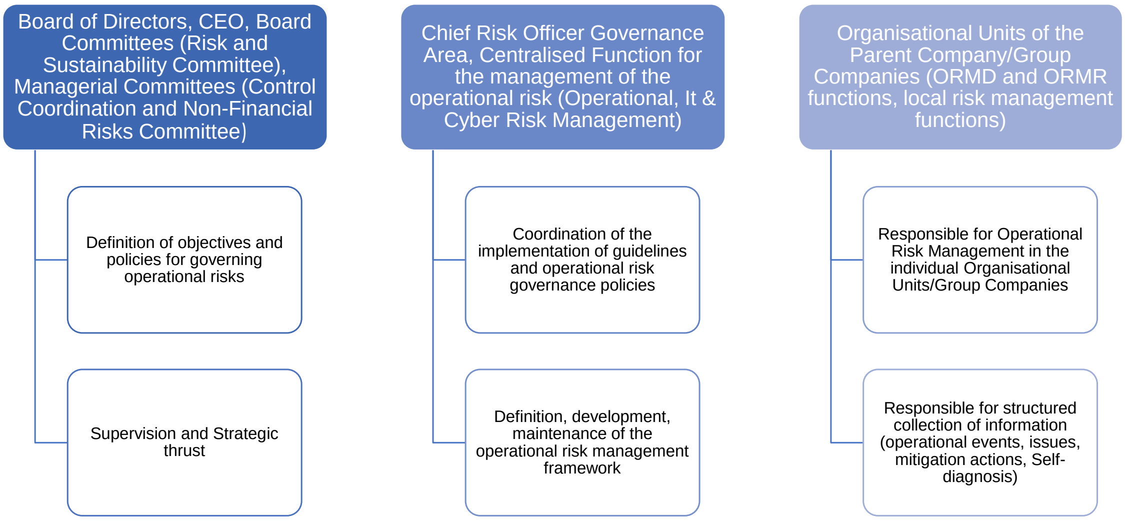
[48] 31 December 2021 was the final date for the publication of one-week and two-month USD Libor rates only.

OPERATIONAL RISKS

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[49].
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: identification and description of potential areas of operational risk (e.g., operating events, presence of critical elements, applicability of Risk Factors, significant risk scenarios);
- assessment and measurement: determination of exposure to operational risks (e.g., self-diagnosis[50], determination of economic and regulatory capital, preventive analyses of operational and ICT risks, assessment of the significance of the issues identified);
- monitoring and control: ongoing supervision of the development of the exposure to operational risks, including to prevent the occurrence of harmful events and promote active risk management;
- mitigation: containment of operational risks through appropriate mitigation actions and suitable risk-transfer strategies according to 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

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.
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.
In line with the methodological framework established for the governance of operational risks, the ICT Risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.
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.

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[49] As far as the financial losses component is concerned, the Operational Risk includes the following risks: legal, conduct, compliance, financial crime, fiscal, IT and Cyber, physical security, business continuity, third-party, data quality, fraud, process and employer. Strategic and reputational risk are not included.
[50] 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).

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 to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.9%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.

The internal model’s insurance mitigation component was approved by the 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.

As at 30 June 2023, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and PBZ Banka.

The capital absorption thus determined came to 2,119 million euro as at 30 June 2023, up slightly from 2,039 million euro as at 31 December 2022. That increase (+1 billion euro in RWAs) is fully attributable to the component subject to the advanced approach, following the update of the historical component of that approach.

Impacts of the Russia-Ukraine conflict

As regards operational risks, the impacts of the Russia-Ukraine conflict regard several actions implemented to ensure the Group's business continuity operations, particularly the extra costs incurred for Business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone. That information is used to monitor exposure to operational risk, including that regarding the Risk Appetite Framework.

Legal risks

As at 30 June 2023, 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[51] sought of around 3,470 million euro. This amount includes all disputes for which the risk of a disbursement of financial resources resulting from a potential negative outcome has been deemed possible or probable and therefore does not include disputes for which risk has been deemed remote. Those disputes include a large number of mass disputes at the international subsidiary banks (around 22,800 disputes) which, as a whole, account for a very low remedy sought.
The risks associated with the 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 and updated over the course of the proceedings.
The only disputes with likely risk amount to around 27,000 with a remedy sought of 1,794 million euro and provisions of 713 million euro. The component referring to the Parent Company Intesa Sanpaolo, which also includes the dispute relating to the subsidiary Intesa Sanpaolo Provis S.p.A. merged in April, totals around 6,100[52] disputes with a remedy sought of 1,522 million euro and provisions of 527 million euro.
There were around 700 disputes relating to other Italian subsidiaries, with a remedy sought of 160 million euro and provisions of 80 million euro. In Italy, most of them relate to issues of anatocism and investment services (4,000 positions).
With regard to the international subsidiaries, there were around 20,200 disputes with a remedy sought of 112 million euro and provisions of 106 million euro, impacted by the previously mentioned mass disputes. Specifically, there were around 16,800 disputes relating to the subsidiary Banca Intesa Beograd in relation to two areas of litigation[53] that have involved the entire Serbian banking system. The first concerns processing fees charged by banks when granting loans and the second relates to real estate loans insured through the National Housing Loan Insurance Corporation (NKOSK).

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
For the main pending disputes, the significant developments in the half year are described below. For previous disputes and a detailed illustration of significant individual disputes, see the Notes to the 2022 Consolidated Financial Statements of the Intesa Sanpaolo Group.

Dispute between Intesa Sanpaolo Vita S.p.A. and RB Hold S.p.A. and the Favaretto family
In May 2020, Intesa Sanpaolo Vita S.p.A. (ISP Vita) completed an investment in RBM Assicurazione Salute S.p.A. (now Intesa Sanpaolo RBM Salute S.p.A.), held by RB Hold S.p.A. referring to the family of Roberto Favaretto. In May 2022, ISP Vita sent the non-controlling shareholder RB Hold an indemnity request pursuant to and in accordance with the investment contract, in relation to the emerging situations that gave rise (or could give rise) to liabilities currently quantifiable at over 129 million euro.
RB Hold rejected all charges and, in the third week of July, along with the Favaretto family, submitted a petition to the Arbitration Chamber of Milan against ISP Vita, claiming the invalidity of several clauses in the investment contract and shareholders' agreement of 2020, breaches of contract and the breach of the rules of good faith and fairness, with a request for compensation for damages totalling 423.5 million euro.
ISP Vita, filed its defence at the Arbitration Chamber by the assigned deadline of 5 September 2022, fully contesting the adverse party's arguments and also making a counterclaim for the payment of a total amount of 129.4 million euro, for the breach, by RB Hold S.p.A., of the representations and warranties issued and commitments undertaken through the investment contract, as well as the obligation to act in accordance with fairness and good faith, making full reference to the claims set out in the indemnity request of May 2022.
In March 2023, ISP Vita, RB Hold and the Favaretto family reached an agreement, by which, in addition to regulating the immediate transfer by RB Hold of the residual shareholding in Intesa Sanpaolo RBM Salute in favour of ISP Vita, now 100% owner, the parties agreed to amicably resolve, without any admission of the claims mutually advanced, the Arbitration referred to above, agreeing to proceed to formalise the Milan Chamber of Arbitration the waver of the claims respectively introduced. The waivers have been formalised and the arbitration proceedings have been closed.

Lawsuit against two Hungarian subsidiaries of Intesa Sanpaolo
The lawsuit is connected with a lease agreement terminated by one of the subsidiaries in 2010. During 2011, the tenant initiated proceedings in civil court, and during 2021, it supplemented its initial claim, formulating new claims and, as a result, increasing the total of the claims to around 31 million euro.
In July 2022, the Court rejected all the plaintiff company's claims, finding that it lacked standing. The plaintiff filed an appeal against that decision.

[51] 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.
[52] These include disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation, so-called Excluded Disputes covered by public guarantee ("Indemnification Guarantee").
[53] For those cases, the provisions are relatively higher than the remedy sought (which is determined based on the customer's original claim) to take account of the interest and legal fees to be paid to the adverse party and the potential increase of the original claim submitted in the legal proceedings.

In December 2022, the Court of Appeal partially upheld the adverse party's appeal, ordering one of the two defendant companies to pay around 9.5 million euro. The decision was appealed before the Hungarian Supreme Court, which suspended the enforcement of the challenged ruling.
A ruling in favour of the subsidiary, upholding its arguments, was issued on 11 April 2023.
Intesa Sanpaolo's subsidiaries took action in 2012 for the recognition of their receivables claimed against the tenant resulting from unpaid lease rentals. These proceedings are currently pending.

Offering of diamonds
As regards the criminal proceedings pending before the Public Prosecutor's Office of Milan, in January 2023 the filing was confirmed of the request to dismiss the case against the two relationship managers under investigation, on the grounds of "the act not constituting an offence". The request for dismissal was also made in respect of two other employees, on the grounds of "not having committed the act", as no evidence against them had emerged during the investigation. The Preliminary Investigation Judge will now need to rule on these requests for dismissal.

Dispute regarding financial derivative instruments
With regard to derivative transactions, the legal risks linked to legal proceedings with local authorities, their subsidiaries and individuals continue to be subject to careful monitoring.
With regard to the disputes with companies controlled by Public Entities, in the proceedings brought by EUR S.p.A. concerning ISDA derivatives entered into in connection with a syndicated loan granted by ISP and other intermediaries, on 21 April 2023, the Court of Rome filed its ruling declaring the lack of jurisdiction of the Italian Court in favour of the English Court, with each party paying its own legal fees. The term for the appeal is pending. Intesa Sanpaolo's risk amounts to 22 million euro.

Disputes regarding tax-collection companies
In the context of the government's decision to re-assume responsibility for tax collection, Intesa Sanpaolo sold to Equitalia S.p.A., now the Italian Revenue Agency - Collections Division, full ownership of Gest Line, ETR/ESATRI and other minor companies, which managed tax-collection activities, undertaking to indemnify the buyer against any expenses associated with the collection activity carried out up to the time of purchase of the equity investments. In particular, such expenses refer to liabilities for disputes with tax authorities, taxpayers and employees and out-of-period expenses and capital losses with respect to the financial situation at the time of the sale. Overall, claims of around 74.9 million euro were made, later reduced to around 74.6 million euro, which were resolved by amicable settlement in the second quarter of 2023.

Mariella Burani Fashion Group S.p.A. in liquidation and bankruptcy
In January 2018, the receiver to Mariella Burani Fashion Group S.p.A. sued its former directors and statutory auditors, its independent auditors and the former UBI Banca (as the company that absorbed Centrobanca), seeking a judgment ordering compensation for alleged damages suffered due to the many acts of mismanagement of the company while in good standing. According to the claimant's arguments, Centrobanca, which was merged into the former UBI Banca, provided financial support to the parent company of the bankrupt company (Mariella Burani Holding S.p.A.) in 2008, in an operation on its subsidiary, despite the signs of insolvency that the latter began to show in September 2007, causing damages quantified at approximately 92 million euro. During the second quarter, the bank settled the dispute by means of disbursement covered by a previous provision and the subsequent waiver of the claims by the receiver.

Fondazione Cassa di Risparmio di Pesaro
In 2018, Fondazione Cassa di Risparmio di Pesaro brought a compensation claim against the former UBI Banca (as the alleged successor-in-interest to the issuer Banca Marche S.p.A.) and PwC (the auditing firm that certified all the financial statements and the figures presented in the Prospectus) alleging that the defendants published data and information regarding the financial performance and the income outlooks of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the Prospectus, is claimed to have led the Foundation to subscribe for the bank's shares issued as part of the capital increase in March 2012. In later years, these shares went on to decline in value considerably, resulting in a loss quantified at approximately 52 million euro. During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche.
The Court of Milan, in a ruling published in May 2023, having ascertained and declared the lack of capacity to be sued of ISP, as the company that absorbed UBI, rejected the Foundation's claim and ordered that each party pay its own legal fees. The deadline for the appeal is pending.

Contingent assets
As for contingent assets, and the IMI/SIR dispute in particular, it should be recalled that following the final ruling of 2006 establishing the criminal liability of the corrupt judge Metta (and his accomplices Rovelli, Acampora, Pacifico, and Previti), the defendants were ordered to pay compensation for damages, with the determination of those damages referred to the civil courts. Intesa Sanpaolo then brought a case before the Court of Rome to obtain an order of compensation for damages from those responsible.
In its ruling of May 2015, the Court of Rome quantified the financial and non-financial damages for Intesa Sanpaolo and ordered Acampora and Metta – the latter also jointly liable with the Prime Minister's Office (pursuant to Law no. 117/1988 on the accountability of the judiciary) – to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest accruing from 1 February 2015 to the date of final payment, plus legal expenses. The amount ordered took account of the amounts received in the meantime by the Bank as part of the settlements with the Rovelli family and with the adverse parties Previti and Pacifico.
In July 2016, the Rome Court of Appeal stayed the enforcement of the judgment of first instance with respect to the amount in excess of 130 million euro, in addition to ancillary charges and expenses. As a result of this decision, in December 2016 the

Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of 131,173,551.58 euro (corresponding to the 130 million euro of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, only the exact amount of the order, without applying the gross-up, was demanded and collected. On 16 April 2020, the ruling of the Rome Court of Appeal was filed, which essentially upheld the Court's ruling, while reducing the sum of non-financial damages to 8 million euro (compared to 77 million euro that had been awarded by the court of first instance), and set the amount to be paid at 108 million euro (instead of 173 million euro), to be considered net of tax, plus legal interest and expenses.

In the second quarter of 2020, the Bank filed a petition for the correction of a material error contained in the finding regarding the calculation of the damages liquidated; the Court of Appeal rejected the petition by ruling filed on 7 December 2020, holding that the error claimed by the Bank could be remedied by means of an appeal before the Court of Cassation. In May 2021, the Bank filed an appeal with the Court of Cassation against the Rome Court of Appeal's ruling of 16 April 2020 on the following main grounds:

a) the reduction to 8 million euro of the non-financial damages made by the Court of Appeal, compared to the 77 million euro recognised in the first instance ruling was arbitrary and devoid of any sound legal or logical reasoning;
b) even accepting the reduction under point a), the Court made a miscalculation when redetermining the amount of total damages. That aspect was already the subject of an application for material correction filed in 2020, rejected by the Court as it was deemed to be an issue that could be remedied through appeal.

By ruling no. 5682/2023, the Court of Cassation partially upheld the grounds of appeal filed by Acampora and the Prime Minister's Office, overturning the second instance ruling, in relation to the claims upheld, and referring the case back to the Rome Court of Appeal for the application of the principles of law set forth in the ruling. The outcome differs both from the rulings made at the previous instances and from the conclusions, consistent with them, filed last December by the General Prosecutor at the Court of Cassation.

The Court applied a rule of pre-emption according to which the action for revocation, aimed at obtaining the return of the sums unduly paid, should precede the exercise of the action for damages, in clear conflict with the principles set out in the criminal proceedings in 2006 according to which the independence and dissimilarity of the two actions (the action for damages and the action for extraordinary revocation) "rule out any interference between them and place each in its own sector, with the only limitation of not allowing the duplication of coinciding outcomes in terms of compensation and, therefore, undue enrichment".

In addition, it introduced a further and unprecedented rule of a procedural nature according to which, without prejudice to the right to obtain lost earnings and non-pecuniary damage, in order to claim compensation from the perpetrators of the offence (i.e. Acampora, Metta and the Government) for the damage arising, the injured party, Intesa Sanpaolo, must prove that it had unsuccessfully enforced its claim against the party benefiting from the corrupt ruling.

After the investigations carried out and the opinions obtained from external professionals, the following legal initiatives were started.

1. <u>Resumption of proceedings before the Rome Court of Appeal</u>

On 19 May, the Bank notified the other parties involved (Metta, the Prime Minister's Office and Acampora) of the appeal, requesting:

i. as the main claim, on the merits, the award, in addition to the other damages, of the damage arising, subject to correction of the miscalculation made at the time by the Rome Court of Appeal, in consideration of the fact that the "prejudicial conditions" set out by the Court of Cassation had been met because the Bank had pursued the recovery, both in and out of court, of the sums paid to the beneficiary as a result of the revoked ruling. In the event that the main claim is not upheld, the Bank requested at least the award of the lost earnings and non-pecuniary damage;
ii. subordinately to the merits, a reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) pursuant to Article 267 of the Treaty on the Functioning of the European Union (TFEU) for breach of the Treaty on European Union (TEU), highlighting the arbitrary limitation of the right to compensation provided for by the Special Law on damages caused by judges in the performance of their duties (Law 117/88) resulting from the application of the principles set out by the Court of Cassation in its recent ruling.

The first hearing is scheduled for 31 October next.

2. <u>Appeal to the European Court of Human Rights (ECtHR) for breach of the European Convention on Human Rights (ECHR)</u>

The Bank filed an appeal with the European Court of Human Rights against the Italian government on the grounds that the conditions set by the Court of Cassation for the Bank to bring an action for damages against those obliged to pay compensation appear to be contrary to the protections envisaged by the ECHR.

3. <u>Appeal to the First Instance Tax Court</u>

The Bank has brought proceedings before the Tax Court to obtain the credit claim of 33.2 million euro, at the time paid as withholding tax for overdue interest on the compensation for damages under the 1994 ruling paid to Mrs Battistella, as Nino Rovelli's heir.

Labour litigation

In line with the situation as at 31 December 2022, as at 30 June 2023 there were no significant cases of labour litigation from either a qualitative or quantitative standpoint. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation

At Group level, the total value of the claims for tax disputes (taxes, penalties and interest) was equal to 212 million euro as at 30 June 2023, down on 219 million euro as at 31 December 2022.
The Group's tax litigation risks are covered by adequate provisions to the allowances for risks and charges (66 million euro as at 30 June 2023 compared to 70 million euro as at 31 December 2022).

The Parent Company had 483 pending litigation proceedings (473 as at 31 December 2022) for a total amount claimed (taxes, penalties and interest) of 125.4 million euro (126.1 million euro as at 31 December 2022), considering both administrative and judicial proceedings at various instances. In relation to these proceedings, the actual risks were quantified at 57.4 million euro as at 30 June 2023 (56.8 million euro as at 31 December 2022).
During the half year, the litigation settled (known as findings closed) totalled 100 proceedings for a total amount claimed of 3.4 million euro, with an outlay of 2.7 million euro, mainly relating to (i) a payment notice for penalty and related collection costs following an unfavourable ruling by the Court of Cassation in connection with the dispute on the registration tax for the demerger of a business unit from Intesa Sanpaolo to State Street Bank (1.9 million euro), and (ii) municipal property tax (IMU) disputes on terminated lease contracts (0.5 million euro). On the other hand, no significant new disputes arose during the period.

For the Italian subsidiaries, there was a reduction in claims of 5 million euro compared to 31 December 2022 (80 million euro compared to 85 million euro as at 31 December 2022), with a reduction in the provision of 4 million euro (5 million euro compared to 9 million euro as at 31 December 2022).

Before looking in more detail at the situation of the Parent Company and the subsidiaries, a summary is provided below of the main regulatory changes concerning the settlement of pending litigation and other tax disputes, including non-litigious disputes, contained in the amendments made to the 2023 Budget Act (Law 197 of 29 December 2022) during the half year.
With regard to the so called "tax truce", i.e. the regulations set forth in the 2023 Budget Act (Law no. 197/2022) concerning the settlement of pending litigation and other tax disputes, including non-litigious disputes, already discussed in the Report as at 31 December last (which should be referred to for details), Law Decree no. 34 of 31 March 2023 (the "bills decree") extended various deadlines for the fulfilment of the related requirements. Specifically, the deadline was extended from 31 March 2023 to 31 October 2023 for the payment of the first or single instalment of the amount of 200 euro per year for the amnesty for formal irregularities (Article 1, Law 197/2022, paragraph 167); the deadline was extended from 31 March 2023 to 30 September 2023 for the payment of the first or single instalment of the amount due (tax, interest and penalty reduced to 1/18th of the minimum amount) for the "special" remediation (paragraph 174); the deadline was extended from 30 June 2023 to 30 September 2023 for the payment of the amount due and the submission of the application for the settlement of pending disputes (paragraph 194); the suspension of the time limits for appeals of settleable disputes expiring between 1 January 2023 and 31 October 2023 was extended from nine to eleven months (paragraph 199).
The main Group companies have subscribed to the amnesty for formal irregularities. For the other cases, analyses are underway to determine which cases it might be appropriate to settle in accordance with the Budget Act, and these will be completed in time for their settlement.

Parent Company

The main ongoing disputes concern (i) disputes regarding registration tax on the reclassification of business contributions and subsequent sale of the investments as sales of businesses and the consequent assessment of a higher business value, (ii) the dispute regarding the municipal property tax (IMU) on real estate not repossessed following the termination of the related lease contracts, and (iii) the dispute regarding VAT on boat lease transactions and the dispute with the Brazilian tax authorities regarding direct taxes and social security contributions for the year 1995, details of which can be found in the Notes to the 2022 and previous financial statements.

Group Companies

For details regarding Banca Fideuram and Intesa Sanpaolo Private Banking, given that there have been no significant changes, see the Notes to the 2022 Financial Statements.
Cargeas Assicurazioni – now merged into Intesa Sanpaolo Assicura – 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 issued a claim against the company that redundancy insurance policies (which are mandatorily associated with salary-backed loans and optional with other mortgages, loans and consumer credit), should not be subject to tax on insurance premiums at a rate of 2.5%, but should, in the opinion of the Italian Revenue Agency, instead be classified as credit risk insurance policies, subject to a tax rate of 12.5%. In particular:
- on 25 May 2021, Cargeas received a notice of assessment for the year 2010 claiming a higher tax of 1.7 million euro, 0.6 million euro in interest and 3.4 million euro in penalties, for a total of 5.7 million euro. The notice was appealed in 2021 and by ruling no. 2396/2022 the Milan Provincial Tax Commission upheld Cargeas' appeal annulling the notice. In February 2023, the Italian Revenue Agency filed an appeal with the Lombardy Tax Court against the aforementioned ruling no. 2396/2022, in response to which counterclaims were filed by the absorbing company Intesa Sanpaolo Assicura S.p.A. in April 2023;
- on 6 June 2022, Cargeas received a notice of assessment for the year 2011 claiming a higher tax of 1.3 million euro, 0.5 million euro in interest and 2.8 million euro in penalties, for a total of 4.6 million euro. This notice was also appealed in 2022, and in its recent ruling no. 967 of 20 March 2023, the Milan First Instance Tax Court upheld the company's appeal annulling the notice. The term for the Office's appeal is pending;

- on 19 May 2023, the absorbing company Intesa Sanpaolo Assicura received a notice of assessment for the year 2012 claiming a higher tax of 0.2 million euro and penalties of 0.4 million euro, plus interest of 0.1 million euro. An appeal was filed in June 2023.

The company believes that the risk of a negative outcome is possible, but not probable. Accordingly, it has not made any provision for taxes, penalties and interest, except for the cost of legal fees, estimated at 0.16 million euro.

In addition, on 3 July 2023, the absorbing company Intesa Sanpaolo Assicura was notified by the Italian Revenue Agency of two measures of partial cancellation due to internal review, pursuant to Article 2 quater of Law Decree no. 564/94, converted by Law no. 656 of 30 November 1994, relating to the 2010 and 2011 notices of assessment. Following the cross-examination with the company and after having reviewed the documentation submitted, the Agency acknowledged that it was correct to classify this type of policy under the insurance contracts against redundancy risk subject to a reduced rate of 2.5% on the value of the premiums, as provided for in Article 14 of the General Tariff (Law no. 1916 of 29 October 1961), and recalculated the tax authorities' claim as follows: a) for 2010, tax due of 1.5 million euro, penalty of 1 million euro and interest as at 30 June 2023 of 0.6 million euro, for a total of 3.1 million euro (a reduction of 2.6 million euro compared to the original 5.7 million euro); and b) for 2011, tax due of 1.1 million euro, penalty of 0.8 million euro and interest as at 30 June 2023 of 0.4 million euro, for a total of 2.3 million euro (a reduction of 2.3 million euro compared to the original 4.6 million euro).

Lastly, regarding the same case, it should be noted that Intesa Sanpaolo Assicura received the following two questionnaires in April 2021: a) one relating to 2012 and 2013 for the former Bentos Assicurazioni, merged into Intesa Sanpaolo Assicura in December 2013; b) the second for 2012 for Intesa Sanpaolo Assicura. As a result of these questionnaires, in May 2023, the Italian Revenue Agency served three notices of assessment of which two related to the former Bentos Assicurazioni for 2012 (tax of 5 thousand euro, penalties of 12 thousand euro, plus interest) and 2013 (tax of 30 thousand euro, penalties of 75 thousand euro, plus interest) and one related to Intesa Sanpaolo Assicura for 2012 (tax of 0.3 million euro, penalties of 0.8 million euro, plus interest of 0.1 million euro).

For Eurizon Capital SGR, a full description was provided in the Notes to the 2022 Financial Statements of the dispute relating to its transactions with its Luxembourg subsidiary Eurizon Capital S.A. in 2016. The company settled the dispute in April by signing a tax settlement agreement that provides for higher Italian taxable income of 26.8 million euro, resulting in higher IRES and IRAP taxes due of 8.8 million euro, plus interest of 1.8 million euro, without the application of penalties, for a total of 10.6 million euro.

Following this settlement, the Italian Revenue Agency - Lombardy Regional Directorate sent Eurizon Capital SGR a new questionnaire concerning IRES and IRAP taxes for the year 2017. Eurizon Capital SGR sent the requested documentation on 22 and 27 June.

On 4 April 2023 the Italian Revenue Agency – Lombardy Regional Directorate – Large Taxpayers Office initiated a similar tax audit on Epsilon SGR regarding the year 2017 and concerning direct taxes, IRAP, VAT and obligations of tax collection agents. Discussions are underway with the Agency to ensure that the transactions between Eurizon Capital SGR, Epsilon SGR and Eurizon Capital S.A. are examined in a consistent and coordinated manner.

With regard to foreign subsidiaries, there were no significant developments in the disputes during the half year.

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 and Intesa Sanpaolo RBM Salute) are made with their shareholder fund and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, unit-linked policies, pension funds and non-life policies.
As at 30 June 2023, the investment portfolios, recorded at book value, amounted to 175,753 million euro. Of these, a part amounting to 89,186 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 shareholder fund. 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 86,567 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, 84.5% of assets, i.e. 75,352 million euro, was bonds, whereas equity instruments represented 2% of the total and amounted to 1,802 million euro. The remainder (12,057 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (13.5%).
The carrying value of derivatives came to around -24.9 million euro, of which around 26.5 million euro relating to effective management derivatives, and the remaining portion (around -51.4 million euro) is attributable to hedging derivatives.
At the end of the first six months of 2023, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to around 513 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 9 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 around 4,456 million euro.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented around 5.2% of total investments and A bonds around 9.9%. Low investment grade securities (BBB) were around 81.3% of the total and the portion of speculative grade or unrated was minimal (3.6%).
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 around 75.4% of the total investments, while financial companies (mostly banks) contributed around 15.4% of exposure and industrial securities made up around 9.2%.
At the end of the first half of 2023, 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 4,724 million euro, with 3,925 million euro due to government issuers and 799 million euro to corporate issuers (financial institutions and industrial companies).

Impacts of the Russia-Ukraine conflict

Following the escalation of the geopolitical tensions between Russia and Ukraine, the Risk Management Department has constantly monitored the evolution of the risks and their effects on the business of the Insurance Group, with a specific focus on exposures to countries directly involved in the conflict. In that area, exposure is residual (less than 0.1% of total 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[54], pursuant to current Italian legislation (Article 120 of the Consolidated Law on Finance) – are shown in the table below[55].

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

Transactions with related parties

1. Procedural features

The Board of Directors of Intesa Sanpaolo S.p.A. adopted, in compliance with the procedures set out by regulations, the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking.
These Procedures, most recently updated in June 2021, take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk-related activities and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and 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 risk-related activities 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 management body members, employees and company staff, including other than Associated Entities.

Pursuant to the Procedures, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Management Body Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.
The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be Associated Entities for each bank or monitored significant intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies they control, also jointly with others; iii) management body members and their relative close family members up to the second degree and significant shareholdings.

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

[55] The following was also already stated in the 2022 Annual Report:
- in December 2020, BlackRock Inc. had declared that it held a 5.005% interest in the share capital of Intesa Sanpaolo (Form 120 A of 9 December 2020) and an aggregate interest of 5.066% (Form 120 B of 4 December 2020);
- JP Morgan Chase & Co. had declared on 21 December 2021 (Form 120 B) that it held an aggregate interest of 4.571%, of which only 0.963% was represented by voting rights attached to shares.

As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as onrisk-related activities and conflicts of interest with Associated Entities to:

a) Intesa Sanpaolo shareholders and their groups that hold a stake in the share capital with voting rights of the Bank that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them with others;
b) companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or a position of significant influence;
c) companies which the Group has notable investments in and financial links with, attributable to at least two of the following indicators:
   - the counterparty holds a stake in Intesa Sanpaolo's capital between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies;
   - an entity of the Intesa Sanpaolo Group holds a stake in the counterparty exceeding 10% of the voting rights;
   - significant credit exposure of the Group to the counterparty.

This approach allows closer monitoring of transactions with the main entities in potential conflict of interest risk.

The Procedures set forth the assessment process that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking, to ensure appropriateness of the transactions. The Procedures also require detailed examination of the reasons and interests behind the transaction, their effects on financials and the terms of the transaction.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full or partial exemptions from the application of the regulations is also envisaged.
With regard to the decision-making for transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250 thousand euro for individuals and 1 million euro for persons other than natural persons (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250 thousand euro for individuals and 1 million euro for persons other than natural persons) but lower than or equal to the most significant thresholds indicated below;
- most significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2.9 billion euro for the Intesa Sanpaolo Group);
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which meets the independence requirements laid down in the Corporate Governance Code for Listed Companies and Art. 148 of the Consolidated Law on Finance. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For most significant transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Procedures – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Board, after consulting the Committee for Transactions with Related Parties.
The Procedures set out specific controls in the event that a less significant or most significant transaction is approved in spite of a negative opinion of the Committee for Transactions with Related Parties.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Procedures also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the directors and the control body regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Transactions of less significant importance in the form of intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and are not carried out at market or standard conditions). For ordinary intragroup less significant transactions carried out at market conditions, reporting is on an aggregate annual basis.

Transactions undertaken by Italian subsidiary banks with Related Parties and Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific rules apply for the reporting of transactions to the Bank's Bodies.

The Procedures also apply to transactions with Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian Banks of the Intesa Sanpaolo Group, including the Parent Company. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank management body members to contract obligations, directly or indirectly, with the bank of which they act as management body members.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
In particular, Article 2391 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.

In addition, Article 53 of the Consolidated Law on Banking requires banks' directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 30 June 2023 within the consolidated accounts – other than those intragroup consolidated on a line-by-line basis – 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.

	30.06.2023	
	Amount (millions of euro)	Impact (%)
Total financial assets [1]	7,508	0.8
Total other assets [2]	147	0.5
Total financial liabilities [3]	7,513	1.0
Total other liabilities [4]	925	0.6

(1) Includes captions 10, 20, 30, 40 and 70 of balance sheet assets.

(2) Includes captions 50, 60, 80, 120 and 130 of balance sheet assets.

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

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

	30.06.2023	
	Amount (millions of euro)	Impact (%)
Total interest income	36	0.2
Total interest expense	77	1.2
Total fee and commission income	34	0.6
Total fee and commission expense	13	1.0
Total operating costs [1]	92	1.8

(1) Includes caption 190 of the income statement.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of operations with fully consolidated entities, with the category of Significant Shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management, as well as with the additional subjects included in the scope set as a form of self-regulation.
The following table does not show the impact of related party transactions on the Group's cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate rows by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 1.3 billion euro.

(millions of euro)

	Subsidiaries not consolidated on a line-by-line basis	**Companies subject to joint control and their subsidiaries**	**Associates and their subsidiaries**	**Board Members and General Managers, Key Managers and their related parties**	**Pension funds**	**TOTAL**	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
Cash and cash equivalents	-	-	-	-	-	-	-	376	-
Financial assets measured at fair value through profit or loss	-	-	217	-	-	217	-	2,623	-
a) financial assets held for trading	-	-	-	-	-	-	-	*2,549*	-
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*217*	-	-	*217*	-	*74*	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	19	-	-
Financial assets measured at amortised cost	1	361	332	19	-	713	1	951	9
a) due from banks	-	-	*4*	-	-	*4*	-	*797*	-
b) loans to customers	*1*	*361*	*328*	*19*	-	*709*	*1*	*154*	*9*
Other assets	3	-	32	-	-	35	1	111	-
Investments in associates and companies subject to joint control	60	118	2,421	-	-	2,599	-	-	-
Financial liabilities measured at amortised cost	22	255	622	26	170	1,095	110	5,217	5
a) due to banks	-	-	*2*	-	-	*2*	-	*5,081*	-
b) due to customers	*22*	*255*	*620*	*26*	*170*	*1,093*	*110*	*136*	*5*
Financial liabilities held for trading	-	-	7	-	-	7	-	1,073	-
Financial liabilities designated at fair value	-	-	-	6	-	6	-	-	-
Other financial liabilities	4	6	16	20	509	555	9	361	-
Guarantees and commitments given	34	98	189	7	1	329	60	1,096	1
Guarantees and commitments received	-	47	28	7	-	82	83	209	38

(*) As a result of self-regulation, shareholders and their groups that hold a stake in the share capital that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them.

(**) As a result of self-regulation, companies that meet the conditions of at least two of these indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group to the counterparty. The amounts shown largely refer to the companies of the JP Morgan Group.

(***) As a result of self-regulation, companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or on which those persons may exercise a significant influence.

In the interest of completeness, the Group's most significant associates included in the category of related parties in accordance with the version of IAS 24 in effect are: 1875 Finance Holding AG, Alpian S.A., Back2Bonis, Bancomat S.p.A., Camfin S.p.A., Cassa di Risparmio di Fermo S.p.A., Digit'ed Holding S.p.A., Efesto, Equiter S.p.A., FI.NAV Comparto A1 Crediti, Fondo UTP Italia Comparto Crediti, Intrum Italy S.p.A., Lendlease MSG Heartbeat, Neva First – FCC, Penghua Fund Management Co. Ltd, RSCT Fund - Comparto Crediti, and Warrant Hub S.p.A.
The main joint ventures include: Mir Capital S.c.a. Sicar, Mooney Group S.p.A. and PBZ Croatia Osiguranje Public Limited for Company Compulsory Pension Fund Management.

3. Information on transactions with related parties

It is noted that transactions with fully consolidated intragroup related parties are not included in this document because they are netted at consolidated level.

Most significant transactions

During the period, the Intesa Sanpaolo Group did not carry out any transactions that qualified as non-ordinary "most significant transactions" at non-market or non-standard conditions subject – in accordance with the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking – to the obligation to publish a market disclosure document.

Please note that the most significant transactions in the period are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 2.9 billion) or of the other indicators defined by the Consob regulation.

Other significant transactions

The transactions undertaken by the Intesa Sanpaolo Group with related parties generally fall within the scope of the Group's ordinary activities and are generally entered into at market conditions, based on considerations of mutual economic interest, in line with the internal procedures mentioned above.

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 have significant investments in refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With 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 solely based on shares owned or under management, and with other significant shareholders because of the significant shareholding or financial relationships present – ordinary transactions were undertaken at market conditions.

These included the following in particular:

- transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with the companies of the JP Morgan Chase & Co. and BlackRock Inc. groups, as well as Compagnia di San Paolo;
- service agreements with companies of the BlackRock Inc. group, under ESG-impact projects (for a value of 1.7 million euro);
- an ordinary credit facility at market conditions with Fondazione Cassa di Risparmio di Firenze.

With regard to the transactions with jointly-controlled subsidiaries or associates, as well as with significant investees due to the presence of important equity and financial ties, mention should be made of:

- credit transactions in favour of ISM Investimenti S.p.A., Alpian S.A., Intermarine S.p.A. and Uni Gasket S.r.l.;
- transactions in OTC financial instruments with Cassa di Risparmio di Fermo S.p.A.;
- the signing of supply agreements with Destination Gusto S.r.l. (for a value of around 1 million euro), Bancomat S.p.A. (for a value of around 8 million euro) and Marketwall S.r.l. (for a value of around 9.8 million euro); for the latter counterparty, a commercial agreement was also signed concerning the renewal of the supply of services to the Group's digital customers, for a value of around 8 million euro;
- the subscription by Fideuram – Intesa Sanpaolo Private Banking S.p.A. of a capital increase of around 17 million euro in favour of Alpian S.A.;
- a transaction involving the leasing of movable assets with Mooney S.p.A. (for a value of around 1.8 million euro);
- transactions of a commercial nature with 2 vehicles (Fondo Tematico Turismo S.r.l. and Fondo Tematico Piani Urbani Integrati S.r.l.) dedicated to the management of the funds of the National Recovery and Resilience Plan (NRRP) in the context of the award to Equiter S.p.A. of the Tender issued by the EIB;
- corporate and credit transactions with the Lendlease MSG Heartbeat Fund related to the real estate project in the Milano Santa Giulia area.

The operations with pension funds included transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with the Fondo Pensioni per il Personale Cariplo.

Other significant information

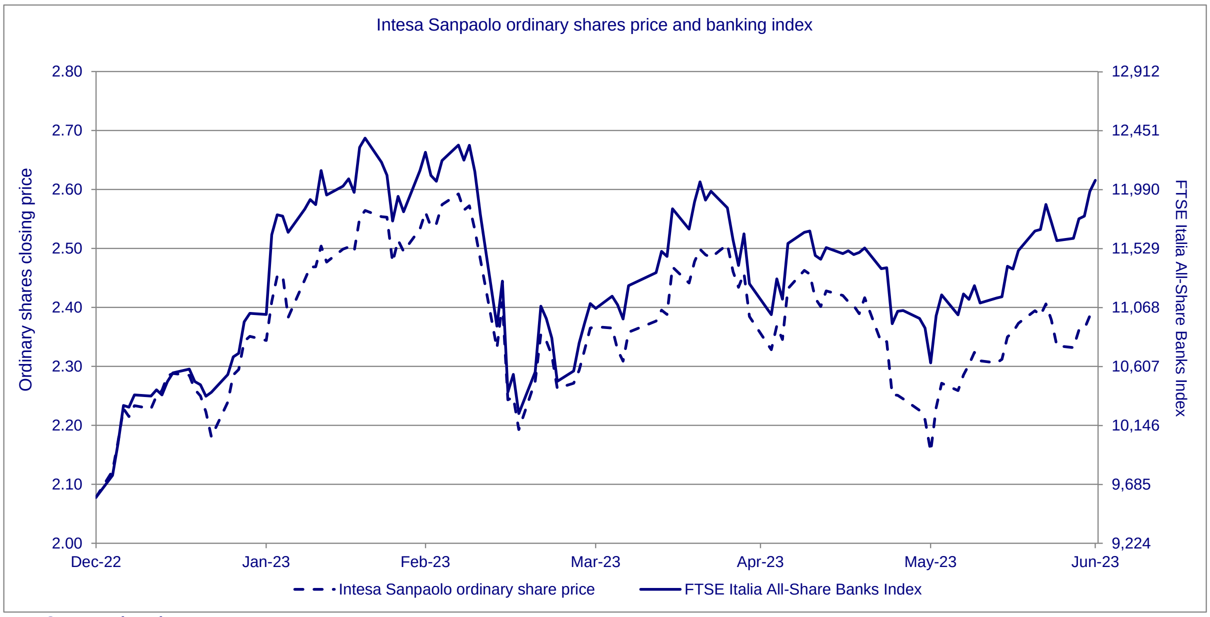
With regard to the companies carried at equity, the following were recorded:

- a gain from the sale of equity investments attributable to the sale, completed on 16 May 2023, of 23.3% of the capital held in Zhong Ou Asset Management Co. Ltd. (ZOAM);
- adjustments to the interests in the Back2Bonis fund and in Neva First – FCC.

Stock price performance

In the first half of 2023, the performance of the international equity markets was generally positive, with a moderate decline in risk premiums, although there were large fluctuations over the period.
Significant rises were recorded in the initial months of the year, driven by the reopenings after the lockdowns in China, and the expectations of an expansionary shift in central bank monetary policies. Fears of a possible recession diminished, but inflation remained high. Investors consequently pushed back their expectations of an easing of the monetary policies, resulting in a slowdown in the equity markets.
In March, the crisis of several regional banks in the US and the Credit Suisse crisis in Europe triggered a broad correction in prices. Prompt action by governments and monetary authorities stemmed the effects of the crises, and the stock indices gradually regained their previous levels. Among the supporting factors were the satisfactory quarterly results in the euro area, despite concerns about the resilience of economic growth and lingering geopolitical uncertainties.
In the first half of 2023, the Italian equity market outperformed the other European countries: +19.1% for the FTSE MIB index and +17.8% for the FTSE Italia All Share index.
With regard to the banking sector, the European index posted an increase of 12%, substantially in line with that of the Euro Stoxx index (+12.5%). The Italian banking index, on the other hand, grew by 25.9%, driven by the positive effect of rising interest rates on bank earnings, the absence of clear signs of deterioration in asset quality, and generous shareholder remuneration policies.

The performance of Intesa Sanpaolo ordinary shares in the first six months of 2023 mirrored that of the banking sector indices, with an upward trend until the beginning of March, when it reached its peak, a sharp fall in the following ten days, a subsequent fluctuating trend until the end of May and a recovery in June, closing the half year with an increase of 15.5% compared to the end of 2022.
As at 30 June 2023, Intesa Sanpaolo's capitalisation rose to 43.9 billion euro from 39.5 billion euro at the end of 2022.



Source: Bloomberg

Earnings per share

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

	30.06.2023	30.06.2022
	Ordinary shares	Ordinary shares
Weighted average number of shares	18,511,218,394	19,400,527,970
Income attributable to the various categories of shares (millions of euro)	4,222	2,354
Basic EPS (euro)	0.23	0.12
Diluted EPS (euro)	0.23	0.12
Basic EPS annualised (*) (euro)	0.46	0.24
Diluted EPS annualised (*) (euro)	0.46	0.24

(*) 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)

	30.06.2023	1st half 2023	2022	2021	2020	2019
Market capitalisation	43,879	44,524	38,433	44,535	34,961	36,911
Shareholders' equity	62,309	61,706	62,715	64,823	60,920	54,996
Price / book value	**0.70**	**0.72**	**0.61**	**0.69**	**0.57**	**0.67**

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. Although it measures the confidence which financial analysts and the financial community have in the company's income prospects and capital position, the index is significantly affected by the external factors that influence stock prices.
Also for the Intesa Sanpaolo Group, the level and performance of the index – as at 30 June 2023 calculated on both average figures and half year-end figures – were influenced by the dynamics of the market and its industry sector. The comparative figures for the years 2019 to 2022 are annual averages.

Rating

During the first half of 2023, the ratings assigned by the international agencies to Intesa Sanpaolo S.p.A. did not change. The ratings, which were unchanged as at the date of approval of this Report, are therefore the same as those indicated in the 2022 Annual Report, as set out below.

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

(1) Stable Trend.

An always updated information about Intesa Sanpaolo's ratings can be found in the Investor Relations section of the Intesa Sanpaolo website, at www.group.intesasanpaolo.com.

Dividends paid

On 24 May 2023 (with coupon presentation on 22 May and record date on 23 May), the remaining dividend for the year 2022 was paid for an amount of 1,646,462,490.59 euro, corresponding to 9.01 euro cents for each of the 18,273,723,536 ordinary shares with no nominal value outstanding on the record date (thus excluding the 9,075,453 own shares held by the Bank on the same date, to which no dividends are due, for an amount of 1,765,623.70[56] euro that was allocated to the Extraordinary Reserve).

It should be noted that, on 23 November 2022 (with coupon presentation on 21 November and record date on 22 November), an interim dividend of 7.38 euro cents was paid out for each of the 18,964,880,325 ordinary shares outstanding on the record date for a total amount of 1,399,608,167.99 euro (net of the undistributed portion, amounting to 1,765,505.22 euro, relating to the 23,922,835 own shares held at the record date).

Therefore, the amount of the dividend paid out for the year 2022 was 16.39 euro cents per share, for a total dividend distribution of 3,046 million euro, equivalent to a payout ratio of 70% of consolidated net income.

[56] The amount allocated to the Extraordinary Reserve included (i) 817,698.32 euro as a dividend on the own shares held at the record date and (ii) 947,925.38 euro as the rounding difference between the total dividend distribution (1,647,280,188.91 euro, equivalent to 9.01 euro cents for each of the 18,282,798,989 ordinary shares constituting the current share capital) and the dividend distribution approved by the Board of Directors of Intesa Sanpaolo on 3 February 2023 based on the number of shares outstanding on that date (1,648,228,114.29 euro, corresponding to 8.68 euro cents per 18,988,803,160 shares). Following the execution of the programme of purchase of own shares for annulment (buyback) that took place from 13 February to 4 April 2023, on 2 May 2023 a total of 706,004,171 Intesa Sanpaolo ordinary shares were annulled, without an accompanying reduction in share capital, resulting in an increase in the unit dividend from 8.68 to 9.01 euro cents.

Segment reporting

Breakdown by business area: income statement figures [a]

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Net interest income	3,281	1,308	1,094	602	2	-	551	6,838
Net fee and commission income	2,360	569	290	931	418	1	-216	4,353
Income from insurance business	-	-	-	-	-	834	22	856
Profits (Losses) on financial assets and liabilities designated at fair value	60	86	66	34	13	-	78	337
Other operating income (expenses)	-2	-1	-33	-1	32	-7	26	14
Operating income	**5,699**	**1,962**	**1,417**	**1,566**	**465**	**828**	**461**	**12,398**
Personnel expenses	-1,641	-255	-281	-240	-50	-72	-646	-3,185
Other administrative expenses	-1,434	-440	-212	-186	-57	-84	1,038	-1,375
Adjustments to property, equipment and intangible assets	-1	-10	-56	-43	-4	-15	-522	-651
Operating costs	**-3,076**	**-705**	**-549**	**-469**	**-111**	**-171**	**-130**	**-5,211**
Operating margin	**2,623**	**1,257**	**868**	**1,097**	**354**	**657**	**331**	**7,187**
Net adjustments to loans	-611	100	-45	-11	-	-	11	-556
Other net provisions and net impairment losses on other assets	-61	-105	-22	-17	-	39	-25	-191
Other income (expenses)	-	-	121	-	-	-	183	304
Income (Loss) from discontinued operations	-	-	-	-	-	-	-	-
Gross income (loss)	**1,951**	**1,252**	**922**	**1,069**	**354**	**696**	**500**	**6,744**
Taxes on income	-642	-392	-203	-343	-92	-205	-207	-2,084
Charges (net of tax) for integration and exit incentives	-24	-12	-21	-11	-	-7	-11	-86
Effect of purchase price allocation (net of tax)	-13	-	-1	-12	-2	-5	-57	-90
Levies and other charges concerning the banking industry (net of tax)	-	-	-17	-	-	-	-222	-239
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	-	-	-1	-2	-	-2	-18	-23
Net income (loss) as at 30.06.2023	**1,272**	**848**	**679**	**701**	**260**	**477**	**-15**	**4,222**
Net income (loss) as at 30.06.2022	**662**	**392**	**166**	**514**	**302**	**462**	**-152**	**2,346**

(a) Figures from the reclassified financial statements as described in the Half-Yearly report on operations.

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

In application of IFRS 15, in particular paragraphs 114 and 115, which require a breakdown of revenues from contracts with customers, the breakdown of fee and commission income and expense by business area is provided below.

(millions of euro)

Captions [a]	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Guarantees given	51	160	29	1	-	-	-	241
Collection and payment services	218	65	97	3	-	-	5	388
Current accounts	590	21	70	4	-	-	-	685
Credit and debit cards	299	1	128	7	-	-	-	435
Commercial banking activities	**1,158**	**247**	**324**	**15**	**-**	**-**	**5**	**1,749**
Dealing and placement of securities	650	125	11	133	137	-	-498	558
Currency dealing	2	-	2	1	-	-	2	7
Portfolio management	43	1	19	913	885	-	-122	1,739
Distribution of insurance products	449	-	17	333	-	1	-1	799
Other	111	11	6	95	-	-	2	225
Management, dealing and consultancy activities	**1,255**	**137**	**55**	**1,475**	**1,022**	**1**	**-617**	**3,328**
Other net fee and commission income	**127**	**281**	**41**	**12**	**90**	**-**	**34**	**585**
Fee and commission income	**2,540**	**665**	**420**	**1,502**	**1,112**	**1**	**-578**	**5,662**
Fee and commission expense	**-180**	**-96**	**-130**	**-571**	**-694**	**-**	**362**	**-1,309**
Net fee and commission income 30.06.2023	**2,360**	**569**	**290**	**931**	**418**	**1**	**-216**	**4,353**
Net fee and commission income 30.06.2022	**2,375**	**564**	**290**	**1,023**	**472**	**1**	**-181**	**4,544**

(a) Figures from the reclassified financial statements as described in the Half-Yearly report on operations.

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

Breakdown by business area: balance sheet figures [a]

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Loans to customers								
30.06.2023	240,388	131,297	41,124	14,631	245	-	9,812	437,497
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
Direct deposits from banking business								
30.06.2023	271,418	105,935	54,152	45,636	17	-	77,249	554,407
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386

(a) Figures from the reclassified financial statements as described in the Half-Yearly report on operations.

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

Breakdown by geographical area: income statement figures and balance sheet figures [(a)]

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2023	9,579	2,331	488	12,398
30.06.2022	8,510	1,786	459	10,755
% change	12.6	30.5	6.3	15.3
Loans to customers				
30.06.2023	353,134	63,412	20,951	437,497
31.12.2022	365,428	63,173	18,253	446,854
% change	-3.4	0.4	14.8	-2.1
Direct deposits from banking business				
30.06.2023	473,655	73,127	7,625	554,407
31.12.2022	466,841	71,010	7,535	545,386
% change	1.5	3.0	1.2	1.7

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

(a) Figures from the reclassified financial statements as described in the Half-Yearly report on operations.

Certification of the Half-yearly condensed consolidated financial statements pursuant to Art. 154-bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina, as Managing Director and CEO, and Fabrizio Dabbene, as Manager responsible for preparing the Company's financial reports of Intesa Sanpaolo, 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 2023.

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 2023 was based on methods defined by Intesa Sanpaolo consistently with the COSO and, as to the IT component, COBIT models, which are internationally accepted frameworks for internal control systems[57].

3. The undersigned also certify that:

   3.1. the Half-yearly condensed consolidated financial statements as at 30 June 2023:
   - 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, 28 July 2023

Carlo Messina
Managing Director and CEO

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

[57] 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 balance sheet, 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 (the "Intesa Sanpaolo Group") as at 30 June 2023 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 2023 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, 9 August 2023

EY S.p.A.
Signed by: Massimo Testa, Auditor

This report has been translated into the English language solely for the convenience of international readers

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Attachments

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

Reconciliation between published consolidated income statement for the period ended 30 June 2022 and consolidated income statement for the period ended 30 June 2022 according to the new Circular 262

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

Reconciliation between consolidated income statement for the period ended 30 June 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for the period ended 30 June 2022

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for the period ended 30 June 2022 and restated consolidated income statement for the period ended 30 June 2022

Restated consolidated financial statements

Consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

(millions of euro)

31 December 2022 New 262	31 December 2022 published	10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss	30. Financial assets measured at fair value through other comprehensive income	35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	40. Financial assets measured at amortised cost	45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	50. Hedging derivatives	60. Fair value change of financial assets in hedged portfolios (+/-)	70. Investments in associates and companies subject to joint control	80. Technical insurance reserves reassured with third parties	90. Property and equipment	100. Intangible assets	110. Tax assets	120. Non-current assets held for sale and discontinued operations	130. Other assets	**TOTAL ASSETS**
10.	Cash and cash equivalents	112,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,924
20.	Financial assets measured at fair value through profit or loss	-	47,577	-	102,775	-	-	-	-	-	-	-	-	-	-	264	150,616
	a) financial assets held for trading	-	*42,522*	-	*85*	-	-	-	-	-	-	-	-	-	-	-	42,607
	b) financial assets designated at fair value	-	*1*	-	-	-	-	-	-	-	-	-	-	-	-	-	1
	c) other financial assets mandatorily measured at fair value	-	*5,054*	-	*102,690*	-	-	-	-	-	-	-	-	-	-	*264*	108,008
30.	Financial assets measured at fair value through other comprehensive income	-	-	49,716	69,937	-	76	-	-	-	-	-	-	-	-	-225	119,504
40.	Financial assets measured at amortised cost	-	-	-	-	528,078	3	-	-	-	-	-	-	-	-	-	528,081
	a) due from banks	-	-	-	-	*32,884*	-	-	-	-	-	-	-	-	-	-	32,884
	b) loans to customers	-	-	-	-	*495,194*	*3*	-	-	-	-	-	-	-	-	-	495,197
50.	Hedging derivatives	-	-	-	13	-	-	10,062	-	-	-	-	-	-	-	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-	-9,752	-	-	-	-	-	-	-	-9,752
70.	Investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	2,013	-	-	-	-	-	-	2,013
80.	Insurance assets	-	-	-	-	-	1	-	-	-	163	-	-	-	-	108	272
	a) insurance contracts issued that are assets	-	-	-	-	-	*1*	-	-	-	-	-	-	-	-	*64*	65
	b) reinsurance contracts held that are assets	-	-	-	-	-	-	-	-	-	*163*	-	-	-	-	*44*	207
90.	Property and equipment	-	-	-	-	-	-	-	-	-	-	10,505	-	-	-	-	10,505
100.	Intangible assets	-	-	-	-	-	-	-	-	-	-	-	9,830	-	-	-	9,830
	of which: goodwill	-	-	-	-	-	-	-	-	-	-	-	*3,626*	-	-	-	3,626
110.	Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	18,273	-	-	18,273
	a) current	-	-	-	-	-	-	-	-	-	-	-	-	*3,520*	-	-	3,520
	b) deferred	-	-	-	-	-	-	-	-	-	-	-	-	*14,753*	-	-	14,753
120.	Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	638	-	638
130.	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,704	22,704
TOTAL ASSETS		**112,924**	**47,577**	**49,716**	**172,725**	**528,078**	**80**	**10,062**	**-9,752**	**2,013**	**163**	**10,505**	**9,830**	**18,273**	**638**	**22,851**	**975,683**

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		10. Financial liabilities measured at amortised cost	15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	40. Hedging derivatives	50. Fair value change of financial liabilities in hedged portfolios (+/-)	60. Tax liabilities	70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee termination indemnities	100. Allowances for risks and charges	110. Technical reserves	**TOTAL LIABILITIES**
10.	Financial liabilities measured at amortised cost	667,586	2,550	-	-	-	-	-	-	-	4	-	-	-	670,140
	a) due to banks	*137,481*	*629*	-	-	-	-	-	-	-	*4*	-	-	-	138,114
	b) due to customers	*454,025*	*587*	-	-	-	-	-	-	-	-	-	-	-	454,612
	c) securities issued	*76,080*	*1,334*	-	-	-	-	-	-	-	-	-	-	-	77,414
20.	Financial liabilities held for trading	-	-	46,512	-	-	-	-	-	-	-	-	-	-	46,512
30.	Financial liabilities designated at fair value	-	-	-	8,795	54,214	-	-	-	-	-	-	-	-	63,009
40.	Hedging derivatives	-	-	-	-	171	5,346	-	-	-	-	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	-	-	-	-8,031	-	-	-	-	-	-	-8,031
60.	Tax liabilities	-	-	-	-	-	-	-	2,306	-	-	-	-	-	2,306
	a) current	-	-	-	-	-	-	-	*297*	-	-	-	-	-	297
	b) deferred	-	-	-	-	-	-	-	*2,009*	-	-	-	-	-	2,009
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	15	-	-	-	-	15
80.	Other liabilities	-	-	-	-	-	-	-	-	-	10,966	-	-	-	10,966
90.	Employee termination indemnities	-	-	-	-	-	-	-	-	-	-	852	-	-	852
100.	Allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	4,960	-	4,960
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	*711*	-	711
	b) post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	*139*	-	139
	c) other allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	*4,110*	-	4,110
110.	Insurance liabilities	-	-	-	-	17,359	-	-	-	-	90	-	50	100,117	117,616
	a) insurance contracts issued that are liabilities	-	-	-	-	*17,359*	-	-	-	-	*5*	-	*50*	*100,117*	117,531
	b) reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	*85*	-	-	-	85
TOTAL		**667,586**	**2,550**	**46,512**	**8,795**	**71,744**	**5,346**	**-8,031**	**2,306**	**15**	**11,060**	**852**	**5,010**	**100,117**	**913,862**

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		120. Valuation reserves	125. Valuation reserves pertaining to insurance companies	130. Redeemable shares	140. Equity instruments	150. Reserves	155. Interim dividend (-)	160. Share premium reserve	170. Share capital	180. Own shares (-)	190. Minority interests (+/-)	200. Net income (loss) (+/-)	TOTAL
120.	Valuation reserves	-1,939	-696	-	-	-	-	-	-	-	-	-	-2,635
130.	Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
140.	Equity instruments	-	-	-	7,211	-	-	-	-	-	-	-	7,211
150.	Reserves	-	-	-	-	15,827	-	-	-	-	-	-	15,827
155.	Interim dividend (-)	-	-	-	-	-	-1,400	-	-	-	-	-	-1,400
160.	Share premium reserve	-	-	-	-	-	-	28,053	-	-	-	-	28,053
170.	Share capital	-	-	-	-	-	-	-	10,369	-	-	-	10,369
180.	Treasury shares (-)	-	-	-	-	-	-	-	-	-124	-	-	-124
190.	Minority interests (+/-)	-	-	-	-	-	-	-	-	-	166	-	166
200.	Net income (loss) (+/-)	-	-	-	-	-	-	-	-	-	-	4,354	4,354
TOTAL		**-1,939**	**-696**	**-**	**7,211**	**15,827**	**-1,400**	**28,053**	**10,369**	**-124**	**166**	**4,354**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY													**975,683**

Reconciliation between published consolidated income statement for the period ended 30 June 2022 and consolidated income statement for the period ended 30 June 2022 according to the new Circular 262 – *(Continued)*

(millions of euro)

	30 June 2022 published / 30 June 2022 New 262	10. Interest and similar income	20. Interest and similar expense	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net fee and commission income**	70. Dividend and similar income	80. Profits (Losses) on trading	90. Fair value adjustments in hedge accounting	100. Profits (Losses) on disposal or repurchase of:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	c) financial liabilities	110. Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	a) financial assets and liabilities designated at fair value	b) other financial assets mandatorily measured at fair value	115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	**120. Net interest and other banking income**	130. Net losses/recoveries for credit risks associated with:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	140. Profits (Losses) on changes in contracts without derecognition	**150. Net income from banking activities**	**TOTAL**
10.	Interest and similar income	5,472	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,116	-	-	-	-	-	-	-	**6,588**
20.	Interest and similar expense	-	-1,389	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-39	-	-	-	-	-	-	-	**-1,428**
30.	**Interest margin**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**5,160**
40.	Fee and commission income	-	-	-	5,759	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**5,759**
50.	Fee and commission expense	-	-	-	-	-1,360	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-1,360**
60.	**Net fee and commission income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**4,399**
70.	Dividend and similar income	-	-	-	-	-	-	140	-	-	-	-	-	-	-	-	-	216	-	-	-	-	-	-	-	**356**
80.	Profits (Losses) on trading	-	-	-	-	-	-	-	193	-	-	-	-	-	-	-	-	-14	-	-	-	-	-	-	-	**179**
90.	Fair value adjustments in hedge accounting	-	-	-	-	-	-	-	-	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**46**
100	Profits (Losses) on disposal or repurchase of:	-	-	-	-	-	-	-	-	-	78	-	-	-	-	-	-	-128	-	-	-	-	-	-	-	**-50**
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	*210*	-	-	-	-	-	-	-	-	-	-	-	-	-	**210**
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	*-124*	-	-	-	-	*-128*	-	-	-	-	-	-	-	**-252**
	c) financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	*-8*	-	-	-	-	-	-	-	-	-	-	-	**-8**
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	551	-	-	-1,273	-	-	-	-	-58	-	-	**-780**
	a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*557*	-	*6,221*	-	-	-	-	-	-	-	**6,778**
	b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-6*	*-7,494*	-	-	-	-	*-58*	-	-	**-7,558**
120.	**Net interest and other banking income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**9,310**
130.	Net losses/recoveries for credit risks associated with:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,264	-	-	-55	-	-	**-1,319**
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-1,217*	-	-	-	-	**-1,217**
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-47*	*-55*	-	-	**-102**
140.	Profits (Losses) on changes in contracts without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1	-	**-1**
150.	**Net income from banking activities**	**5,472**	**-1,389**	**4,083**	**5,759**	**-1,360**	**4,399**	**140**	**193**	**46**	**78**	**210**	**-124**	**-8**	**551**	**557**	**-6**	**-122**	**9,368**	**-1,264**	**-1,217**	**-47**	**-113**	**-1**	**7,990**	**7,990**

(millions of euro)

30 June 2022 published / 30 June 2022 New 262		160. Net insurance premiums	170. Other net insurance income (expense)	**180. Net income from banking and insurance activities**	190. Administrative expenses:	a) personnel expenses	b) other administrative expenses	200. Net provisions for risks and charges	a) commitments and guarantees given	b) other net provisions	210. Net adjustments to / recoveries on property and equipment	220. Net adjustments to / recoveries on intangible assets	230. Other operating expenses (income)	**240. Operating expenses**	250. Profits (Losses) on investments in associates and companies subject to joint control	260. Valuation differences on property, equipment and intangible assets measured at fair value	270. Goodwill impairment	280. Profits (Losses) on disposal of investments	**290. Income (Loss) before tax from continuing operations**	300. Taxes on income from continuing operations	**310. Income (Loss) after tax from continuing operations**	320. Income (Loss) after tax from discontinued operations	**330. Net income (loss)**	340. Minority interests	**350. Parent Company' s net income (loss)**	**TOTAL**
160.	Insurance service result	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1,255**
	a) insurance revenue arising from insurance contracts issued	4,934	-41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**4,893**
	b) insurance service expenses arising from insurance contracts issued	-	-3,627	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-3,627**
	c) insurance revenue arising from reinsurance contracts held	-	53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**53**
	d) insurance service expenses arising from reinsurance contracts held	-76	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-64**
170.	Balance of financial income and expenses related to insurance operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**37**
	a) net financial expenses/revenue related to insurance contracts issued	-	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**37**
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
180.	**Net income from banking and insurance activities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,282**
190	Administrative expenses:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-5,488**
	a) personnel expenses	-	-	-	-	-3,217	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-3,217**
	b) other administrative expenses	-	-	-	-	-	-2,271	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-2,271**
200	Net provisions for risks and charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-106**
	a) commitments and guarantees given	-	-	-	-	-	-	-	-74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-74**
	b) other net provisions	-	-	-	-	-	-	-	-	-32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-32**
210	Net adjustments to / recoveries on property and equipment	-	-	-	-	-	-	-	-	-	-335	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-335**
220	Net adjustments to / recoveries on intangible assets	-	-	-	-	-	-	-	-	-	-	-456	-	-	-	-	-	-	-	-	-	-	-	-	-	**-456**
230	Other operating expenses (income)	-	-	-	-	-	-	-	-	-	-	-	486	-	-	-	-	-	-	-	-	-	-	-	-	**486**
240.	**Operating expenses**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-5,899**
250	Profits (Losses) on investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	-	-	-	-	-	204	-	-	-	-	-	-	-	-	-	-	**204**
260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-3	-	-	-	-	-	-	-	-	-	**-3**
270	Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
280	Profits (Losses) on disposal of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	-	-	-	-	-	-	-	**14**
290.	**Income (Loss) before tax from continuing operations**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,598**
300.	Taxes on income from continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,239	-	-	-	-	-	**-1,239**
310.	**Income (Loss) after tax from continuing operations**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,359**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
330.	**Net income (loss)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,359**
340.	Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-5	-	**-5**
350.	**Parent Company's net income (loss)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,354**
TOTAL		**4,858**	**-3,566**	**9,282**	**-5,488**	**-3,217**	**-2,271**	**-106**	**-74**	**-32**	**-335**	**-456**	**486**	**-5,899**	**204**	**-3**	**-**	**14**	**3,598**	**-1,239**	**2,359**	**-**	**2,359**	**-5**	**2,354**	

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

(millions of euro)

			Effect of transition to IFRS 9 / IFRS 17			
		TOTAL ASSETS as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL ASSETS as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Cash and cash equivalents	112,924	-	-	-	112,924
20.	Financial assets measured at fair value through profit or loss	150,616	-	-	-	150,616
30.	Financial assets measured at fair value through other comprehensive income	119,504	-	4	4	119,508
40.	Financial assets measured at amortised cost	528,081	-	-	-	528,081
50.	Hedging derivatives	10,075	-	-	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-	-	-	-9,752
70.	Investments in associates and companies subject to joint control	2,013	-	-	-	2,013
80.	Insurance assets	272	-149	28	-121	151
90.	Property and equipment	10,505	-	-	-	10,505
100.	Intangible assets	9,830	-685	92	-593	9,237
110.	Tax assets	18,273	163	-306	-143	18,130
120.	Non-current assets held for sale and discontinued operations	638	-	-	-	638
130.	Other assets	22,704	-84	-159	-243	22,461
TOTAL ASSETS		**975,683**	**-755**	**-341**	**-1,096**	**974,587**

(millions of euro)

		TOTAL LIABILITIES as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9/IFRS 17			TOTAL LIABILITIES as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	
10.	Financial liabilities measured at amortised cost	670,140	-	-13	-13	670,127
20.	Financial liabilities held for trading	46,512	-	-	-	46,512
30.	Financial liabilities designated at fair value	63,009	-1	-1	-2	63,007
40.	Hedging derivatives	5,517	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-	-	-	-8,031
60.	Tax liabilities	2,306	-268	-17	-285	2,021
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	-	-	15
80.	Other liabilities	10,966	-101	-102	-203	10,763
90.	Employee termination indemnities	852	-	-	-	852
100.	Allowances for risks and charges	4,960	-	-	-	4,960
110.	Insurance liabilities	117,616	600	-641	-41	117,575
TOTAL LIABILITIES		**913,862**	**230**	**-774**	**-544**	**913,318**
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**975,683**	**-755**	**-341**	**-1,096**	**974,587**

(millions of euro)

		TOTAL as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9 / IFRS 17			TOTAL as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	
120.	Valuation reserves	-2,635	-138	315	177	-2,458
130.	Redeemable shares	-	-	-	-	-
140.	Equity instruments	7,211	-	-	-	7,211
150.	Reserves	15,827	-847	93	-754	15,073
155.	Interim dividend (-)	-1,400	-	-	-	-1,400
160.	Share premium reserve	28,053	-	-	-	28,053
170.	Share capital	10,369	-	-	-	10,369
180.	Treasury shares (-)	-124	-	-	-	-124
190.	Minority interests (+/-)	166	-	-	-	166
200.	Net income (loss) (+/-)	4,354	-	25	25	4,379
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**

Reconciliation between consolidated income statement for the period ended 30 June 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for the period ended 30 June 2022

(millions of euro)

		TOTAL as at 30.06.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9/IFRS 17 (b) Effect during the first half of 2022	TOTAL as at 30.06.2022 (c) = (a) + (b) POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Interest and similar income	6,588	-	**6,588**
20.	Interest and similar expense	-1,428	-	-1,428
30.	**Interest margin**	**5,160**	**-**	**5,160**
40.	Fee and commission income	5,759	-	5,759
50.	Fee and commission expense	-1,360	6	-1,354
60.	**Net fee and commission income**	**4,399**	**6**	**4,405**
70.	Dividend and similar income	356	-	356
80.	Profits (Losses) on trading	179	-	179
90.	Fair value adjustments in hedge accounting	46	-	46
100	Profits (Losses) on disposal or repurchase of:	-50	-	-50
	a) financial assets measured at amortised cost	*210*	-	*210*
	b) financial assets measured at fair value through other comprehensive income	*-252*	-	*-252*
	c) financial liabilities	*-8*	-	*-8*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-780	-1,591	-2,371
	a) financial assets and liabilities designated at fair value	*6,778*	*875*	*7,653*
	b) other financial assets mandatorily measured at fair value	*-7,558*	*-2,466*	*-10,024*
120.	**Net interest and other banking income**	**9,310**	**-1,585**	**7,725**
130.	Net losses/recoveries for credit risks associated with:	-1,319	-	-1,319
	a) financial assets measured at amortised cost	*-1,217*	-	*-1,217*
	b) financial assets measured at fair value through other comprehensive income	*-102*	-	*-102*
140.	Profits (Losses) on changes in contracts without derecognition	-1	-	-1
150.	**Net income from banking activities**	**7,990**	**-1,585**	**6,405**
160.	Insurance service result	1,255	-419	836
	a) insurance revenue arising from insurance contracts issued	*4,893*	*-3,122*	*1,771*
	b) insurance service expenses arising from insurance contracts issued	*-3,627*	*2,756*	*-871*
	c) insurance revenue arising from reinsurance contracts held	*53*	*16*	*69*
	d) insurance service expenses arising from reinsurance contracts held	*-64*	*-69*	*-133*
170.	Balance of financial income and expenses related to insurance operations	37	1,750	1,787
	a) net financial expenses/revenue related to insurance contracts issued	*37*	*1,750*	*1,787*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	**-**
180.	**Net income from banking and insurance activities**	**9,282**	**-254**	**9,028**
190	Administrative expenses:	-5,488	232	-5,256
	a) personnel expenses	*-3,217*	*158*	*-3,059*
	b) other administrative expenses	*-2,271*	*74*	*-2,197*
200	Net provisions for risks and charges	-106	-19	-125
	a) commitments and guarantees given	*-74*	-	*-74*
	b) other net provisions	*-32*	*-19*	*-51*
210	Net adjustments to / recoveries on property and equipment	-335	9	-326
220	Net adjustments to / recoveries on intangible assets	-456	67	-389
230	Other operating expenses (income)	486	-	486
240.	**Operating expenses**	**-5,899**	**289**	**-5,610**
250	Profits (Losses) on investments in associates and companies subject to joint control	204	-	204
260	Valuation differences on property, equipment and intangible assets measured at fair value	-3	-	-3
270	Goodwill impairment	-	-	**-**
280	Profits (Losses) on disposal of investments	14	-	14
290.	**Income (Loss) before tax from continuing operations**	**3,598**	**35**	**3,633**
300.	Taxes on income from continuing operations	-1,239	-43	-1,282
310.	**Income (Loss) after tax from continuing operations**	**2,359**	**-8**	**2,351**
320.	Income (Loss) after tax from discontinued operations	-	-	-
330.	**Net income (loss)**	**2,359**	**-8**	**2,351**
340.	Minority interests	-5	-	-5
350.	**Parent Company's net income (loss)**	**2,354**	**-8**	**2,346**

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

The IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 did not require any restatements

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for the period ended 30 June 2022 and restated consolidated income statement for the period ended 30 June 2022

(millions of euro)

		30.06.2022 (IFRS 9/IFRS 17 insurance segment)	Change in the scope of consolidation (a)	Contribution of Training Business Line (b)	30.06.2022 Restated
10.	Interest and similar income	6,588	5	-	6,593
	of which: interest income calculated using the effective interest rate method	*6,254*	-	-	*6,254*
20.	Interest and similar expense	-1,428	-3	-	-1,431
30.	**Interest margin**	**5,160**	**2**	**-**	**5,162**
40.	Fee and commission income	5,759	21	-	5,780
50.	Fee and commission expense	-1,354	-4	-	-1,358
60.	**Net fee and commission income**	**4,405**	**17**	**-**	**4,422**
70.	Dividend and similar income	356	-	-	356
80.	Profits (Losses) on trading	179	6	-	185
90.	Fair value adjustments in hedge accounting	46	-	-	46
100.	Profits (Losses) on disposal or repurchase of:	-50	-	-	-50
	a) financial assets measured at amortised cost	*210*	-	-	*210*
	b) financial assets measured at fair value through other comprehensive income	*-252*	-	-	*-252*
	c) financial liabilities	*-8*	-	-	*-8*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-2,371	-	-	-2,371
	a) financial assets and liabilities designated at fair value	*7,653*	-	-	*7,653*
	b) other financial assets mandatorily measured at fair value	*-10,024*	-	-	*-10,024*
120.	**Net interest and other banking income**	**7,725**	**25**	**-**	**7,750**
130.	Net losses/recoveries for credit risks associated with:	-1,319	-	-	-1,319
	a) financial assets measured at amortised cost	*-1,217*	-	-	*-1,217*
	b) financial assets measured at fair value through other comprehensive income	*-102*	-	-	*-102*
140.	Profits (Losses) on changes in contracts without derecognition	-1	-	-	-1
150.	**Net income from banking activities**	**6,405**	**25**	**-**	**6,430**
160.	Insurance service result	836	-	-	836
	a) insurance revenue arising from insurance contracts issued	*1,771*	-	-	*1,771*
	b) insurance service expenses arising from insurance contracts issued	*-871*	-	-	*-871*
	c) insurance revenue arising from reinsurance contracts held	*69*	-	-	*69*
	d) insurance service expenses arising from reinsurance contracts held	*-133*	-	-	*-133*
170.	Balance of financial income and expenses related to insurance operations	1,787	-	-	1,787
	a) net financial expenses/revenue related to insurance contracts issued	*1,787*	-	-	*1,787*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-
180.	**Net income from banking and insurance activities**	**9,028**	**25**	**-**	**9,053**
190.	Administrative expenses:	-5,256	-22	-33	-5,311
	a) personnel expenses	*-3,059*	*-15*	*5*	*-3,069*
	b) other administrative expenses	*-2,197*	*-7*	*-38*	*-2,242*
200.	Net provisions for risks and charges	-125	-	-	-125
	a) commitments and guarantees given	*-74*	-	-	*-74*
	b) other net provisions	*-51*	-	-	*-51*
210.	Net adjustments to / recoveries on property and equipment	-326	-1	-	-327
220.	Net adjustments to / recoveries on intangible assets	-389	-1	2	-388
230.	Other operating expenses (income)	486	2	-	488
240.	**Operating expenses**	**-5,610**	**-22**	**-31**	**-5,663**
250.	Profits (Losses) on investments in associates and companies subject to joint control	204	-	-	204
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-3	-	-	-3
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	14	-	-	14
290.	**Income (Loss) before tax from continuing operations**	**3,633**	**3**	**-31**	**3,605**
300.	Taxes on income from continuing operations	-1,282	-1	10	-1,273
310.	**Income (Loss) after tax from continuing operations**	**2,351**	**2**	**-21**	**2,332**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**2,351**	**2**	**-21**	**2,332**
340.	Minority interests	-5	-2	21	14
350.	**Parent Company's net income (loss)**	**2,346**	**-**	**-**	**2,346**

(a) The restatement relates to the income statement results of Compagnie de Banque Privée Quilvest (now Intesa Sanpaolo Wealth Management S.A.) for the first six months of 2022.

(b) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.06.2023	31.12.2022	Changes	
				amount	%
10.	Cash and cash equivalents	79,875	112,924	-33,049	-29.3
20.	Financial assets measured at fair value through profit or loss	151,753	150,616	1,137	0.8
	a) financial assets held for trading	*44,053*	*42,607*	*1,446*	*3.4*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*107,699*	*108,008*	*-309*	*-0.3*
30.	Financial assets measured at fair value through other comprehensive income	132,166	119,508	12,658	10.6
40.	Financial assets measured at amortised cost	525,732	528,081	-2,349	-0.4
	a) due from banks	*31,704*	*32,884*	*-1,180*	*-3.6*
	b) loans to customers	*494,028*	*495,197*	*-1,169*	*-0.2*
50.	Hedging derivatives	8,986	10,075	-1,089	-10.8
60.	Fair value change of financial assets in hedged portfolios (+/-)	-8,996	-9,752	-756	-7.8
70.	Investments in associates and companies subject to joint control	2,599	2,013	586	29.1
80.	Insurance assets	843	151	692	
	a) insurance contracts issued that are assets	*530*	*18*	*512*	
	b) reinsurance contracts held that are assets	*313*	*133*	*180*	
90.	Property and equipment	9,700	10,505	-805	-7.7
100.	Intangible assets	9,192	9,237	-45	-0.5
	of which:				
	- goodwill	*3,668*	*3,626*	*42*	*1.2*
110.	Tax assets	16,080	18,130	-2,050	-11.3
	a) current	*2,666*	*3,520*	*-854*	*-24.3*
	b) deferred	*13,414*	*14,610*	*-1,196*	*-8.2*
120.	Non-current assets held for sale and discontinued operations	614	638	-24	-3.8
130.	Other assets	26,661	22,461	4,200	18.7
Total assets		**955,205**	**974,587**	**-19,382**	**-2.0**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	630,131	670,127	-39,996	-6.0
	a) due to banks	*94,827*	*138,132*	*-43,305*	*-31.4*
	b) due to customers	*438,677*	*454,595*	*-15,918*	*-3.5*
	c) securities issued	*96,627*	*77,400*	*19,227*	*24.8*
20.	Financial liabilities held for trading	47,648	46,512	1,136	2.4
30.	Financial liabilities designated at fair value	66,768	63,007	3,761	6.0
40.	Hedging derivatives	5,177	5,517	-340	-6.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,414	-8,031	-617	-7.7
60.	Tax liabilities	2,938	2,021	917	45.4
	a) current	*500*	*303*	*197*	*65.0*
	b) deferred	*2,438*	*1,718*	*720*	*41.9*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
80.	Other liabilities	23,171	10,763	12,408	
90.	Employee termination indemnities	775	852	-77	-9.0
100.	Allowances for risks and charges	4,169	4,960	-791	-15.9
	a) commitments and guarantees given	*539*	*711*	*-172*	*-24.2*
	b) post-employment benefits	*81*	*139*	*-58*	*-41.7*
	c) other allowances for risks and charges	*3,549*	*4,110*	*-561*	*-13.6*
110.	Insurance liabilities	119,381	117,575	1,806	1.5
	a) insurance contracts issued that are liabilities	*119,311*	*117,561*	*1,750*	1.5
	b) reinsurance contracts held that are liabilities	*70*	*14*	*56*	
120.	Valuation reserves	-2,084	-2,458	-374	-15.2
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,217	7,211	6	0.1
150.	Reserves	14,654	15,073	-419	-2.8
155.	Interim dividend (-)	-	-1,400	-1,400	
160.	Share premium reserve	28,001	28,053	-52	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Own shares (-)	-70	-124	-54	-43.5
190.	Minority interests (+/-)	152	166	-14	-8.4
200.	Net income (loss) (+/-)	4,222	4,379	-157	-3.6
Total liabilities and shareholders' equity		**955,205**	**974,587**	**-19,382**	**-2.0**

Restated consolidated income statement

(millions of euro)

		30.06.2023	30.06.2022	Changes	
			Restated	amount	%
10.	Interest and similar income	14,562	6,593	7,969	
	of which: interest income calculated using the effective interest rate method	*13,031*	*6,254*	*6,777*	
20.	Interest and similar expense	-6,630	-1,431	5,199	
30.	**Interest margin**	**7,932**	**5,162**	**2,770**	**53.7**
40.	Fee and commission income	5,306	5,780	-474	-8.2
50.	Fee and commission expense	-1,366	-1,358	8	0.6
60.	**Net fee and commission income**	**3,940**	**4,422**	**-482**	**-10.9**
70.	Dividend and similar income	359	356	3	0.8
80.	Profits (Losses) on trading	69	185	-116	-62.7
90.	Fair value adjustments in hedge accounting	-57	46	-103	
100.	Profits (Losses) on disposal or repurchase of:	-97	-50	47	94.0
	a) financial assets measured at amortised cost	*72*	*210*	*-138*	*-65.7*
	b) financial assets measured at fair value through other comprehensive income	*-187*	*-252*	*-65*	*-25.8*
	c) financial liabilities	*18*	*-8*	*26*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	1,630	-2,371	4,001	
	a) financial assets and liabilities designated at fair value	*-2,281*	*7,653*	*-9,934*	
	b) other financial assets mandatorily measured at fair value	*3,911*	*-10,024*	*13,935*	
120.	**Net interest and other banking income**	**13,776**	**7,750**	**6,026**	**77.8**
130.	Net losses/recoveries for credit risks associated with:	-725	-1,319	-594	-45.0
	a) financial assets measured at amortised cost	*-669*	*-1,217*	*-548*	*-45.0*
	b) financial assets measured at fair value through other comprehensive income	*-56*	*-102*	*-46*	*-45.1*
140.	Profits (Losses) on changes in contracts without derecognition	3	-1	4	
150.	**Net income from banking activities**	**13,054**	**6,430**	**6,624**	
160.	Insurance service result	1,064	836	228	27.3
	a) insurance revenue arising from insurance contracts issued	1,518	1,771	-253	-14.3
	b) insurance service expenses arising from insurance contracts issued	-458	-871	-413	-47.4
	c) insurance revenue arising from reinsurance contracts held	73	69	4	5.8
	d) insurance service expenses arising from reinsurance contracts held	-69	-133	-64	-48.1
170.	Balance of financial income and expenses related to insurance operations	-2,648	1,787	-4,435	
	a) net financial expenses/revenue related to insurance contracts issued	-2,652	1,787	-4,439	
	b) net financial expenses/revenue related to reinsurance contracts held	4	-	4	
180.	**Net income from banking and insurance activities**	**11,470**	**9,053**	**2,417**	**26.7**
190.	Administrative expenses:	-5,256	-5,311	-55	-1.0
	a) personnel expenses	*-3,067*	*-3,069*	*-2*	*-0.1*
	b) other administrative expenses	*-2,189*	*-2,242*	*-53*	*-2.4*
200.	Net provisions for risks and charges	-130	-125	5	4.0
	a) commitments and guarantees given	*32*	*-74*	*106*	
	b) other net provisions	*-162*	*-51*	*111*	
210.	Net adjustments to / recoveries on property and equipment	-336	-327	9	2.8
220.	Net adjustments to / recoveries on intangible assets	-451	-388	63	16.2
230.	Other operating expenses (income)	462	488	-26	-5.3
240.	**Operating expenses**	**-5,711**	**-5,663**	**48**	**0.8**
250.	Profits (Losses) on investments in associates and companies subject to joint control	194	204	-10	-4.9
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-22	-3	19	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	160	14	146	
290.	**Income (Loss) before tax from continuing operations**	**6,091**	**3,605**	**2,486**	**69.0**
300.	Taxes on income from continuing operations	-1,846	-1,273	573	45.0
310.	**Income (Loss) after tax from continuing operations**	**4,245**	**2,332**	**1,913**	**82.0**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**4,245**	**2,332**	**1,913**	**82.0**
340.	Minority interests	-23	14	-37	
350.	**Parent Company's net income (loss)**	**4,222**	**2,346**	**1,876**	**80.0**

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			30.06.2023	31.12.2022
Cash and cash equivalents			**79,875**	**112,924**
	Caption 10	Cash and cash equivalents	79,875	112,924
Due from banks			**30,128**	**31,273**
	Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (contribution of banking business)	30,094	31,144
	Caption 20a (partial)	Financial assets held for trading - Due from banks (contribution of banking business)	-	-
	Caption 20b (partial)	Financial assets designated at fair value - Due from banks (contribution of banking business)	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks (contribution of banking business)	34	29
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks (contribution of banking business)	-	100
Loans to customers			**437,497**	**446,854**
Loans to customers measured at amortised cost			***435,583***	***444,244***
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (contribution of banking business)	429,565	437,973
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (contribution of banking business)	6,018	6,271
Loans to customers designated at fair value through other comprehensive income and through profit or loss			***1,914***	***2,610***
	Caption 20a (partial)	Financial assets held for trading - Loans to customers (contribution of banking business)	81	86
	Caption 20b (partial)	Financial assets designated at fair value - Loans to customers (contribution of banking business)	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers (contribution of banking business)	760	916
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers (contribution of banking business)	1,073	1,608
Financial assets measured at amortised cost which do not constitute loans			**60,052**	**52,690**
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks) (contribution of banking business)	1,610	1,740
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (contribution of banking business)	58,442	50,950
Financial assets at fair value through profit or loss			**48,434**	**46,546**
	Caption 20a (partial)	Financial assets held for trading (contribution of banking business)	43,937	42,436
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities (contribution of banking business)	1	1
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value (contribution of banking business)	4,496	4,109
Financial assets at fair value through other comprehensive income			**59,369**	**48,008**
	Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (contribution of banking business)	59,369	48,008
Financial assets pertaining to insurance companies measured at amortised cost			**3**	**3**
	Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (contribution of insurance business)	-	-
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (contribution of insurance business)	3	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss			**102,480**	**103,052**
	Caption 20a (partial)	Financial assets held for trading (contribution of insurance business)	35	85
	Caption 20b (partial)	Financial assets designated at fair value (contribution of insurance business)	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value (contribution of insurance business)	102,409	102,954
	Caption 50 (partial)	Hedging derivatives (contribution of insurance business)	36	13
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income			**71,724**	**69,792**
	Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (contribution of insurance business)	71,724	69,792
Equity investments			**2,599**	**2,013**
	Caption 70	Investments in associates and companies subject to joint control	2,599	2,013
Property, equipment and intangible assets			**18,892**	**19,742**
Assets owned			***17,457***	***18,248***
	Caption 90 (partial)	Property and equipment	8,265	9,011
	Caption 100	Intangible assets	9,192	9,237
Rights of use acquired under leases			***1,435***	***1,494***
	Caption 90 (partial)	Property and equipment	1,435	1,494
Tax assets			**16,080**	**18,130**
	Caption 110	Tax assets	16,080	18,130
Non-current assets held for sale and discontinued operations			**614**	**638**
	Caption 120	Non-current assets held for sale and discontinued operations	614	638
Other assets			**27,458**	**22,922**
	Caption 50	Hedging derivatives (contribution of banking business)	8,950	10,062
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-8,996	-9,752
	Caption 80	Insurance assets	843	151
	Caption 130	Other assets	26,661	22,461
Total Assets			**955,205**	**974,587**

(millions of euro)

Liabilities			30.06.2023	31.12.2022
Due to banks at amortised cost			**94,077**	**137,489**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks (contribution of banking business)	94,082	137,495
	-Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of banking business)	-5	-6
Due to customers at amortised cost and securities issued			**532,468**	**528,795**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers (contribution of banking business)	438,441	454,038
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued (contribution of banking business)	95,277	76,066
	-Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of banking business)	-1,250	-1,309
Financial liabilities held for trading			**47,639**	**46,512**
	Caption 20	Financial liabilities held for trading (contribution of banking business)	47,639	46,512
Financial liabilities designated at fair value			**13,608**	**8,795**
	Caption 30	Financial liabilities designated at fair value (contribution of banking business)	13,608	8,795
Financial liabilities pertaining to insurance companies measured at amortised cost			**2,326**	**2,522**
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (contribution of insurance business)	745	637
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (contribution of insurance business)	236	557
	Caption 10 c) (partial)	Financial liabilities measured at amortised cost - Securities issued (contribution of insurance business)	1,350	1,334
	-Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of insurance business)	-	-
	-Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of insurance business)	-5	-6
Financial liabilities held for trading pertaining to insurance companies			**96**	**171**
	Caption 20 (partial)	Financial liabilities held for trading (contribution of insurance business)	9	-
	Caption 40 (partial)	Hedging derivatives (contribution of insurance business)	87	171
Financial liabilities pertaining to insurance companies designated at fair value			**53,160**	**54,212**
	Caption 30 (partial)	Financial liabilities designated at fair value (contribution of insurance business)	53,160	54,212
Tax liabilities			**2,938**	**2,021**
	Caption 60	Tax liabilities	2,938	2,021
Liabilities associated with non-current assets held for sale and discontinued operations			**-**	**15**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	-	15
Other liabilities			**22,107**	**9,399**
	Caption 40	Hedging derivatives (contribution of banking business)	5,090	5,346
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,414	-8,031
	Caption 80	Other liabilities	23,171	10,763
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of banking business)	5	6
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of insurance business)	-	-
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of banking business)	1,250	1,309
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of insurance business)	5	6
Insurance liabilities			**119,381**	**117,575**
	Caption 110	Insurance liabilities	119,381	117,575
Allowances for risks and charges			**4,944**	**5,812**
	Caption 90	Employee termination indemnities	775	852
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	539	711
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	81	139
	Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	3,549	4,110
Share capital			**10,369**	**10,369**
	Caption 170	Share capital	10,369	10,369
Reserves			**42,585**	**43,002**
	Caption 130	Redeemable shares	-	-
	Caption 150	Reserves	14,654	15,073
	Caption 160	Share premium reserve	28,001	28,053
	- Caption 180	Treasury shares (-)	-70	-124
Valuation reserves			**-1,709**	**-1,939**
	Caption 120	Valuation reserves (contribution of banking business and including IAS19 Reserves pertaining to insurance business)	-1,709	-1,939
Valuation reserves pertaining to insurance companies			**-375**	**-519**
	Caption 120	Valuation reserves (contribution of insurance business)	-375	-519
Interim dividend			**-**	**-1,400**
	Caption 155	Interim dividend (-)	-	-1,400
Equity instruments			**7,217**	**7,211**
	Caption 140	Equity instruments	7,217	7,211
Minority interests			**152**	**166**
	Caption 190	Minority interests	152	166
Net income (loss)			**4,222**	**4,379**
	Caption 200	Net income (loss) (+/-)	4,222	4,379
Total Liabilities and Shareholders' Equity			**955,205**	**974,587**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions		30.06.2023	30.06.2022 Restated
Net interest income		**6,838**	**4,049**
Caption 30	Interest margin	7,932	5,162
- Caption 30 (partial)	Net interest income (Contribution of insurance business)	-1,017	-1,089
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	7	5
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	64	42
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-	27
+ 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)	7	1
+ Caption 80 (partial)	Hedging swap differentials	-118	-89
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-22	-10
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-15	-
Net fee and commission income		**4,353**	**4,544**
Caption 60	Net fee and commission income	3,940	4,422
- Caption 60 (partial)	Net fee and commission income - Insurance segment	350	144
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	1	2
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-	-27
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	25	25
+ 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)	115	49
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	2	-8
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of Banking Business) Fee and commission income Private Banking Division investment advisors	-24	-6
+ Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-30	-30
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	-26	-27
Income from insurance business		**856**	**841**
Caption 160	Insurance service result	1,064	836
Caption 170	Balance of financial income and expenses related to insurance operations	-2,648	1,787
+ Caption 30 (partial)	Net interest income (Contribution of insurance business)	1,017	1,089
+ Caption 60 (partial)	Net fee and commission income - Insurance segment	-350	-144
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of Insurance Business)	231	216
+ Caption 80 (partial)	Profits (Losses) on trading (Contribution of Insurance Business)	-64	-21
+ Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of Insurance Business)	-	-
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income - Contribution of Insurance Business	-360	-127
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss - Contribution of Insurance Business	-2,083	7,105
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Contribution of Insurance Business)	3,803	-10,106
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost (Contribution of Insurance Business)	-	-
+ Caption 130 b) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income (Contribution of Insurance Business)	-29	-55
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	172	158
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	81	74
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	12	9
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	21	15
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of Banking Business) Fee and commission income Private Banking Division investment advisors	24	6
- Caption 160b (partial)	Costs for insurance services deriving from insurance contracts issued - release of insurance liabilities	-35	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of Insurance Business	-	-1

(millions of euro)

Captions		30.06.2023	30.06.2022 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**337**	**1,329**
Caption 80	Profits (Losses) on trading	69	185
Caption 90	Fair value adjustments in hedge accounting	-57	46
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	-2,281	7,653
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	3,911	-10,024
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	-187	-252
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	18	-8
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of Banking Business)	120	140
- 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)	-7	-1
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-25	-25
- Caption 80 (partial)	Profits (Losses) on trading (Contribution of Insurance Business)	64	21
- Caption 80 (partial)	Hedging swap differentials	118	89
- Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of Insurance Business)	-	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income- Relations between Banks/Other undertakings with Insurance Business	-	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income (Contribution of Insurance Business)	360	127
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	81	361
- 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)	-115	-49
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Contribution of Insurance Business)	2,083	-7,105
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Contribution of Insurance Business)	-3,803	10,106
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-28	60
- 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)	1	7
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	14	-6
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of Banking Business)	-1	-
- 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)	-	-2
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	2	6

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(millions of euro)

Captions		30.06.2023	30.06.2022 Restated
Other operating income (expenses)		**14**	**-8**
Caption 70	Dividend and similar income	359	356
Caption 230	Other operating expenses (income)	462	488
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-7	-5
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-1	-2
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	9	-13
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of Banking Business)	-120	-140
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of Insurance Business)	-231	-216
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-9	-11
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-442	-465
- Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	7	15
- 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)	4	3
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-2	-6
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-4	-6
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-33	-24
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-2	-2
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	24	20
Operating income		**12,398**	**10,755**
Personnel expenses		**-3,185**	**-3,189**
Caption 190 a)	Personnel expenses	-3,067	-3,069
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	2	-50
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	22	10
- Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	30	30
- Caption 190 a) (partial)	Personnel expenses (One-off contribution to personnel)	-	48
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	-172	-158
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Other administrative expenses		**-1,375**	**-1,352**
Caption 190 b)	Other administrative expenses	-2,189	-2,242
- Caption 190 b) (partial)	Other administrative expenses (Amounts attributed to Net interest income - For Funding initiative)	-	-
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	18	26
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	343	391
- Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	26	27
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	4	6
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	53	38
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	-81	-74
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	442	465
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	9	11
Adjustments to property, equipment and intangible assets		**-651**	**-623**
Caption 210	Net adjustments to / recoveries on property and equipment	-336	-327
Caption 220	Net adjustments to / recoveries on intangible assets	-451	-388
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of Insurance Business	-	1
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	30	27
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	8	1
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	33	24
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	-12	-9
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	-21	-15
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	68	45
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	1	-
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	27	16
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	2	2
Operating costs		**-5,211**	**-5,164**
Operating margin		**7,187**	**5,591**

(millions of euro)

Captions		30.06.2023	30.06.2022 Restated
Net adjustments to loans		**-556**	**-1,432**
Caption 140	Profits/losses from changes in contracts without derecognition	3	-1
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	32	-74
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Loans (Contribution of Banking Business)	-24	-154
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of Banking Business)	15	3
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) (Contribution of Banking Business)	41	51
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	-14	6
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Contribution of Banking Business)	-626	-1,181
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of Banking Business)	-	-10
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Loans (Contribution of Banking Business)	17	-6
+ Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-	-66
Other net provisions and net impairment losses on other assets		**-191**	**-114**
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-22	-3
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-162	-51
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	17	-39
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of Banking Business)	-44	-24
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities due to Banks (Contribution of Banking Business)	1	-2
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Debt securities (Contribution of Banking Business)	-44	-41
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-	2
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-	-2
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	15	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-2	-11
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-	66
+ Caption 160b (partial)	Costs for insurance services deriving from insurance contracts issued - release of insurance liabilities	35	-
- Caption 260 (partial)	Valuation differences on property, equipment and intangible assets measured at fair value	24	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-8	-1
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-1	-
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-	-8
Other income (expenses)		**304**	**143**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	194	204
Caption 280	Profits (Losses) on disposal of investments	160	14
Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of Banking Business)	78	361
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of Banking Business)	3	-
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-81	-361
+ Caption 190 a) (partial)	Personnel expenses (One-off contribution to personnel)	-	-48
+ 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 income/expenses or income/expenses not linked to continuing operations)	-7	-15
+ Caption 260 (partial)	Valuation differences on property, equipment and intangible assets measured at fair value	-24	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-24	-20
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	5	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-	8
Income (Loss) from discontinued operations		**-**	**-**
Caption 320	Income (Loss) after tax from discontinued operations	-	-
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Gross income (loss)		**6,744**	**4,188**

(millions of euro)

Captions		30.06.2023	30.06.2022 Restated
Taxes on income		**-2,084**	**-1,475**
Caption 300	Taxes on income from continuing operations	-1,846	-1,273
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	-53	-38
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-36	-10
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-44	-32
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-105	-122
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Charges (net of tax) for integration and exit incentives		**-86**	**-39**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-2	50
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-18	-26
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-	2
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-30	-27
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-68	-45
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-4	-3
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	36	10
Effect of purchase price allocation (net of tax)		**-90**	**-64**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-64	-42
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) - (Contribution of Banking Business)	-41	-51
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of Banking Business)	1	-
+ 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)	-	2
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	2	11
+ Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-27	-16
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	-5	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	44	32
Levies and other charges concerning the banking industry (net of tax)		**-239**	**-278**
+ 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)	-1	-7
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-	-2
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-343	-391
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	105	122
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		**-23**	**14**
Caption 340	Minority interests	-23	14
Net income (loss)		**4,222**	**2,346**

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Financial calendar

Approval of the Interim Statement as at 30 September 2023:	3 November 2023