INTESA SANPAOLO

Distribution of an interim dividend for the year 2023 by Intesa Sanpaolo S.p.A. pursuant to Article 2433-bis of the Italian Civil Code

Board of Directors 3 November 2023

This is an English translation of the original Italian document "Distribuzione da parte di Intesa Sanpaolo S.p.A. di un acconto sul dividendo dell'esercizio 2023 ai sensi dell'art. 2433-bis del Codice Civile". 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.

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

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Deputy Chair	Paolo Andrea COLOMBO
Consigliere delegato e Chief Executive Officer	Carlo MESSINA (a)
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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

Directors’ report on the distribution of an interim dividend pursuant to Article 2433-bis of the Italian Civil Code

Remarks on the distribution of an interim dividend

The 2022-2025 Business Plan – presented on 4 February 2022 – confirmed the Group's commitment to sustainable value creation and distribution over the Plan period, envisaging a dividend payout of 70% of the stated consolidated net income for each year of the Plan and an additional capital return through a buyback of 3.4 billion euro, with a first part carried out in 2022 and completed in the initial months of 2023.
As part of the strong value distribution envisaged, as was the case in 2021 and 2022, also in 2023 the Board of Directors intends to exercise the power granted by Article 29.5 of the Articles of Association to approve an interim dividend in the manner and form prescribed by law.

Article 2433-bis, paragraphs 1 and 2, of the Italian Civil Code establishes that the distribution of interim dividends is only permitted for companies whose financial statements are subject to independent audit, if that distribution is envisaged by the Articles of Association and approved by the directors after the independent auditors have issued a positive opinion on the financial statements of the previous year and these have been approved. It is also established, in paragraph 3, that the distribution of interim dividends is not permitted when the latest approved financial statements show losses for the year or previous years.
The distribution must be approved by the directors on the basis of financial statements and a report that confirms that the Company's balance sheet, economic and financial position allow for the distribution. An opinion on those documents must have been obtained from the external auditor.
With regard to the quantification of the amount of the interim dividend, paragraph 4 of the above-mentioned Article of the Italian Civil Code establishes that the distribution cannot exceed the lower of the amount of profit made from the end of the prior year, less the share to be allocated to the legal or statutory reserve, and the amount of the available reserves.

In consideration of the above, and in view of the power granted under Article 29.5 of the Articles of Association, it is noted that the Financial Statements of Intesa Sanpaolo S.p.A. as at 31 December 2022:
- did not show any losses for the year or for previous years;
- were subject to independent audit by EY S.p.A., which issued its positive opinion on 23 March 2023;
- were approved by the Shareholders' Meeting on 28 April 2023.

In the case of Intesa Sanpaolo S.p.A., the distribution of the interim dividend is determined on the basis of the financial statements as at 30 June 2023, prepared in accordance with the recognition and measurement criteria established by international accounting standards IAS/IFRS endorsed by the European Union (IFRS-EU) used for the preparation of the separate financial statements as at 31 December 2022, to which reference should be made for a more complete description. The updates made to the accounting policies used for the Half-yearly consolidated financial statements to reflect the entry into force of the new IFRS 17 Insurance contracts do not apply to the Parent Company's financial statements, since Intesa Sanpaolo doesn't carry out the insurance business directly.
The financial statements comprise the balance sheet as at 30 June 2023, the income statement for the interim period from 1 January to 30 June 2023, the statement of comprehensive income for that period, the statement of changes in shareholders' equity for the period 1 January to 30 June 2023 and the statement of cash flows for the period 1 January to 30 June 2023.

The amounts reported are compared with the corresponding amounts for the same period last year, except for the balance sheet, which is compared with the corresponding statement as at 31 December 2022.
The available reserves reported in the financial statements as at 30 June 2023 amounted to 22,833 million euro, while the available net income for the period amounted to 3,686 million euro.
In determining the available net income for the period, and therefore the interim dividend distributable, all the items that contribute to this determination, in accordance with the applicable regulations, have been taken into account.

The table below provides a summary of the relevant data for the determination of the interim dividend distributable.

	(millions of euro)
Net income of Intesa Sanpaolo S.p.A. for the period 1 January - 30 June 2023	3,934
Amount of net income for the period to be allocated to the legal reserve (a)	-
Amount of net income for the period not distributable pursuant to Article 6, paragraph 1, letter a), of Legislative Decree no. 38/2005	248
Net income for the period available	3,686
Available reserves	22,833
Interim dividend distributable (Article 2433-bis, paragraph 4, Italian Civil Code)	3,686
Proposed interim dividend	2,633
Proposed interim dividend per share (euro cents) (b)	14.40

(a) The legal reserve, amounting to 2,125 million euro as at 30 June 2023, represents over 20% of the share capital.

(b) Following the annulment of all the own shares purchased in execution of the buyback programme – disclosed to the market on 6 February 2023 – which started on 13 February and ended on 4 April 2023, the number of shares constituting the share capital decreased to 18,282,798,989 while the value of the share capital remained unchanged at 10,368,870,930.08 euro.

Accordingly, pursuant to Article 2433-bis, paragraph 4 of the Italian Civil Code, the maximum amount distributable as an interim dividend is 3,686 million euro.

It should be noted that, 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 2022 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), the Board of Directors of Intesa Sanpaolo, on 3 February 2023, decided 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 updated following the annulment were filed with the Turin Company Register on 3 May 2023.

In consideration of the above, the interim dividend distribution for the year 2023 shall be allocated to each of the 18,282,798,989 ordinary shares constituting the share capital of Intesa Sanpaolo S.p.A. as at the date of this document.

With respect to the one-off tax calculated on the increase in banks' net interest income[1], pursuant to Article 26 of Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, and considering in particular the provision in paragraph 5-bis of that article – which allows for the allocation of an amount to a non-distributable reserve, in lieu of payment of the tax envisaged, of no less than two and a half times the amount of the tax – the Board of Directors, in its meeting held on 25 October 2023, decided to propose to the Shareholders' Meeting, when approving 2023 financial statements, net income allocation and dividend distribution to shareholders, the allocation of 1,991,446,276.10 euro from the net income for the full year 2023 to a specific reserve, thus taking up the option provided by the above-mentioned measure. This amount will therefore be specifically mentioned in the Proposals to the Shareholders' Meeting in the 2023 Annual Report.

Given that the above-mentioned conditions set forth in paragraphs 1 to 3 of Article 2433-bis of the Italian Civil Code have been met and in light of (i) the information provided in the chapters below of this Report on Intesa Sanpaolo S.p.A.'s economic and financial performance in the first six months of 2023, together with the information contained in the paragraph "Subsequent events", (ii) the economic, balance sheet and financial performance of the Intesa Sanpaolo Group in the first nine months of 2023 and (iii) the disclosure provided in the paragraph "Information on the economic prospects and the outlook for the current year", the Board of Directors intends to distribute an interim dividend – in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code – totalling 2,632,723,054.42 euro, resulting from a unit amount of 14.40 euro cents for each ordinary share, before tax, that will be paid on the first available date, namely 22 November 2023 (with coupon presentation on 20 November and record date on 21 November).

Please note that own shares held by the Bank at the record date of 21 November 2023 are not entitled for interim dividends and the corresponding amount will be allocated to the Extraordinary Reserve.

[1] See also chapter Subsequent events to the first half of 2023 of this Report.

Following the distribution of the interim dividend being discussed, the capital ratios of the Intesa Sanpaolo Group – both those recorded as at 30 September 2023 and those expected at the year-end – remain well above the minimum requirements set by the supervisory regulations and in particular the Common Equity Tier 1 Ratio, which is also higher than the minimum fully loaded target of 12% that the Group has set for itself. In addition, there are no regulatory recommendations regarding the capital requirements applicable to Intesa Sanpaolo that preclude the proposed distribution of the interim dividend.

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The sections below describe the economic and balance sheet performance of Intesa Sanpaolo S.p.A. during the first half of the year 2023.
For details of the underlying macroeconomic environment, as well as the monitoring of the main risks related to the military conflict between Russia and Ukraine, see the introductory chapter of the Half-Yearly Report as at 30 June 2023, published on the Group website www.group.intesasanpaolo.com.
That chapter also describes the other significant events involving Intesa Sanpaolo during the period, including the official presentation of Isybank, the Group's new digital bank, and the update on the implementation of the 2022-2025 Business Plan, with a particular focus on the projects and initiatives through which the Group's commitment in ESG and sustainability is realized.
To enable a better understanding of Intesa Sanpaolo S.p.A.'s performance, the half-yearly comments use aggregates and indicators that can be classed as "Alternative Performance Measures". A description of these measures is provided in the specific section of the Report on operations accompanying the 2022 Consolidated financial statements and in this document no changes have been made to the measures used.

Economic results

Introduction

The reclassified income statement and balance sheet of the Parent Company Intesa Sanpaolo S.p.A. as at and for the six months ended 30 June 2023, accompanied by a brief comment on the income statement results and balance sheet aggregates are presented below.

General aspects

The income statement is presented in a condensed reclassified format to enable a more immediate interpretation of the results. To guarantee comparison on a like-for-like basis, the income statement data referring to previous periods have been restated, where necessary and if material, particularly in relation to changes in the scope of reference. This uniformity is achieved through restated figures, which include/exclude the values of the companies that entered or left the scope of reference.

In particular, to reduce the volatility of the various income statement captions related to changes in the scope of reference due to sales/demergers of business lines, the income statement components for the first half of 2022 relating to the business line involving specific activities for the design and provision of training solutions for the employees of the Group transferred by the Parent Company to Intesa Sanpaolo Formazione on 22 June 2022 (with accounting and tax effects from that date), together with the higher administrative expenses in relation to new training services provided to Intesa Sanpaolo as a result of the signing of commercial agreements with Digit'Ed, have been reclassified from the original captions to the caption "Income (Loss) from discontinued operations".

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

The reclassifications and aggregations of captions of the reclassified income statement refer to:
- dividends relating to investments carried at equity, as well as those received and paid within the framework of securities lending, which are reallocated to Profits (losses) on financial assets and liabilities designated at fair value;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, which are allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as net interest income, inasmuch as they cover the financing cost incurred by the Bank;
- Profits (losses) on trading, Fair value adjustments in hedge accounting, Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss, Profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which are reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value, except for any amounts relating to adjustments on certain portions of loans mandatorily measured at fair value, which relate to measurements of credit positions and are therefore reported in the caption Net adjustments to loans in order to provide a single presentation of the adjustments relating to the same position;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (losses) on trading and Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss to Net fee and commission income;
- the recoveries of expenses, taxes and duties, which are deducted from Administrative expenses, instead of being included among Other income (expenses);
- the costs of several incentive systems for employees of the Group's distribution networks, where funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues concerned, which are reclassified from Personnel expenses to Fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors;
- Profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which are allocated to Net adjustments to loans;
- Net losses/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single 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 is 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 are 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 are reclassified to Impairment (net of tax) of goodwill and other intangible assets;
- the costs incurred in 2022 for a one-off contribution to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, not linked to their work performance but to mitigate the impact of inflation, which were reclassified from Personnel expenses to Other income (expenses);
- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments, which are reclassified to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Administrative expenses and other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are measured at fair value as provided for by IFRS 3;
- Levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
- Impairment on goodwill, other intangible assets, and investments in subsidiaries, which are shown net of tax.

Reclassified income statement

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Net interest income	4,839	3,041	1,798	59.1
Net fee and commission income	2,708	2,788	-80	-2.9
Profits (Losses) on financial assets and liabilities designated at fair value	226	1,280	-1,054	-82.3
Other operating income (expenses)	2,270	2,456	-186	-7.6
Operating income	**10,043**	**9,565**	**478**	**5.0**
Personnel expenses	-2,509	-2,559	-50	-2.0
Administrative expenses	-1,010	-989	21	2.1
Adjustments to property, equipment and intangible assets	-527	-512	15	2.9
Operating costs	**-4,046**	**-4,060**	**-14**	**-0.3**
Operating margin	**5,997**	**5,505**	**492**	**8.9**
Net adjustments to loans	-639	-618	21	3.4
Other net provisions and net impairment losses on other assets	-158	-103	55	53.4
Other income (expenses)	189	141	48	34.0
Income (Loss) from discontinued operations	-	31	-31	
Gross income (loss)	**5,389**	**4,956**	**433**	**8.7**
Taxes on income	-1,151	-961	190	19.8
Charges (net of tax) for integration and exit incentives	-51	7	-58	
Effect of purchase price allocation (net of tax)	-64	-55	9	16.4
Levies and other charges concerning the banking industry (net of tax)	-195	-222	-27	-12.2
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	6	-240	246	
Net income (loss)	**3,934**	**3,485**	**449**	**12.9**

Figures restated, where necessary and material.

The income statement of Intesa Sanpaolo S.p.A. for the first half of 2023 posted net income of 3,934 million euro, compared with 3,485 million euro for the first half of the previous year (+449 million euro; +12.9%), while gross income, amounting to 5,389 million euro, was up by 433 million euro (+8.7%) compared to 4,956 million in June 2022.

Net income (loss)

The change in net income for the first half of 2023 was attributable to:

- the increase in Operating income of 478 million euro (+5%), attributable to the higher contribution from Net interest income (+1,798 million euro; +59.1%), only partially offset by the falls in Profits (Losses) on financial assets and liabilities designated at fair value (-1,054 million euro; -82.3%), in Other net operating income (-186 million euro; -7.6%), mainly due to lower Dividends (-207 million euro; -8.8%), and in Net fee and commission income (-80 million euro; -2.9%);
- the slight fall in Operating costs of 14 million euro (-0.3%), due to the decrease in Personnel expenses (-50 million euro; -2%), largely offset by the increase in Administrative expenses (+21 million euro; +2.1%) and Depreciation and amortisation (+15 million euro; +2.9%);
- the increase in Net adjustments to loans of 21 million euro (+3.4%);
- the increase in Other net provisions and net impairment losses on other assets of 55 million euro (+53.4%), of which 11 million euro due to an increase in Other net provisions, 15 million euro due to an increase in Net adjustments on securities measured at amortised cost and on securities measured at fair value through other comprehensive income, and 29 million euro due to an increase in Net impairment losses on other assets;
- the increase in Other income of 48 million euro (+34%);
- the zeroing of the Net income from discontinued operations (-31 million euro);
- the tax effect of the above-mentioned changes;
- the increase in Charges (net of tax) for integration of 58 million euro;
- the increase in charges related to the Effect of purchase price allocation (net of tax) of 9 million euro (+16.4%);
- the decrease in Levies and other charges concerning the banking industry (net of tax) of 27 million euro (-12.2%);
- the decrease in Impairment (net of tax) of goodwill, other intangible assets and investments in subsidiaries of 246 million euro.

Net interest income

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Relations with customers	5,586	3,134	2,452	78.2
Securities issued	-1,402	-803	599	74.6
Customer dealing	**4,184**	**2,331**	**1,853**	**79.5**
Instruments measured at amortised cost which do not constitute loans	598	214	384	
Other financial assets and liabilities designated at fair value through profit or loss	92	-91	183	
Other financial assets designated at fair value through other comprehensive income	415	231	184	79.7
Financial assets	**1,105**	**354**	**751**	
Relations with banks	**-522**	**268**	**-790**	
Differentials on hedging derivatives	**-386**	**-161**	**225**	
Other net interest income	**458**	**249**	**209**	**83.9**
Net interest income	**4,839**	**3,041**	**1,798**	**59.1**

Net interest income, amounting to 4,839 million euro, rose sharply compared to the first half of 2022 (+1,798 million euro; +59.1%), partly influenced by the monetary policy decisions taken by the ECB and, in particular, by the repeated hikes in key interest rates made from July 2022.

Customer dealing contributed 4,184 million euro, up by 1,853 million euro on June 2022 (+79.5%), of which +2,452 million euro on relations with customers, partially offset by an increase in interest expense on securities issued of 599 million euro.

Interest on financial assets amounted to +1,105 million euro, up 751 million euro, due to the increase in the contribution from instruments measured at amortised cost which do not constitute loans (+384 million euro), financial assets measured at fair value through other comprehensive income (+184 million euro), and other financial assets and liabilities measured at fair value through profit or loss (+183 million euro).

The contribution of interbank transactions amounted to -522 million euro, down 790 million euro from +268 million euro in the first half of 2022, due to the effects of the trend in transactions with banks, which reflected the difference in market interest rates between the two periods under comparison.

Lastly, other net interest income increased to 458 million euro compared to 249 million euro in June 2022 (+209 million euro; +83.9%).

Net fee and commission income

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Guarantees given / received	55	91	-36	-39.6
Collection and payment services	238	228	10	4.4
Current accounts	604	598	6	1.0
Credit and debit cards	155	140	15	10.7
Commercial banking activities	**1,052**	**1,057**	**-5**	**-0.5**
Dealing and placement of securities	707	703	4	0.6
Currency dealing	1	2	-1	-50.0
Portfolio management	43	55	-12	-21.8
Distribution of insurance products	450	460	-10	-2.2
Other	115	104	11	10.6
Management, dealing and consultancy activities	**1,316**	**1,324**	**-8**	**-0.6**
Other net fee and commission income	**340**	**407**	**-67**	**-16.5**
Net fee and commission income	**2,708**	**2,788**	**-80**	**-2.9**

Net fee and commission income, at 2,708 million euro, was down slightly on the first half of the previous year (-80 million euro; -2.9%). The decrease involved all the segments: commercial banking (-5 million euro; -0.5%), management, dealing and consultancy activities (-8 million euro; -0.6%), and other net fee and commission income (-67 million euro; -16.5%). In the commercial banking component, there was a decrease in fees on guarantees given and received (-36 million euro), against an increase in fees on ATM and credit card services (+15 million euro), collection and payment services (+10 million euro), and current accounts (+6 million euro).
For the management, dealing and consultancy activities, the decrease was mainly due to the lower contribution from portfolio management (-12 million euro) and the distribution of insurance products (-10 million euro), only partly offset by the increase in other management and dealing commissions (+11 million euro). Lastly, for the other net fee and commission income, the decrease was mainly due to loans granted.

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	-99	469	-568	
Profits (losses) on hedges under hedge accounting	-55	35	-90	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	96	158	-62	-39.2
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	267	628	-361	-57.5
Profits (losses) on the buyback of financial liabilities	17	-10	27	
Profits (Losses) on financial assets and liabilities designated at fair value	**226**	**1,280**	**-1,054**	**-82.3**

Profits (Losses) on financial assets and liabilities designated at fair value amounted to 226 million euro, compared to 1,280 million euro for the first half of the previous year (-1.054 million euro; -82.3%). That performance should be interpreted along with the sharp increase in the net interest income, with specific reference to transactions in certificates, which generated positive effects on the income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates.
Specifically, the decrease in the overall caption was attributable to lower profits (losses) on trading and financial instruments under fair value option (-568 million euro, largely arising from interest rate transactions due to higher interest rate levels in the first half of 2023 compared to the much lower levels in 2022), lower profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and of assets at amortised cost (-361 million euro, of which -350 million euro due to the absence of the 2022 gains from the sale of HTC debt securities, mainly government bonds), lower profits (losses) on hedges under hedge accounting (-90 million euro), impacted by interest rates, and lower profits (losses) on assets mandatorily measured at fair value through profit or loss (-62 million euro; -39.2%). These negative effects were countered by higher net gains from the repurchase of financial liabilities (+27 million euro), mainly attributable to the repurchase of own debt securities on the secondary market.

Other operating income (expenses)
Other net operating income amounted to 2,270 million euro compared to 2,456 million euro in the first half of 2022, representing a decrease of 186 million euro (-7.6%). The aggregate includes dividends from investees, with the remainder comprised of sundry operating income. The change in this caption was almost entirely attributable to dividends, which decreased by 207 million euro (-8.8%). In particular, in the first half of 2023, dividends were recorded totalling 2,141 million euro, compared to 2,348 million euro in June 2022. Sundry operating income amounted to 129 million euro, an increase of 21 million euro compared to the first half of 2022 (+19.4%).

Operating income
As a result of these changes, operating income amounted to 10,043 million euro, up 478 million euro (+5%) on 9,565 million euro for the first half of the previous year.

Operating costs

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Wages and salaries	1,701	1,785	-84	-4.7
Social security charges	464	474	-10	-2.1
Other	344	300	44	14.7
Personnel expenses	**2,509**	**2,559**	**-50**	**-2.0**
Information technology expenses	303	301	2	0.7
Management of real estate assets expenses	137	105	32	30.5
General structure costs	150	150	-	-
Professional and legal expenses	96	110	-14	-12.7
Advertising and promotional expenses	40	36	4	11.1
Costs for outsourcing to Group companies	12	9	3	33.3
Indirect personnel costs	64	61	3	4.9
Other costs	137	153	-16	-10.5
Indirect taxes and duties	80	76	4	5.3
Recovery of expenses and charges	-9	-12	-3	-25.0
Administrative expenses	**1,010**	**989**	**21**	**2.1**
Property and equipment	206	217	-11	-5.1
Intangible assets	321	295	26	8.8
Adjustments	**527**	**512**	**15**	**2.9**
Operating costs	**4,046**	**4,060**	**-14**	**-0.3**

Operating costs amounted to 4,046 million euro, down slightly on June 2022 (-14 million euro; -0.3%), due to the reduction in personnel expenses, which decreased from 2,559 million euro to 2,509 million euro (-50 million euro; -2%) partially offset by the increase in other administrative expenses, which rose from 989 million euro to 1,010 million euro (+21 million euro; +2.1%) and depreciation and amortisation of property and equipment and intangible assets, which totalled 527 million euro compared to 512 million euro in June 2022 (+15 million euro; +2.9%).
With specific regard to personnel expenses, the decrease of 50 million euro was mainly attributable to the impact of the variable components of remuneration.

For the other administrative expenses, the increase of 21 million euro was mainly attributable to real estate management expenses (+32 million euro), due to the increase in electricity and gas costs, partially offset by the decrease in legal and professional fees (-14 million euro).

Lastly, the increase of 15 million euro in depreciation and amortisation of property and equipment and intangible assets was made up of 26 million euro attributable to intangible assets, following the technological investments made, countered by the decrease of 11 million euro in property and equipment.

Operating margin

The changes in operating income and costs described above resulted in an operating margin of 5,997 million euro, compared to 5,505 million euro for the first half of the previous year, representing an increase of 492 million euro, or +8.9%.
The cost/income ratio in June 2023 came to 40.3%, an improvement on the figure for the same period of 2022 (42.4%).

Net adjustments to loans

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Bad loans	-182	-151	31	20.5
Unlikely to pay	-349	-464	-115	-24.8
Past due loans	-130	-99	31	31.3
Stage 3 loans	**-661**	**-714**	**-53**	**-7.4**
of which debt securities	*-3*	*-*	*3*	*-*
Stage 2 loans	**71**	**107**	**-36**	**-33.6**
of which debt securities	*-3*	*-8*	*-5*	*-62.5*
Stage 1 loans	**-72**	**-8**	**64**	
of which debt securities	*19*	*3*	*16*	
Net losses/recoveries on impairment of loans	**-662**	**-615**	**47**	**7.6**
Profits/losses from changes in contracts without derecognition	**17**	**-1**	**18**	
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**6**	**-2**	**8**	
Net adjustments to loans	**-639**	**-618**	**21**	**3.4**

Adjustments to loans amounted to 639 million euro, an increase of 21 million euro (+3.4%) compared to June 2022 (618 million euro).
The increase was mainly attributable to the decrease of 100 million euro in recoveries on the performing component, partially offset by the positive effect of 53 million euro of the non-performing component, also linked to the progressive de-risking of the Bank's loan portfolio.
Specifically, there was an increase in adjustments to bad loans (+31 million euro; +20.5%) and to past-due loans (+31 million euro; +31.3%), which was more than offset by the decrease in adjustments to unlikely-to-pay loans (-115 million euro; -24.8%). For the performing loans, there was an increase in net adjustments to Stage 1 loans (+64 million euro) and a decrease in recoveries on Stage 2 loans (-36 million euro; -33.6%).
As at 30 June 2023, the ratio of non-performing loans to total gross loans stood at 2.3%, stable compared to June 2022. Based on the EBA methodology, the gross NPL to total loan ratio stood at 1.9% in June 2023.
The annualised cost of credit, expressed as the ratio of net adjustments to net loans, stood at 34 basis points in June 2023, up by 4 basis points on the 30 basis points in June 2022.
As at June 2023, the average coverage of non-performing loans was 47.2%, an increase of 4.7 percentage points compared to the figure at June 2022 (42.5%), attributable to the difference in the breakdown of the portfolio by non-performing category. More specifically, the coverage ratio was 66.4% for bad loans, 39.5% for unlikely-to-pay loans, and 19.5% for past-due loans, while the coverage for forborne positions within non-performing assets was 41%. Finally, the coverage of performing loans was 0.5% and incorporated the physiological risk inherent in the loan portfolio.
The net gains from changes in contracts without derecognition amounted to 17 million euro, compared to losses of 1 million euro as at 30 June 2022. Lastly, Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given made a positive contribution of 6 million euro, compared with 2 million euro of provisions in June 2022 (+8 million euro).

Other net provisions and net impairment losses on other assets

(millions of euro)

	30.06.2023	30.06.2022	Changes	
			amount	%
Other net provisions	-55	-44	11	25.0
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-70	-55	15	27.3
Net impairment losses on other assets	-33	-4	29	
Other net provisions and net impairment losses on other assets	**-158**	**-103**	**55**	**53.4**

Other net provisions and net impairment losses on other assets amounted to 158 million euro, compared to 103 million euro in June 2022, an increase of 55 million euro, or +53.4%. These related to provisions for legal disputes and other charges (55 million euro, of which 32 million euro as the estimate of the cost for the new "Intesa Sanpaolo 2024" Reward prize contest launched to increase customer loyalty and engagement), net adjustments to debt securities measured at amortised cost which do not constitute loans and to debt securities measured at fair value through other comprehensive income (70 million euro), and net impairment losses on other assets (33 million euro).

Other income (expenses)
Other income (expenses) amounted to 189 million euro (+141 million euro as at 30 June 2022) and included the 195 million euro gain from the sale of Zhong Ou Asset Management Company Limited.
As at 30 June 2022, this caption included a capital gain of 194 million euro from the disposal of Intesa Sanpaolo Formazione and a one-off contribution of 38 million euro to Intesa Sanpaolo personnel to mitigate the impact of inflation.

Income (Loss) from discontinued operations
Income (Loss) from discontinued operations had a zero value as at June 2023, while it reported income of 31 million euro in the comparison period, due to the restatement of the income effects associated with the business line involving specific activities regarding the design and provision of training solutions for the employees of the Group transferred by the Parent Company Intesa Sanpaolo to Intesa Sanpaolo Formazione S.p.A. (22 June 2022, with accounting and tax effects from that date), together with the increase in administrative expenses related to the new services provided to Intesa Sanpaolo following the signing of specific commercial agreements with Digit'Ed.

Gross income (loss)
Gross income consequently amounted to 5,389 million euro, up 433 million euro (+8.7%) on the first half of the previous year (4,956 million euro).

Taxes on income
Taxes on income calculated on the components contributing to gross income amounted to -1,151 million euro, compared to -961 million euro in the same period of the previous year.

Charges (net of tax) for integration and exit incentives
The Charges (net of tax) for integration and exit incentives amounted to -51 million euro and mainly related to depreciation and amortisation (-49 million euro) and administrative expenses (-4 million euro), partially offset by the release of provisions for risks and charges (+2 million euro). This compares with +7 million euro in June 2022, mainly due to the positive effects of personnel expenses (+38 million euro) and provisions for risks and charges (+10 million euro), partially offset by the negative effects of depreciation and amortisation (-35 million euro) and other administrative expenses (-8 million euro).

Effect of purchase price allocation (net of tax)
The effect of purchase price allocation (net of tax effect) amounted to -64 million euro, compared to -55 million euro in June 2022. This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets.

Levies and other charges concerning the banking industry (net of tax)
Levies and other charges concerning the banking industry (net of tax) amounted to 195 million euro, down from 222 million euro as at June 2022 (-27 million euro; -12.2%) and included the amount due as an ordinary contribution to the Single Resolution Fund (SRF) of 194 million euro.

Impairment (net of tax) of goodwill, other intangible assets and controlling interests
Impairment (net of tax) of goodwill, other intangible assets and controlling interests amounted to +6 million euro, of which 12 million euro related to the write-down of some controlling interests, offset by 18 million euro from the partial release of the provision made in 2022 to cover indirect risks in respect of the interest held in Pravex Bank Joint-Stock Company, in connection with the ongoing conflict, to capture the value of the investee's equity contribution to the Group's consolidated financial statements.
As at June 2022, this caption amounted to -240 million euro mainly related to the full write-downs of the controlling interests held in Ukraine and Russia, respectively Pravex Bank Joint-Stock Company and Joint Stock Company Banca Intesa, for a total of 116 million euro, as well as the allocation of 82 million euro to cover indirect risks in respect of the interest in Pravex Bank Joint-Stock Company.

Balance sheet aggregates

General aspects

A reclassified condensed balance sheet has been prepared to permit a more immediate understanding of the assets and liabilities.
Unlike the income statement figures, it was not necessary to restate the balance sheet figures on a like-for-like basis, because there were no changes in the scope of reference.

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

The aggregations of the captions of the reclassified balance sheet related to:

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

Reclassified balance sheet

(millions of euro)

Assets	30.06.2023	31.12.2022	changes	
			amount	%
Cash and cash equivalents	66,037	97,071	-31,034	-32.0
Due from banks	30,852	35,264	-4,412	-12.5
Loans to customers	375,891	385,795	-9,904	-2.6
Loans to customers measured at amortised cost	*374,223*	*383,277*	*-9,054*	*-2.4*
Loans to customers at fair value through other comprehensive income and through profit or loss	*1,668*	*2,518*	*-850*	*-33.8*
Financial assets measured at amortised cost which do not constitute loans	54,301	46,629	7,672	16.5
Financial assets measured at fair value through profit or loss	48,845	47,523	1,322	2.8
Financial assets measured at fair value through other comprehensive income	44,131	34,196	9,935	29.1
Equity investments	24,179	23,646	533	2.3
Property, equipment and intangible assets	11,869	12,056	-187	-1.6
Assets owned	*10,993*	*11,136*	*-143*	*-1.3*
Rights of use acquired under leases	*876*	*920*	*-44*	*-4.8*
Tax assets	14,855	16,594	-1,739	-10.5
Non-current assets held for sale and discontinued operations	554	528	26	4.9
Other assets	20,676	16,079	4,597	28.6
Total Assets	**692,190**	**715,381**	**-23,191**	**-3.2**

Liabilities	30.06.2023	31.12.2022	changes	
			amount	%
Due to banks at amortised cost	113,815	159,956	-46,141	-28.8
Due to customers at amortised cost and securities issued	438,082	433,616	4,466	1.0
Financial liabilities held for trading	49,745	48,810	935	1.9
Financial liabilities designated at fair value	13,609	8,795	4,814	54.7
Tax liabilities	434	431	3	0.7
Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
Other liabilities	17,888	5,241	12,647	
of which lease payables	*899*	*943*	*-44*	*-4.7*
Allowances for risks and charges	3,827	4,464	-637	-14.3
of which allowances for commitments and financial guarantees given	*416*	*425*	*-9*	*-2.1*
Share capital	10,369	10,369	-	-
Reserves	33,006	33,531	-525	-1.6
Valuation reserves	287	81	206	
Interim dividend	-	-1,400	-1,400	
Equity instruments	7,194	7,188	6	0.1
Net income (loss)	3,934	4,284	-350	-8.2
Total Liabilities and Shareholders' Equity	**692,190**	**715,381**	**-23,191**	**-3.2**

Comments are provided below on the main balance sheet aggregates as at 30 June 2023 compared with those as at 31 December 2022.

Loans to customers

Loans to customers: breakdown

(millions of euro)

	30.06.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	10,146	2.7	9,742	2.5	404	4.1
Mortgages	216,614	57.6	226,219	58.6	-9,605	-4.2
Advances and other loans	123,588	32.9	123,817	32.1	-229	-0.2
Commercial banking loans	**350,348**	**93.2**	**359,778**	**93.2**	**-9,430**	**-2.6**
Repurchase agreements	**15,358**	**4.1**	**15,357**	**4.0**	**1**	**-**
Loans represented by securities	**5,547**	**1.5**	**5,775**	**1.5**	**-228**	**-3.9**
Non-performing loans	**4,638**	**1.2**	**4,885**	**1.3**	**-247**	**-5.1**
Loans to customers	**375,891**	**100.0**	**385,795**	**100.0**	**-9,904**	**-2.6**

As at 30 June 2023, loans to customers totalled around 375.9 billion euro, down on 385.8 billion euro for the previous year (-9.9 billion euro; -2.6%). This performance was almost entirely due to the decrease in commercial banking loans (-9.4 billion euro; -2.6%), in particular mortgages (-9.6 billion euro; -4.2%) and short-term loans in the form of advances and loans (-0.2 billion euro; -0.2%), only partly offset by the positive performance of current accounts (+0.4 billion euro; +4.1%). The performance of the commercial banking loans was driven by the tightening of monetary policy, in particular the sharp and sudden rise in key interest rates, which contributed to a significant fall in demand for loans from households and business, which resorted to using internal sources, in particular the liquidity accumulated on bank deposits in previous years. The disbursements of new mortgages also had significant impact, continuing a trend that began in the middle of last year, with the rise in official interest rates, and was accentuated in 2023 as a result of the decline in residential property sales underway since the last quarter of 2022.
Non-performing loans decreased to 4.6 billion euro (-0.2 billion euro; -5.1%). Loans represented by securities also decreased slightly to 5.5 billion euro (-0.2 billion euro; -3.9%).

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	969	0.2	919	0.3	50
Unlikely to pay	3,249	0.9	3,637	0.9	-388
Past due loans	420	0.1	329	0.1	91
Non-Performing Loans	**4,638**	**1.2**	**4,885**	**1.3**	**-247**
Non-performing loans in Stage 3 (subject to impairment)	*4,594*	*1.2*	*4,761*	*1.3*	*-167*
Non-performing loans designated at fair value through profit or loss	*44*	*-*	*124*	*-*	*-80*
Performing loans	**365,625**	**97.3**	**375,049**	**97.2**	**-9,424**
Stage 2	*27,263*	*7.3*	*33,694*	*8.7*	*-6,431*
Stage 1	*337,892*	*89.9*	*340,655*	*88.3*	*-2,763*
Performing loans designated at fair value through profit or loss	*470*	*0.1*	*700*	*0.2*	*-230*
Performing loans represented by securities	**5,547**	**1.5**	**5,775**	**1.5**	**-228**
Stage 2	*735*	*0.2*	*724*	*0.2*	*11*
Stage 1	*4,812*	*1.3*	*5,051*	*1.3*	*-239*
Loans held for trading	81	**-**	86	**-**	-5
Total loans to customers	**375,891**	**100.0**	**385,795**	**100.0**	**-9,904**
of which forborne performing	***4,855***		***6,254***		***-1,399***
of which forborne non-performing	***1,852***		***1,949***		***-97***
Loans to customers classified as discontinued operations	**518**		**368**		**150**

In terms of loan quality, net non-performing exposures decreased by 5.1% from 4.9 billion euro as at 31 December 2022 to 4.6 billion euro as at 30 June 2023.
The movements in the individual components show:
– an increase in bad loans from 919 million euro to 969 million euro, or +5.4%;
– a reduction in loans classified as “unlikely to pay”, which fell from 3,637 million euro to 3,249 million euro, equal to -10.7%;
– an increase in past-due loans, which amounted to 420 million euro compared to 329 million euro as at 31 December 2022 (+27.7%).

The non-performing assets percentage of total net loans to customers amounted to 1.2% (1.1% according to the EBA definition), down slightly on 1.3% in December 2022 (1.2% according to the EBA definition), with a coverage ratio for non-performing loans of 47.2%.
Net performing loans amounted to 365.6 billion euro, compared to 375 billion euro as at 31 December 2022, representing a decrease of 9.4 billion euro (-2.5%). The related average coverage was 0.46% (Stage 1 at 0.16% and Stage 2 at 4.04%), substantially in line with 31 December 2022 (0.48%, of which Stage 1 at 0.13% and Stage 2 at 3.84%).

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets at fair value through profit or loss	Financial assets 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	8,830	31,059	35,512	**75,401**	X
31.12.2022	7,324	25,514	27,369	**60,207**	X
Amount of changes	1,506	5,545	8,143	**15,194**	X
Change (%)	20.6	21.7	29.8	**25.2**	X
Other debt securities					
30.06.2023	4,578	11,947	18,789	**35,314**	X
31.12.2022	3,076	7,355	19,260	**29,691**	X
Amount of changes	1,502	4,592	-471	**5,623**	X
Change (%)	48.8	62.4	-2.4	**18.9**	X
Equities					
30.06.2023	1,614	1,125	X	**2,739**	X
31.12.2022	1,349	1,327	X	**2,676**	X
Amount of changes	265	-202	X	**63**	X
Change (%)	19.6	-15.2	X	**2.4**	X
Quotas of UCI					
30.06.2023	2,806	X	X	**2,806**	X
31.12.2022	2,658	X	X	**2,658**	X
Amount of changes	148	X	X	**148**	X
Change (%)	5.6	X	X	**5.6**	X
Due to banks and customers					
30.06.2023	X	X	X	**X**	-9,112
31.12.2022	X	X	X	**X**	-7,241
Amount of changes	X	X	X	**X**	1,871
Change (%)	X	X	X	**X**	25.8
Financial derivatives					
30.06.2023	29,692	X	X	**29,692**	-30,975
31.12.2022	32,162	X	X	**32,162**	-32,838
Amount of changes	-2,470	X	X	**-2,470**	-1,863
Change (%)	-7.7	X	X	**-7.7**	-5.7
Credit derivatives					
30.06.2023	1,325	X	X	**1,325**	-1,327
31.12.2022	954	X	X	**954**	-935
Amount of changes	371	X	X	**371**	392
Change (%)	38.9	X	X	**38.9**	41.9
TOTAL 30.06.2023	**48,845**	**44,131**	**54,301**	**147,277**	**-41,414**
TOTAL 31.12.2022	**47,523**	**34,196**	**46,629**	**128,348**	**-41,014**
Amount of changes	**1,322**	**9,935**	**7,672**	**18,929**	**400**
Change (%)	**2.8**	**29.1**	**16.5**	**14.7**	**1.0**

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

The table above shows the breakdown of the other financial assets and liabilities, with the latter reported net of certificates, because these are included in the aggregates of the direct deposits from banking business.
Total financial assets stood at 147.3 billion euro, up 18.9 billion euro from the beginning of the year (+14.7%). Financial liabilities held for trading increased by 0.4 billion euro (+1%) to 41.4 billion euro.

The increase in financial assets was mainly attributable to the increase in the stock of government debt securities (+15.2 billion euro; +25.2%) and other debt securities (+5.6 billion euro; +18.9%), partially offset by the decrease in financial derivatives (-2.5 billion euro; -7.7%).

More specifically, the financial assets at fair value through profit or loss – which included financial and credit derivatives and debt and equity securities held for trading and mandatorily measured at fair value – are analysed together with the financial liabilities held for trading and designated at fair value, net of certificates, already included in the direct deposits. As at 30 June 2023, this aggregate amounted to +7.4 billion euro, compared to +6.5 billion euro in December 2022, representing a change of +0.9 billion euro. The change was attributable both to financial assets held for trading, up by 1.3 billion euro (+2.8%) as a result of the increase in on-balance sheet assets (+3 billion euro), in particular government debt securities (+1.5 billion euro), bank debt securities (+1.2 billion euro) and credit derivatives (+0.4 billion euro), partly offset by financial derivatives (-2.5 billion euro), and to an increase in financial liabilities held for trading of 0.4 billion euro (+1%), the change in which was mainly due to amounts due to banks (+1.1 billion euro), amounts due to customers (+0.8 billion euro), and credit derivatives (+0.4 billion euro), only partly offset by financial derivatives (-1.9 billion euro).

Financial assets at fair value through other comprehensive income amounted to 44.1 billion euro. These assets, which consisted of debt securities of 43 billion euro and equity investments and private equity interests of 1.1 billion euro, increased by 9.9 billion euro (+29.1%), primarily due to non-structured debt securities. HTCS debt securities have primarily been classified to Stage 1 (98.7%).

Financial assets measured at amortised cost which do not constitute loans amounted to 54.3 billion euro, up 7.7 billion euro (+16.5%) compared to the previous year, mainly as a result of the increase in debt securities with governments. HTC debt securities have primarily been classified to Stage 1 (89.7%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
30.06.2023	42,454	48,702	**91,156**
31.12.2022	32,763	44,826	**77,589**
Amount of changes	9,691	3,876	**13,567**
Change (%)	29.6	8.6	**17.5**
Stage 2			
30.06.2023	552	5,599	**6,151**
31.12.2022	106	1,803	**1,909**
Amount of changes	446	3,796	**4,242**
Change (%)			
Stage 3			
30.06.2023	-	-	**-**
31.12.2022	-	-	**-**
Amount of changes	-	-	**-**
Change (%)	-	-	**-**
TOTAL 30.06.2023	**43,006**	**54,301**	**97,307**
TOTAL 31.12.2022	**32,869**	**46,629**	**79,498**
Amount of changes	**10,137**	**7,672**	**17,809**
Change (%)	**30.8**	**16.5**	**22.4**

Direct deposits from banking business

(millions of euro)

	30.06.2023	% breakdown	31.12.2022	% breakdown	changes amount	%
Current accounts and deposits	310,143	67.4	335,558	74.5	-25,415	-7.6
Repurchase agreements and securities lending	15,020	3.3	1,275	0.3	13,745	
Bonds	81,151	17.6	67,018	14.9	14,133	21.1
Certificates of deposit	127	-	136	-	-9	-6.6
Subordinated liabilities	13,538	2.9	12,549	2.8	989	7.9
Other deposits	40,043	8.8	33,671	7.5	6,372	18.9
of which: designated at fair value (*)	*21,940*	*4.8*	16,591	*3.7*	*5,349*	*32.2*
Direct deposits from banking business	**460,022**	**100.0**	**450,207**	**100.0**	**9,815**	**2.2**

(*) Figures relating to “certificates” included in the Balance sheet under “Financial liabilities held for trading” and “Financial liabilities designated at fair value”.

Direct customer deposits, consisting of amounts due to customers at amortised cost and securities issued, as well as certificates, which are a form of funding not measured at amortised cost alternative to bonds, totalled 460 billion euro, up 9.8 billion euro (+2.2%) compared to 31 December 2022. This performance was mainly attributable to the increase in bond funding (+14.1 billion euro; +21.1%), repurchase agreements and securities lending (+13.7 billion euro), and certificates (+5.3 billion euro; +32.2%), partly offset by the decrease in current accounts and deposits (-25.4 billion euro; -7.6%). In a scenario of progressive increases in interest rates, 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. This accounts for the decrease in current accounts and deposits, against the growth in other funding, in particular certificates.

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”. As at 30 June 2023, that amount was 57.5 billion euro (89 billion euro in December 2022).

Including the liquidity mentioned above, the net interbank position amounted to a net debt of -25.5 billion euro as at 30 June 2023, compared to -35.7 billion euro as at 31 December 2022 (a decrease of 10.2 billion euro, or -28.7%). The change in the aggregate reflected the reduction in amounts due from banks of 4.4 billion euro (-12.5%) and in the balance of overnight deposits with the ECB of 31.5 billion euro (-35.4%), against the decrease in amounts due to banks of 46.1 billion euro (-28.8%), due to the early repayments or natural extinguishment of the TLTRO III refinancing operations with the ECB in the first half of 2023, totalling 51 billion euro. As at 30 June 2023, the outstanding debt to the ECB for TLTRO III operations was 45 billion euro.

Equity investments

Equity investments, which amounted to 24.2 billion euro, included controlling interests in subsidiaries, associates and companies subject to joint control and were up slightly with respect to the end of the previous year (+0.5 billion euro; +2.3%).

Property, equipment and intangible assets

Property, equipment and intangible assets amounted to 11.9 billion euro, down 0.2 billion euro (-1.6%) compared to 12.1 billion euro as at 31 December 2022.

Tax assets

Tax assets, net of tax liabilities, amounted to 14.4 billion euro, down 1.7 billion euro (-10.8%) on 31 December 2022.

Allowances for risks and charges

Allowances for risks and charges amounted to around 3.8 billion euro, down from the end of the previous year (-0.6 billion euro; -14.3%).

Non-current assets held for sale and discontinued operations and related liabilities

Non-current assets held for sale and discontinued operations and related liabilities contain assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 30 June 2023, there were assets/groups of assets held for sale totalling 0.6 billion euro, while the figure for related liabilities was not significant (0.5 million euro). This caption was made up of 516 million euro of performing loans and 2 million euro of non-performing loans, as well as 36 million euro of individual properties. In May 2023, the sale was completed of the investment in Zhoung Ou Asset Management Co. Ltd., previously classified under assets held for sale.

Shareholders' equity

Shareholders' equity, including the net income of 3,934 million euro, amounted to 54.8 billion euro compared to 54.1 billion euro as at 31 December 2022.
In addition to the difference in the net income of the two comparison periods (-0.4 billion euro; -8.2%), the most significant changes contributing to the increase of 0.7 billion euro (+1.4%) were attributable to:

- the positive effect, recognised at the time of allocation of the 2022 net income for the year, related to the closure of the interim dividend paid on 21 November 2022 from the 2022 net income, approved by the Board of Directors on 4 November 2022 in accordance with the provisions of Article 2433-bis, paragraph 4, of the Italian Civil Code (+1.4 billion euro);
- the decrease in reserves of 0.5 billion euro (-1.6%), due to the net effect of the increase in the extraordinary reserve and the legal reserve of 1.2 billion euro, in accordance with the resolution passed by the Shareholders' Meeting of 28 April 2023 at the time of allocation of the extraordinary reserve for 2022, and the use of the extraordinary reserve for 1.7 billion euro, attributable to the completion of the programme of purchase of own shares for annulment (buyback), which commenced on 13 February 2023 and ended on 4 April 2023, and the subsequent annulment of 706,004,171 shares, with no reduction in share capital;
- the increase in valuation reserves (+0.2 billion euro).

In the interest of completeness, a breakdown is provided below of the reserves as at 30 June 2023, including the information required by Article 2427, paragraphs 7-bis and 22-septies, of the Italian Civil Code.

(millions of euro)

	Amount as at 30.06.2023	Principal	Portion of net income	Portion subject to a suspended tax regime	Portion available (a)	Uses in the past three years
Shareholders' equity						
– Share capital	10,369	7,824	759	1,786	-	-
– Equity instruments	7,194	7,232	-38	-	-	-
– Share premium reserve (b)	28,160	13,037	11,454	3,669	A, B, C	394
– Legal reserve	2,125	520	1,605	-	A(1), B, C(1)	-
– Extraordinary reserve	2,640	317	2,323	-	A, B, C	1,932
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par. 3)	302	-	-	302	A, B(2), C(3)	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7)	366	-	-	366	A, B(2), C(3)	-
– Other reserves, of which:						
Legal Reserve Branches abroad	*13*	*-*	*13*	*-*	*A, B, C*	*-*
Reserve for contribution to LECOIP 2.0/POP incentive plans	*154*	*152*	*2*	*-*	*A*	*-*
Merger surplus reserve Intesa Sanpaolo Provis	*3*	*3*	*-*	*-*	*A, B, C*	*-*
IFRS 2 reserve for employee incentive scheme	*66*	*66*	*-*	*-*	*A*	*-*
Reserve for AT1 equity instruments coupons	*-1,696*	*-*	*-1,696*	*-*	*-*	*-*
Suspended tax reserve former UBI Banca	*421*	*-*	*-*	*421*	*A, B,C*	*-*
Unavailable net income reserve pursuant to Article 6 of Legislative Decree 38/2005	*1,051*	*-*	*1,051*	*-*	*B*	*-*
Stock option plans reserve	*42*	*-*	*42*	*-*	*A*	*-*
Reserves: other	*-622*	*-*	*-626*	*4*	*-*	*-*
– Valuation reserves						
Revaluation reserve (Law 576 of 2/12/1975)	*4*	*-*	*-*	*4*	*A, B(2), C(3)*	*-*
Revaluation reserve (Law 72 of 19/3/1983)	*146*	*-*	*-*	*146*	*A, B(2), C(3)*	*-*
Revaluation reserve (Law 408 of 29/12/1990)	*9*	*-*	*-*	*9*	*A, B(2), C(3)*	*-*
Revaluation reserve (Law 413 of 30/12/1991)	*380*	*-*	*-*	*380*	*A, B(2), C(3)*	*-*
Revaluation reserve (Law 342 of 22/11/2000)	*460*	*-*	*-*	*460*	*A, B(2), C(3)*	*-*
FVOCI valuation reserve	*-1,755*	*-*	*-1,755*	*-*	*-*	*-*
Property and equipment and intangible assets valuation reserve	*1,667*	*-*	*1,667*	*-*	*(4)*	*-*
CFH valuation reserve	*-349*	*-*	*-349*	*-*	*-*	*-*
Defined benefit plans valuation reserve	*-175*	*-*	*-175*	*-*	*-*	*-*
Financial liabilities designated at fair value through profit or loss valuation reserve	*-100*	*-*	*-100*	*-*	*-*	*-*
– Own shares	-19	-19	-	-	-	-
Total Capital and Reserves	**50,856**	**29,132**	**14,177**	**7,547**	(5)	-
Non-distributable portion (c)	8,108	-	-	-	-	-

(a) A = capital increase; B = loss coverage; C = distribution to shareholders.

(b) This reserve includes 23,734 million euro originating from the merger between Banca Intesa and Sanpaolo IMI, as a result of the application of IFRS 3 relating to business combinations.
Pending the issue of legal measures concerning the classification of the reserve recognised in application of that accounting standard, the reserve is considered unavailable up to the amount of goodwill and intangible assets recognised in the financial statements. It should be noted that, solely for the amount classified as suspended tax, if the reserve is used to cover losses, net income cannot be distributed unless the reserve is replenished or correspondingly reduced. In addition, if the suspended tax amount is distributed to shareholders, it contributes to the formation of the company income. The portion of profits subject to tax suspension, equal to 3,669 million euro, includes 1,685 million euro relating to the realignment of the tax values to the higher book values of several real estate assets in accordance with Article 1, paragraph 948, of Law 145/2018 and 1,473 million euro relating to the realignment of the tax values of the brand name and other intangible assets to the higher book values pursuant to Article 110, paragraphs 8 and 8 bis of Law Decree 104/2020.

(c) The non-distributable portion mainly relates to the revaluation reserves, the valuation reserves established as a direct balancing entry to the fair value measurement of property and equipment, the reserve established under the long-term incentive plans, a portion of the share premium reserve, the other suspended tax reserves, the share of net income corresponding to the capital gains recognised in the income statement of the previous year, net of the related tax charge, arising from the application of the fair value measurement, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005, and the amount of the legal reserve corresponding to one-fifth of the share capital, pursuant to Article 2430 of the Italian Civil Code.

(1) May be used to increase capital (A) and for distribution to shareholders (C) for the portion exceeding one fifth of the share capital.

(2) If the reserve is used to cover losses, net income cannot be distributed unless the reserve is replenished or correspondingly reduced.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Italian Civil Code. If it is distributed to shareholders, it contributes to the formation of the taxable income of the company.

(4) The reserve is unavailable pursuant to Article 6 of Legislative Decree 38/2005.

(5) Pursuant to Article 47, paragraph 1 of the Combined Tax Regulations, the portion of net income includes retained earnings reserves for 4,208 million euro classified for tax purposes as capital reserves.

The valuation reserves have been included under retained earnings reserves given that these are either reserves destined to be reversed to the income statement at the time of sale or discharge of the corresponding assets or liabilities, i.e. reserves essentially similar to retained earnings reserves.

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	37,546	36,396	37,025
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,184	7,184	7,184
TIER 1 CAPITAL	**44,730**	**43,580**	**44,209**
Tier 2 capital net of regulatory adjustments	9,255	9,054	8,431
TOTAL OWN FUNDS	**53,985**	**52,634**	**52,640**
Risk-weighted assets			
Credit and counterparty risk	274,248	280,555	280,008
Market and settlement risks	12,006	8,325	8,325
Operational risks	18,892	18,043	18,043
Other specific risks (a)	-	-	-
RISK-WEIGHTED ASSETS	**305,146**	**306,923**	**306,376**
% Capital ratios			
Common Equity Tier 1 capital ratio	12.3%	11.9%	12.1%
Tier 1 capital ratio	14.7%	14.2%	14.4%
Total capital ratio	17.7%	17.1%	17.2%

(*) 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 amounted to 54 billion euro, while the Common Equity Tier 1 ratio stood at 12.3%, well above the minimum envisaged.

Risk management

The information on the role performed by the Parent Company Intesa Sanpaolo to ensure effective and efficient management of the risks that the Group is or may be exposed to is provided in the corresponding chapter of the Explanatory notes to the Half-yearly condensed consolidated financial statements as at 30 June 2023. You are reminded that Intesa Sanpaolo, in its capacity as Parent Company, performs a role of guidance and coordination[2] with respect to the Group companies, with responsibility for setting the guidelines and methodological rules within the risk management process.

Specifically, the following main risk factors are discussed in the above-mentioned section of the Explanatory notes to the half-yearly condensed consolidated financial statements:

- the **military conflict between Russia and Ukraine**, with the measurement approaches adopted, which do not only relate to the loan portfolio but also, albeit to a limited extent, to the securities and real estate positions, as well as summary details of both the direct exposures, namely those of the subsidiaries in the two countries, and cross-border exposures, namely those generated mainly by the corporate and investment banking activities of the Parent Company and the international subsidiary banks of the IMI C&IB Division. After the significant de-risking carried out in 2022, mainly as a result of the final disposal of two major exposures, there was a further reduction in risks due to disposals, redemptions and extinguishments in the first half of 2023;
- **credit risk**, with updates of the reference macroeconomic context for the calculation of the Expected Credit Loss. In view of the continuing uncertainties affecting the baseline forecast scenario, despite an improvement – due to upward risks for the core inflation component and possible disruptions in European energy supplies, which may prompt central banks to prolong their restrictive monetary policies with potential recessionary effects – post-model adjustments have been made to the results from the measurement approaches, as permitted by IFRS 9. For the Parent Company Intesa Sanpaolo, these have been applied to the Retail/Retail SME and Corporate SME segments starting from the medium/high risk levels, with specific modulation for sectors particularly exposed to risks deriving from the economic forecasts;
- **counterparty risk**, a particular type of credit risk involving derivative contracts and transactions in financial instruments, which are of primary importance for the Parent Company, which is authorised to use advanced measurement approaches, and that is present only residually in the other Group banks, which nevertheless apply advanced metrics at management level in simplified form;
- **market risks**, both with reference to the trading book, where Intesa Sanpaolo has the predominant share at consolidated level, and the banking book, in relation to which a summary outline is provided of the current measurement system that examines the risk profile of on-balance sheet or off-balance sheet items most closely related to lending and deposit collecting activities, based on two distinct but complementary perspectives: economic value, in the medium to long term, and net interest income, in the shorter term;
- **liquidity risk**, noting that the Parent Company performs the functions of monitoring and managing liquidity not only in relation to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed, through an internal control and management system, whose key aspects are described, which is implemented through the Group's Risk Appetite Framework and the maximum tolerance thresholds approved within it;
- **ESG (Environmental, Social and Governance) risks and climate change risk**, with a description of the main actions taken to monitor and manage those risks under the Risk Appetite Framework;
- **operational risks**, for which an outline is provided of the governance model, involving, with direct responsibility, both the Organisational Units of the Parent Company and those of the other Group Banks and Companies, in line with a strategy of prudent assumption and management of those risks in order to ensure business solidity and continuity in the long term. Particular attention is given to the disclosure on legal risks, with an update on developments for the most significant outstanding disputes, and to the disclosure on tax disputes, which also refers to the most significant cases.

The qualitative and quantitative disclosure on risk management in the Explanatory notes to the half-yearly condensed consolidated financial statements as at 30 June 2023 also includes the following, as they are closely monitored by the Parent Company:

- several types of financial products that supranational and national supervisory bodies consider to be high-risk, and therefore call for maximum transparency: these consist of structured credit products, operations carried out through Special Purpose Entities (SPEs), leveraged transactions, investments in hedge funds, and transactions in trading derivatives carried out with customers;
- the three pillars of the framework of financial measurement at fair value, namely fair value measurement of financial assets and liabilities according to the IFRS, independent price verification (IPV) and prudent value measurement. The latter are established by the CRR (Capital Requirement Regulation);
- the transition activities carried out by Intesa Sanpaolo on the various categories of financial instruments as part of the interest rate benchmark reform.

Subsequent to 30 June 2023, there were no events that could significantly change the risk profile of the Bank and the Group.

[2] In this regard, it is specified that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. and its subsidiaries pursuant to Articles 2497 *et seq.* of the Italian Civil Code.

Subsequent events to the first half of 2023

After the end of the half year, no events occurred that could have a negative impact on the income statement and the balance sheet included in the Financial Statements of Intesa Sanpaolo as at 30 June 2023 prepared pursuant to Article 2433-bis of the Italian Civil Code, as set out below in this document.

At its meeting today, the Board of Directors approved the Consolidated Interim Statement as at 30 September 2023, which closed with a significantly improved result for the period and solid capital strength, well above the regulatory requirements.
As stated in the specific press release, to which reference is made, the Group closed the first nine months of 2023 with net income up 85% to 6,122 million euro, driven by the growth in net interest income, by a cost/income ratio among the best in Europe, despite inflation and significant investments in technology and growth, and by a cost of risk that is now down to all-time lows, consistent with the Group's positioning among the best in Europe in terms of stock and level of non-performing loans.
The revenue, cost and net income performance was also positive for the Parent Company Intesa Sanpaolo.
Taking into account the payout envisaged under the Business Plan, equal to 70% of consolidated net income – and therefore of 4.3 billion euro dividend already accrued in the first nine months – the Common Equity Tier 1 Ratio at consolidated level stood at 13.6%.
The CET1 level reached, moreover, does not take into account the additional 120 basis points of benefit deriving from the absorption of deferred tax assets (DTAs), of which around 25 basis points in the fourth quarter 2023 - 2025 horizon (estimated pro-forma fully loaded Common Equity Tier 1 ratio of 14.9%[3]).

The main events affecting Intesa Sanpaolo subsequent to the end of the first half of 2023 are summarised below.

On 19 July 2023, the agreement was signed with the Trade Unions concerning the transfer of two business lines, by the 100% controlling company Intesa Sanpaolo to Isybank, the Group's new digital bank officially presented on 15 June, which represents 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.
The transfer, approved by the Parent Company on 30 March 2023, involves two separate business lines, each consisting of a set of assets and legal relations operationally organised for the management of private individual customers who primarily use digital channels.
On 11 October 2023, Isybank approved a share capital increase from 30 million to 31 million, to be carried out in two tranches and settled through the contributions in kind of the above-mentioned business lines, which were valued by Intesa Sanpaolo with the support of an independent third-party expert.
On the weekend of 14-15 October 2023, the transfer was completed of the first business line consisting of around 300,000 Intesa Sanpaolo customers with simpler operational characteristics, identified based on specific criteria. The transfer took legal effect on 16 October 2023. The second transfer, which will involve customers with more complex characteristics than the previous transfer, is scheduled for March 2024, alongside the enhancement of the product catalogue, services and features, as well as new marketing and communication initiatives.

On 28 July, the results of the 2023 EU-Wide Stress Test were announced. The Test was conducted by the European Banking Authority (EBA), in cooperation with the Single Supervisory Mechanism (SSM), the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) and involved also Intesa Sanpaolo for the scope of consolidation.
The reference scenario covers a three-year horizon (2023-2025). The stress test has been carried out applying a static balance sheet assumption as of December 2022 and therefore does not take into account future business strategies and management actions. It is not a forecast of Intesa Sanpaolo's profits.
The Intesa Sanpaolo Group fully loaded CET1 ratio resulting from the stress test for 2025, the final year considered in the exercise, stood at 14.85% under the baseline scenario and 10.85% under the adverse scenario, versus the starting-point figure of 13.53% as of 31 December 2022. These results highlight that Intesa Sanpaolo is able to confirm its solidity even in complex scenarios, thanks to its well-diversified and resilient business model.

In line with the proactive management of its capital base, on 31 August 2023 Intesa Sanpaolo announced a cash tender offer for any and all of its perpetual "€750,000,000 6.25% Additional Tier 1 Notes" outstanding for the full nominal amount issued (ISIN XS1614415542, first call on 16 May 2024), at a price of 100.25% – an offer subject to the terms and conditions, as well as the offer and distribution restrictions, set out in the tender offer memorandum dated 31 August 2023 – and the accompanying launch of a new issue of fixed-rate reset perpetual Additional Tier 1 notes in a nominal amount of no less than 750,000,000 euro to be offered, subject to market conditions, to qualified investors, including holders of the notes subject of the offer.
At the Offer Expiration, on 7 September 2023, the amount of the notes validly tendered amounted to 503,077,000 euro, equivalent to 67.08% of the nominal amount outstanding, which Intesa Sanpaolo agreed to repurchase. Accordingly, on the

[3] Estimated taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs on the acquisition of UBI Banca and the trade union agreement of November 2021, and the expected distribution from the net income of the insurance companies for the first nine months of 2023.

settlement date of 11 September 2023, it paid the purchase price consideration and the accrued interest amount to the holders that tendered the notes. The notes are now outstanding for the remaining amount of 246,923,000 euro and will be redeemed in full on the first call date (16 May 2024) as Intesa Sanpaolo has already received the necessary authorisation from the ECB.
Also on 7 September, the settlement took place of the new perpetual "€1,250,000,000 9.125% Additional Tier 1 Notes" (ISIN XS2678939427), with first interest rate reset date on 7 March 2030 and every five years thereafter, listed on the Luxembourg Stock Exchange.

During the period from 11 September to 13 September 2023 an ordinary share buyback programme was implemented to service plans for the assignment, free of charge, of Intesa Sanpaolo ordinary shares to the employees and the Financial Advisors of the Group, in relation to: (i) mainly, the Intesa Sanpaolo Group share-based incentive plan for 2022; and (ii) to a lesser extent, the incentive plans of certain subsidiaries. These incentive plans are reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold"[4], for those who are paid a "particularly high" amount[5] and for those who, among Middle Management or Professionals that are not Risk Takers, accrue "relevant bonuses"[6]. In addition, the programme was implemented in order to grant, when certain conditions occur, severance payments upon early termination of employment.
In the three days during which the programme was executed, a total of 32,000,000 Intesa Sanpaolo ordinary shares were purchased, through the IMI Corporate & Investment Banking Division, tasked with the purchases. These represent around 0.18% of the share capital of the Parent Company. The average price was 2.4697 euro per share, for a total countervalue of 79,031,462.67 euro. The Parent Company purchased 20,200,547 shares at an average price of 2.4683 euro per share, for a countervalue of 49,861,766.11 euro.
The transactions were executed in compliance with provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits determined in the resolutions passed by the competent corporate bodies. Specifically, in the case of the Parent Company Intesa Sanpaolo, the transactions were executed in accordance with the terms approved by the Shareholders' Meeting of 28 April 2023.
Pursuant to Article 132 of the Consolidated Law on Finance and Article 144-bis of the Issuers' Regulation and subsequent amendments, purchases were executed on the regulated market Euronext Milan managed by Borsa Italiana in accordance with trading methods laid down in the market rules for these transactions.

On 12 September 2023, Intesa Sanpaolo, which offers real estate brokerage and advisory services through Intesa Sanpaolo Casa via a network of agencies in major Italian cities, together with Homepal a Better Place, a next-generation online real estate agency, which supports customers in the various stages of buying and selling real estate, through a digital platform and real estate agents operating remotely, and BPER Banca, already a shareholder of Homepal, announced that they had reached an agreement for a strategic and commercial partnership to create a new player operating across the Italian market. The new entity will be able to draw on the complementary service models of Intesa Sanpaolo Casa and Homepal and leverage the Intesa Sanpaolo and BPER networks to meet customers' property buying and selling needs through technological services, physical presence and the experience of their agents.
The transaction was finalised on 23 October 2023 with Intesa Sanpaolo's transfer of its 100% shareholding in Intesa Sanpaolo Casa to Homepal. Following the transaction, Intesa Sanpaolo has a 49% shareholding in Homepal, with the remaining 34% held by Homepal's previous shareholders and 17% by BPER Banca.
The value of the transfer of Intesa Sanpaolo Casa to Homepal was supported by a fairness opinion prepared by an independent expert in accordance with Article 2343 of the Italian Civil Code. Intesa Sanpaolo's rights as a non-controlling shareholder and the governance of the company were also defined within the transaction. Based on the provisions of the agreements made, Intesa Sanpaolo's shareholding in Homepal has been classified under interests subject to significant influence pursuant to IAS 28. Given that the closing of the transaction took place after the end of the third quarter, and all the requirements of IFRS 5 had been met, as at 30 September 2023 the investment in Intesa Sanpaolo Casa was reclassified to assets held for sale and discontinued operations.

The voluntary exits plan, in accordance with the trade union agreements of 29 September 2020 and 16 November 2021, continued in the third quarter at Group level. There were 888 voluntary exits, of which 855 with effect from 1 July. Overall, in the first nine months of 2023, 2,190 voluntary exits occurred within the Group perimeter for a total of 7,049 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 period July-September 2023 there were around 350 hires at Group level as part of those agreements, for a total of around 1,250 in the nine months of 2023 and around 2,600 from the beginning of 2021, compared with the 4,600 planned by the end of 2025.

Under the 2022-2025 Business Plan, through which the Group intends to pursue a modular de-risking strategy, which was mostly launched during the previous Business Plan, it should be noted that in October the disposal of an Intesa Sanpaolo's non performing loans portfolio, mainly constituted by bad loans for an amount of 0.3 billion euro gross of adjustments, was completed. As at 30 June 2023 the portfolio was classified as assets held for sale.

With reference to the one-off tax calculated on the increase in banks' net interest income, pursuant to Article 26 of Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, and considering in particular the provision in paragraph 5-bis of that article – which allows for the allocation of an amount to a non-distributable reserve, in lieu of payment of the tax envisaged, of no less than two and a half times the amount of the tax – the Board of Directors, in its

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

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

[6] Namely, an amount higher than the "materiality threshold" (for Middle Managers and Professionals usually equal to 80 thousand euro, unless otherwise provided for by specific local regulations and subject to the fact that for those working in the business functions of Intesa Sanpaolo Wealth Management and those belonging to the Reyl Group the threshold is set at 150 thousand euro) and 100% of the fixed remuneration.

meeting held on 25 October 2023, decided to propose to the Shareholders' Meeting, when approving 2023 financial statements, net income allocation and dividend distribution to shareholders, the allocation of 1,991,446,276.10 euro from the net income for the full year 2023 to a specific reserve, thus taking up the option provided by the above-mentioned measure.
If this reserve is distributed in the future, it must be subject to payment of the tax calculated pursuant to paragraph 3 of Article 26, amounting to 796,578,510.44 euro, plus interest calculated based on the interest rate on deposits with the European Central Bank. Due to the amount of the freely distributable reserves not classed as suspended tax available to Intesa Sanpaolo as at 30 September 2023 (22,713 million euro) and the additional freely distributable reserves classed as suspended tax (4,750 million euro), it is deemed highly unlikely that the above-mentioned tax will be paid in the future.

Lastly, on 30 October 2023 Intesa Sanpaolo announced the acquisition of Romania's First Bank S.A. from US-based private investment fund J.C. Flowers & Co. Intesa Sanpaolo and JCF Tiger Holdings S.A.R.L., the controlling shareholder of First Bank S.A., have signed a share purchase agreement for the acquisition of 99.98% of the shares in First Bank S.A. The transaction is expected to close by the first quarter of 2024, pending approval by the competent regulatory authorities.
First Bank is a commercial bank with 40 branches in Romania, focused on serving SMEs and retail customers, which in recent years has prioritized investments in digital technology, developing one of the market's best-regarded mobile banking apps.
The acquisition will allow the Group to strenghten its presence in the CEE region and in particular in Romania, where it already operates through Intesa Sanpaolo Bank Romania, part of Intesa Sanpaolo's International Subsidiary Banks Division.

Information on the economic prospects and the outlook for the current year

With regard to 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 be well above 14 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 above 7.5 billion euro.
The implementation of the 2022-2025 Business Plan is proceeding at full speed and the key industrial initiatives are well underway, with the prospect of 2024-2025 consolidated net income to exceed net income envisaged for 2023.

In the second half of the year, Intesa Sanpaolo S.p.A. expects continued strong net income, also due to further growth in net interest income.

A strong value distribution is envisaged:
- cash payout ratio of 70% of the consolidated net income for each year of the Business Plan;
- cash interim dividends of around 2.6 billion euro on the 2023 results, to be distributed in November 2023;
- additional distribution for 2023 to be quantified at approval of full-year results in early February 2024;
- any additional distribution for 2024 and 2025 to be evaluated year by year.

A solid capital position is envisaged, with the Group's 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. Intesa Sanpaolo S.p.A.'s capital ratios are expected to largely exceed the minimum capital requirements set.

The Board of Directors

Milan, 3 November 2023

* * *

In this regard, the independent auditors EY S.p.A. issued their legally-required opinion during the meeting of the Board of Directors of 3 November 2023, after the approval of this document.

Financial statements of Intesa Sanpaolo S.p.A.
as at 30 June 2023 prepared pursuant
to Article 2433-bis of the Italian Civil Code

Financial statements

EMARKET SDIR CERTIFIED

Balance Sheet – Assets

(millions of euro)

Assets		30.06.2023	31.12.2022	Changes amount	Changes %
10.	Cash and cash equivalents	66,037	97,071	-31,034	-32.0
20.	Financial assets measured at fair value through profit or loss	49,474	48,462	1,012	2.1
	a) financial assets held for trading	*45,753*	*44,502*	*1,251*	*2.8*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*3,720*	*3,959*	*-239*	*-6.0*
30.	Financial assets measured at fair value through other comprehensive income	45,204	35,904	9,300	25.9
40.	Financial assets measured at amortised cost	459,342	465,041	-5,699	-1.2
	a) due from banks	*32,089*	*36,567*	*-4,478*	*-12.2*
	b) loans to customers	*427,253*	*428,474*	*-1,221*	*-0.3*
50.	Hedging derivatives	7,824	8,774	-950	-10.8
60.	Fair value change of financial assets in hedged portfolios (+/-)	-8,740	-9,472	-732	-7.7
70.	Equity investments	24,179	23,646	533	2.3
80.	Property and equipment	7,637	7,720	-83	-1.1
90.	Intangible assets	4,232	4,336	-104	-2.4
	of which:				
	- goodwill	*67*	*67*	*-*	*-*
100.	Tax assets	14,855	16,594	-1,739	-10.5
	a) current	*2,528*	*3,348*	*-820*	*-24.5*
	b) deferred	*12,327*	*13,246*	*-919*	*-6.9*
110.	Non-current assets held for sale and discontinued operations	554	528	26	4.9
120.	Other assets	21,592	16,777	4,815	28.7
Total assets		**692,190**	**715,381**	**-23,191**	**-3.2**

Balance Sheet – Liabilities and Shareholders' Equity

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	552,796	594,515	-41,719	-7.0
	a) due to banks	*113,822*	*159,962*	*-46,140*	*-28.8*
	b) due to customers	*344,158*	*354,851*	*-10,693*	*-3.0*
	c) securities issued	*94,816*	*79,702*	*15,114*	*19.0*
20.	Financial liabilities held for trading	49,745	48,810	935	1.9
30.	Financial liabilities designated at fair value	13,609	8,795	4,814	54.7
40.	Hedging derivatives	4,400	4,652	-252	-5.4
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,360	-7,962	-602	-7.6
60.	Tax liabilities	434	431	3	0.7
	a) current	*68*	*74*	*-6*	*-8.1*
	b) deferred	*366*	*357*	*9*	*2.5*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
80.	Other liabilities	19,949	7,608	12,341	
90.	Employee termination indemnities	726	797	-71	-8.9
100.	Allowances for risks and charges	3,101	3,667	-566	-15.4
	a) commitments and guarantees given	*416*	*425*	*-9*	*-2.1*
	b) post-employment benefits	*72*	*125*	*-53*	*-42.4*
	c) other allowances for risks and charges	*2,613*	*3,117*	*-504*	*-16.2*
110.	Valuation reserves	287	81	206	
120.	Redeemable shares	-	-	-	-
130.	Equity instruments	7,194	7,188	6	0.1
140.	Reserves	4,865	5,369	-504	-9.4
145.	Interim dividend (-)	-	-1,400	-1,400	
150.	Share premium reserve	28,160	28,212	-52	-0.2
160.	Share capital	10,369	10,369	-	-
170.	Treasury shares (-)	-19	-50	-31	-62.0
180.	Net income (loss) (+/-)	3,934	4,284	-350	-8.2
Total liabilities and shareholders' equity		**692,190**	**715,381**	**-23,191**	**-3.2**

Income Statement

(millions of euro)

		30.06.2023	30.06.2022	Changes	
				amount	%
10.	Interest and similar income	11,128	4,279	6,849	
	of which: interest income calculated using the effective interest rate method	*9,709*	*3,937*	*5,772*	
20.	Interest and similar expense	-6,199	-1,208	4,991	
30.	**Interest margin**	**4,929**	**3,071**	**1,858**	**60.5**
40.	Fee and commission income	3,151	3,261	-110	-3.4
50.	Fee and commission expense	-545	-477	68	14.3
60.	**Net fee and commission income**	**2,606**	**2,784**	**-178**	**-6.4**
70.	Dividend and similar income	2,261	2,488	-227	-9.1
80.	Profits (Losses) on trading	82	234	-152	-65.0
90.	Fair value adjustments in hedge accounting	-55	35	-90	
100.	Profits (Losses) on disposal or repurchase of:	244	52	192	
	a) financial assets measured at amortised cost	*63*	*200*	*-137*	*-68.5*
	b) financial assets measured at fair value through other comprehensive income	*164*	*-140*	*304*	
	c) financial liabilities	*17*	*-8*	*25*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-170	639	-809	
	a) financial assets and liabilities designated at fair value	*-201*	*543*	*-744*	
	b) other financial assets mandatorily measured at fair value	*31*	*96*	*-65*	*-67.7*
120.	**Net interest and other banking income**	**9,897**	**9,303**	**594**	**6.4**
130.	Net losses/recoveries for credit risks associated with:	-743	-492	251	51.0
	a) financial assets measured at amortised cost	*-725*	*-455*	*270*	*59.3*
	b) financial assets measured at fair value through other comprehensive income	*-18*	*-37*	*-19*	*-51.4*
140.	Profits (Losses) on changes in contracts without derecognition	16	-1	17	
150.	**Net income from banking activities**	**9,170**	**8,810**	**360**	**4.1**
160.	Administrative expenses:	-4,144	-4,176	-32	-0.8
	a) personnel expenses	*-2,540*	*-2,559*	*-19*	*-0.7*
	b) other administrative expenses	*-1,604*	*-1,617*	*-13*	*-0.8*
170.	Net provisions for risks and charges	-36	-190	-154	-81.1
	a) commitments and guarantees given	*9*	*-1*	*10*	
	b) other net provisions	*-45*	*-189*	*-144*	*-76.2*
180.	Net adjustments to / recoveries on property and equipment	-236	-237	-1	-0.4
190.	Net adjustments to / recoveries on intangible assets	-380	-339	41	12.1
200.	Other operating expenses (income)	404	415	-11	-2.7
210.	**Operating expenses**	**-4,392**	**-4,527**	**-135**	**-3.0**
220.	Profits (Losses) on equity investments	156	34	122	
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-3	-3	
240.	Goodwill impairment	-	-	-	-
250.	Profits (Losses) on disposal of investments	1	1	-	-
260.	**Income (Loss) before tax from continuing operations**	**4,935**	**4,315**	**620**	**14.4**
270.	Taxes on income from continuing operations	-1,001	-830	171	20.6
280.	**Income (Loss) after tax from continuing operations**	**3,934**	**3,485**	**449**	**12.9**
290.	Income (Loss) after tax from discontinued operations	-	-	-	-
300.	**Net income (loss)**	**3,934**	**3,485**	**449**	**12.9**

Statement of comprehensive income

(millions of euro)

		30.06.2023	30.06.2022	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**3,934**	**3,485**	**449**	**12.9**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-151**	**3**	**-154**	
20.	Equity instruments designated at fair value through other comprehensive income	-159	-491	-332	-67.6
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-56	190	-246	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-2	177	-179	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	66	127	-61	-48.0
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**356**	**-743**	**1,099**	
100.	Hedges of foreign investments	-	-	-	
110.	Foreign exchange differences	-	-	-	
120.	Cash flow hedges	60	153	-93	-60.8
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	296	-896	1,192	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	-	-	-	
170.	**Total other comprehensive income (net of tax)**	**205**	**-740**	**945**	
180.	**TOTAL COMPREHENSIVE INCOME (Captions 10 + 170)**	**4,139**	**2,745**	**1,394**	**50.8**

Changes in 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
	ordinary shares	other shares		retained earnings	other						
AMOUNTS AS AT 31.12.2022	**10,369**	**-**	**28,212**	**4,467**	**902**	**81**	**7,188**	**-1,400**	**-50**	**4,284**	**54,053**
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2023	**10,369**	**-**	**28,212**	**4,467**	**902**	**81**	**7,188**	**-1,400**	**-50**	**4,284**	**54,053**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)											
Reserves	-	-	-	1,220	-	-	-	-	-	-1,220	-
Dividends and other allocations	-	-	-	-	-	-	-	1,400	-	-3,064	-1,664
CHANGES IN THE PERIOD											
Changes in reserves	**-**	**-**	**-57**	**-1,880**	**156**	**1**	**-**	**-**	**-**	**-**	**-1,780**
Operations on shareholders' equity											
Issue of new shares	-	-	5	-	-	-	-	-	1,731	-	1,736
Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,700	-	-1,700
Interim dividend	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	6	-	-	-	6
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**205**	**-**	**-**	**-**	**3,934**	**4,139**
SHAREHOLDERS' EQUITY AS AT 30.06.2023	**10,369**	**-**	**28,160**	**3,807**	**1,058**	**287**	**7,194**	**-**	**-19**	**3,934**	**54,790**

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.

Changes in shareholders' equity as at 30 June 2022

(millions of euro)

	30.06.2022										
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Interim Dividend	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	other shares		retained earnings	other						
AMOUNTS AS AT 31.12.2021	**10,084**	**-**	**27,445**	**7,088**	**1,087**	**855**	**6,260**	**-1,399**	**-69**	**2,948**	**54,299**
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2022	**10,084**	**-**	**27,445**	**7,088**	**1,087**	**855**	**6,260**	**-1,399**	**-69**	**2,948**	**54,299**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)											
Reserves	-	-	-	233	-	-	-	-	-	-233	-
Dividends and other allocations	-	-	-	-	-	-	-	1,399	-	-2,715	-1,316
CHANGES IN THE PERIOD											
Changes in reserves	**-**	**-**	**598**	**-582**	**-270**	**3**	**-**	**-**	**-**	**-**	**-251**
Operations on shareholders' equity											
Issue of new shares	285	-	405	-	-	-	-	-	37	-	727
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-233	-	-	-	-	-	-	-	-233
Changes in equity instruments	-	-	-	-	-	-	921	-	-	-	921
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-740**	**-**	**-**	**-**	**3,485**	**2,745**
SHAREHOLDERS' EQUITY AS AT 30.06.2022	**10,369**	**-**	**28,215**	**6,739**	**817**	**118**	**7,181**	**-**	**-32**	**3,485**	**56,892**

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.

Statement of cash flows

(millions of euro)

	30.06.2023	30.06.2022
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**6,548**	**1,898**
Net income (loss) (+/-)	3,934	3,485
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	2,171	-1,465
Gains/losses on hedging activities (-/+)	55	-35
Net losses/recoveries for credit risk (+/-)	824	662
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	616	576
Net provisions for risks and charges and other costs/revenues (+/-)	136	274
Taxes, duties and tax credits to be paid/collected(+/-)	998	782
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-2,186	-2,381
2. Cash flow from / used in financial assets	**-9,285**	**-847**
Financial assets held for trading	-3,152	-1,276
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-127	-90
Financial assets measured at fair value through other comprehensive income	-9,051	5,460
Financial assets measured at amortised cost	4,518	9,478
Other assets	-1,473	-14,419
3. Cash flow from / used in financial liabilities (*)	**-26,973**	**-2,986**
Financial liabilities measured at amortised cost	-41,838	-23,892
Financial liabilities held for trading	835	863
Financial liabilities designated at fair value	4,525	1,979
Other liabilities	9,505	18,064
Net cash flow from (used in) operating activities	**-29,710**	**-1,935**
B. INVESTING ACTIVITIES		
1. Cash flow from	**2,564**	**2,597**
Sales of investments in associates and companies subject to joint control	343	224
Dividends collected on investments in associates and companies subject to joint control	2,141	2,348
Sales of property and equipment	28	25
Sales of intangible assets	52	-
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-405**	**-467**
Purchases of investments in associates and companies subject to joint control	-33	-77
Purchases of property and equipment	-45	-114
Purchases of intangible assets	-327	-276
Purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**2,159**	**2,130**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	-1,664	643
Share capital increases	-156	781
Dividend distribution and other	-1,664	-1,549
Net cash flow from (used in) financing activities	**-3,484**	**-125**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-31,035**	**70**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	97,071	7,730
Net increase (decrease) in cash and cash equivalents	-31,035	70
Cash and cash equivalents: foreign exchange effect	1	1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**66,037**	**7,801**

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 -26,974 million euro (cash flow used) and comprise -41,838 million euro in cash flows, +5,360 million euro in fair value changes and +9,504 million euro in other changes.

Notes to the financial statements

Preparation criteria and accounting policies

These financial statements of Intesa Sanpaolo S.p.A. for the period ended 30 June 2023, prepared in accordance with Article 2433-bis of the Italian Civil Code, consist of the financial statements (balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows) and these notes. They have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRS-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.

The financial statements prepared for the determination of the half-yearly income have been prepared in accordance with the recognition and measurement criteria set out in the International Financial Reporting Standards adopted by the European Union. The accounting policies adopted for the preparation of these financial statements, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the Annual Report of Intesa Sanpaolo as at 31 December 2022, to which reference should be made for further details. The updates made to the accounting policies used for the Half-yearly consolidated financial statements to reflect the entry into force of the new IFRS 17 Insurance Contracts do not apply to the Parent Company's financial statements, since Intesa Sanpaolo doesn't carry out the insurance business directly.

With regard to the changes in the accounting regulations, Regulation (EU) 2022/357 of 2 March 2022 and Regulation (EU) 2022/1392 of 11 August 2022 apply starting on 1 January 2023 and their main contents are described below.

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

- *IAS 1 Presentation of Financial Statements*

These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in deciding which information on the accounting standards (so-called "accounting policies") needs to be disclosed using materiality judgements. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the users of financial statements. Material information must be clearly presented. It is not necessary to illustrate immaterial information and, in any event, such information must not obscure material information.

- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments to IAS 8 aim to provide clarifications on how to distinguish changes in accounting policies from changes in accounting estimates. In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications.
The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

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

[7] 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.

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 already mentioned above, Regulation (EU) 2021/2036 of 19 November 2021 endorsed the new accounting standard IFRS 17 "Insurance Contracts", and the subsequent Regulation EU 2022/1491 of 8 September 2022, adopting the amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, applicable from 1 January 2023, do not apply to Intesa Sanpaolo, but only to the preparation of the Consolidated financial statements of the Intesa Sanpaolo Group.

Lastly, 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 reserves, a unanimous agreement was reached at EU level to adopt the proposed EU Directive to ensure a minimum level of effective taxation of 15% on multinational groups with total revenues exceeding 750 million euro per year. Directive no. 2523/2022 was published in the Official Journal of the European Union on 22 December 2022 and shall be transposed into the domestic legislation of the EU countries by the end of 2023, to be applied in the tax period 2024. 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.
The Intesa Sanpaolo Group meets the subjective condition of the regulation in question and, therefore, could be impacted by it. Consequently, the progress of the legislation in Italy and the countries where Intesa Sanpaolo and the Group companies are present is constantly monitored. 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 main accounting aspects related to the military conflict between Russia and Ukraine and Intesa Sanpaolo's approach

The main accounting issues arising from the ongoing conflict between the Russian Federation and Ukraine and Intesa Sanpaolo's approach to addressing them are summarised below. Indeed, 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, given that the Group has:
- a direct presence with two subsidiaries in the warring countries (Pravex Bank Public Joint-Stock Company and Banca Intesa Russia) and is therefore particularly exposed to the consequences of the conflict;
- cross-border exposures stemming from its corporate and investment banking activities.

With regard to the latter, in its lending activities, IMI C&IB Division has over time financed counterparties resident in the Russian Federation. Over two-thirds of the loans to Russian customers involve leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports.
At the end of 2022, the total of these exposures had already been significantly reduced due to the substantial de-risking process implemented in the second half of 2022. Further de-risking continued in the first half of 2023, with the divestment of the securities portfolio and further divestments/liquidations of cross-border positions. Off-balance sheet exposures were also further reduced in the half year. The above-mentioned de-risking measures and the continued significant adjustments to the remaining positions, carried out using the same approach as that used for the measurement of the exposures for the 2022 Annual Report (which should be referred to for more details), led to a further decrease in overall net exposure.
Indeed, for the purposes of the half-yearly reporting in 2023, the main choices regarding the calculation of the ECL adopted for the 2022 Annual Report have been maintained with respect to the performing loans to Russian and Ukrainian counterparties, for which it was decided to adopt an approach for the ECL calculation strongly driven by the emergence of geopolitical risk, and thus impacted by the counterparties' country of residence, also by applying management overlays. The Russian companies financed before the outbreak of the conflict generally had high ratings and therefore, for most of them, their business outlook does not include any increased risks other than those generated by the geopolitical situation. Consequently, for these companies, the main current risk is transfer risk, i.e. the risk that they will fail to honour their debt repayment commitments, not because of aspects directly related to their business, but because of government-imposed restrictions. 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.

For the Parent Company Intesa Sanpaolo, as at 30 June 2023 the exposures to customers resident in Russia amounted (net of ECA guarantees) to 36 million euro, in terms of gross values (book value essentially nil in terms of net values). In addition to

these values, there were bank exposures of 216 million (208 million in net terms)[8]. Exposures to residents of Ukraine were minimal and amounted to a total of 26 million euro (both gross and net).
Overall, the measurement processes and the recognition of the income effects of the collections and disposals led to the recognition of 15 million euro, before tax, of recoveries on loans in the half year.
With regard to the controlling interests held by the Parent Company in Pravex Bank and Joint Stock Company Banca Intesa, the write-off of the value of both subsidiaries has been maintained, in line with the approach adopted in the 2022 Annual Report, as well as the adjustment of the provision, now amounting to 53 million euro, made to capture the value of the investee's equity contribution to the Group's financial statements (the provision amounted to 71 million euro as at 31 December 2022).
For further details, see the disclosure provided in the Consolidated half-yearly report as at 30 June 2023 (Half-yearly report on operations and Notes to the Half-yearly condensed consolidated financial statements).

The main accounting aspects related to the application of the IFRS 9 approaches to loans

Macroeconomic scenario for forward-looking conditioning
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 lower pace than expected, due to the weakness of the manufacturing sector, before accelerating next year.
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 in 2024, 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 set up 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.
The methodology adopted by the Bank 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,

[8] There were also cross-border unsecured risks of 203 million euro (198 million euro net) towards customers resident in Russia (net of ECA, including guarantees provided by the Parent Company to Intesa Sanpaolo Luxembourg and Ireland for 200 million euro), a total of 591 million euro (591 million euro net) towards Russian resident banks.

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.
In the 2022 Annual Report the Bank decided 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 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 weigh on the macroeconomic scenario. Risks for growth are described as focused mainly downwards.
The Research Department also identifies these risks in the updated forecast scenario as at 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 99.5 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 downside 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.

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.

Management overlays (Post-Model Adjustments)

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 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 Financial Statements have been extended in order to take greater account of those forecast risks on loan assessments.

Post-model adjustments are applied to the Retail/Retail SME and Corporate SME 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 BdT Division).

On the whole, prudential elements of around 0.8 billion euro were applied to the provisions adjusting performing exposures in the first half.

Declaration of the Manager responsible for preparing the Company's financial reports

The Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document corresponds to the document results, books and accounting records.

Milan, 3 November 2023

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

Attachments

Reconciliation between published financial statements and adjusted financial statements

Reconciliation between published balance sheet as at 31 December 2022 and adjusted balance sheet as at 31 December 2022

Reconciliation between published income statement for the period ended 30 June 2022 and adjusted income statement for the period ended 30 June 2022

Reconciliation between published/adjusted financial statements and restated financial statements

Reconciliation between published balance sheet as at 31 December 2022 and restated balance sheet as at 31 December 2022

Reconciliation between published income statement for the period ended 30 June 2022 and restated income statement for the period ended 30 June 2022

Restated financial statements

Intesa Sanpaolo balance sheet

Restated Intesa Sanpaolo income statement

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

Reconciliation between published financial statements and adjusted financial statements

Reconciliation between published balance sheet as at 31 December 2022 and adjusted balance sheet as at 31 December 2022

The published balance sheet as at 31 December 2022 did not require any adjustments.

Reconciliation between published income statement for the period ended 30 June 2022 and adjusted income statement for the period ended 30 June 2022

The published income statement for the period ended 30 June 2022 did not require any adjustments.

Reconciliation between published/adjusted financial statements and restated financial statements

Reconciliation between published balance sheet as at 31 December 2022 and restated balance sheet as at 31 December 2022

The published balance sheet as at 31 December 2022 did not require any restatements.

Reconciliation between published income statement for the period ended 30 June 2022 and restated income statement for the period ended 30 June 2022

(millions of euro)

		30.06.2022	Contribution of Training Business Line (a)	30.06.2022 Restated
10.	Interest and similar income	4,279	-	4,279
	of which: interest income calculated using the effective interest rate method	*3,937*	-	*3,937*
20.	Interest and similar expense	-1,208	-	-1,208
30.	**Interest margin**	**3,071**	**-**	**3,071**
40.	Fee and commission income	3,261	-	3,261
50.	Fee and commission expense	-477	-	-477
60.	**Net fee and commission income**	**2,784**	**-**	**2,784**
70.	Dividend and similar income	2,488	-	2,488
80.	Profits (Losses) on trading	234	-	234
90.	Fair value adjustments in hedge accounting	35	-	35
100.	Profits (Losses) on disposal or repurchase of:	52	-	52
	a) financial assets measured at amortised cost	*200*	-	*200*
	b) financial assets measured at fair value through other comprehensive income	*-140*	-	*-140*
	c) financial liabilities	*-8*	-	*-8*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	639	-	639
	a) financial assets and liabilities designated at fair value	*543*	-	*543*
	b) other financial assets mandatorily measured at fair value	*96*	-	*96*
120.	**Net interest and other banking income**	**9,303**	**-**	**9,303**
130.	Net losses/recoveries for credit risks associated with:	-492	-	*-492*
	a) financial assets measured at amortised cost	*-455*	-	*-455*
	b) financial assets measured at fair value through other comprehensive income	*-37*	-	-37
140.	Profits (Losses) on changes in contracts without derecognition	-1	-	-1
150.	**Net income from banking activities**	**8,810**	**-**	**8,810**
160.	Administrative expenses:	-4,176	-33	*-4,209*
	a) personnel expenses	*-2,559*	*5*	-2,554
	b) other administrative expenses	*-1,617*	*-38*	*-1,655*
170.	Net provisions for risks and charges	-190	-	*-190*
	a) commitments and guarantees given	*-1*	-	-1
	b) other net provisions	*-189*	-	-189
180.	Net adjustments to / recoveries on property and equipment	-237	-	-237
190.	Net adjustments to / recoveries on intangible assets	-339	2	-337
200.	Other operating expenses (income)	415	-	415
210.	**Operating expenses**	**-4,527**	**-31**	**-4,558**
220.	Profits (Losses) on equity investments	34	-	34
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-3	-	-3
240.	Goodwill impairment	-	-	-
250.	Profits (Losses) on disposal of investments	1	-	1
260.	**Income (Loss) before tax from continuing operations**	**4,315**	**-31**	**4,284**
270.	Taxes on income from continuing operations	-830	10	-820
280.	**Income (Loss) after tax from continuing operations**	**3,485**	**-21**	**3,464**
290.	Income (Loss) after tax from discontinued operations	-	21	21
300.	**Net income (loss)**	**3,485**	**-**	**3,485**

(a) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated financial statements

Intesa Sanpaolo balance sheet

(millions of euro)

Assets		**30.06.2023**	**31.12.2022**	**Changes**	
				amount	**%**
10.	Cash and cash equivalents	66,037	97,071	-31,034	-32.0
20.	Financial assets measured at fair value through profit or loss	49,474	48,462	1,012	2.1
	a) financial assets held for trading	*45,753*	*44,502*	*1,251*	*2.8*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*3,720*	*3,959*	*-239*	*-6.0*
30.	Financial assets measured at fair value through other comprehensive income	45,204	35,904	9,300	25.9
40.	Financial assets measured at amortised cost	459,342	465,041	-5,699	-1.2
	a) due from banks	*32,089*	*36,567*	*-4,478*	*-12.2*
	b) loans to customers	*427,253*	*428,474*	*-1,221*	*-0.3*
50.	Hedging derivatives	7,824	8,774	-950	-10.8
60.	Fair value change of financial assets in hedged portfolios (+/-)	-8,740	-9,472	-732	-7.7
70.	Equity investments	24,179	23,646	533	2.3
80.	Property and equipment	7,637	7,720	-83	-1.1
90.	Intangible assets	4,232	4,336	-104	-2.4
	of which:				
	- goodwill	*67*	*67*	*-*	*-*
100.	Tax assets	14,855	16,594	-1,739	-10.5
	a) current	*2,528*	*3,348*	*-820*	*-24.5*
	b) deferred	*12,327*	*13,246*	*-919*	*-6.9*
110.	Non-current assets held for sale and discontinued operations	554	528	26	4.9
120.	Other assets	21,592	16,777	4,815	28.7
Total assets		**692,190**	**715,381**	**-23,191**	**-3.2**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2023	31.12.2022	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	552,796	594,515	-41,719	-7.0
	a) due to banks	*113,822*	*159,962*	*-46,140*	*-28.8*
	b) due to customers	*344,158*	*354,851*	*-10,693*	*-3.0*
	c) securities issued	*94,816*	*79,702*	*15,114*	*19.0*
20.	Financial liabilities held for trading	49,745	48,810	935	1.9
30.	Financial liabilities designated at fair value	13,609	8,795	4,814	54.7
40.	Hedging derivatives	4,400	4,652	-252	-5.4
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,360	-7,962	-602	-7.6
60.	Tax liabilities	434	431	3	0.7
	a) current	*68*	*74*	*-6*	*-8.1*
	b) deferred	*366*	*357*	*9*	*2.5*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
80.	Other liabilities	19,949	7,608	12,341	
90.	Employee termination indemnities	726	797	-71	-8.9
100.	Allowances for risks and charges	3,101	3,667	-566	-15.4
	a) commitments and guarantees given	*416*	*425*	*-9*	*-2.1*
	b) post-employment benefits	*72*	*125*	*-53*	*-42.4*
	c) other allowances for risks and charges	*2,613*	*3,117*	*-504*	*-16.2*
110.	Valuation reserves	287	81	206	
120.	Redeemable shares	-	-	-	
130.	Equity instruments	7,194	7,188	6	0.1
140.	Reserves	4,865	5,369	-504	-9.4
145.	Interim dividend (-)	-	-1,400	-1,400	
150.	Share premium reserve	28,160	28,212	-52	-0.2
160.	Share capital	10,369	10,369	-	-
170.	Own shares (-)	-19	-50	-31	-62.0
180.	Net income (loss) (+/-)	3,934	4,284	-350	-8.2
Total liabilities and shareholders' equity		**692,190**	**715,381**	**-23,191**	**-3.2**

Restated Intesa Sanpaolo income statement

(millions of euro)

		30.06.2023	30.06.2022 Restated	Changes amount	%
10.	Interest and similar income	11,128	4,279	6,849	
	of which: interest income calculated using the effective interest rate method	*9,709*	*3,937*	*5,772*	
20.	Interest and similar expense	-6,199	-1,208	4,991	
30.	**Interest margin**	**4,929**	**3,071**	**1,858**	**60.5**
40.	Fee and commission income	3,151	3,261	-110	-3.4
50.	Fee and commission expense	-545	-477	68	14.3
60.	**Net fee and commission income**	**2,606**	**2,784**	**-178**	**-6.4**
70.	Dividend and similar income	2,261	2,488	-227	-9.1
80.	Profits (Losses) on trading	82	234	-152	-65.0
90.	Fair value adjustments in hedge accounting	-55	35	-90	
100.	Profits (Losses) on disposal or repurchase of:	244	52	192	
	a) financial assets measured at amortised cost	*63*	*200*	*-137*	*-68.5*
	b) financial assets measured at fair value through other comprehensive income	*164*	*-140*	*304*	
	c) financial liabilities	*17*	*-8*	*25*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-170	639	-809	
	a) financial assets and liabilities designated at fair value	*-201*	*543*	*-744*	
	b) other financial assets mandatorily measured at fair value	*31*	*96*	*-65*	*-67.7*
120.	**Net interest and other banking income**	**9,897**	**9,303**	**594**	**6.4**
130.	Net losses/recoveries for credit risks associated with:	-743	-492	251	51.0
	a) financial assets measured at amortised cost	*-725*	*-455*	*270*	*59.3*
	b) financial assets measured at fair value through other comprehensive income	*-18*	*-37*	*-19*	*-51.4*
140.	Profits (Losses) on changes in contracts without derecognition	16	-1	17	
150.	**Net income from banking activities**	**9,170**	**8,810**	**360**	**4.1**
160.	Administrative expenses:	-4,144	-4,209	-65	-1.5
	a) personnel expenses	*-2,540*	*-2,554*	*-14*	*-0.5*
	b) other administrative expenses	*-1,604*	*-1,655*	*-51*	*-3.1*
170.	Net provisions for risks and charges	-36	-190	-154	-81.1
	a) commitments and guarantees given	*9*	*-1*	*10*	
	b) other net provisions	*-45*	*-189*	*-144*	*-76.2*
180.	Net adjustments to / recoveries on property and equipment	-236	-237	-1	-0.4
190.	Net adjustments to / recoveries on intangible assets	-380	-337	43	12.8
200.	Other operating expenses (income)	404	415	-11	-2.7
210.	**Operating expenses**	**-4,392**	**-4,558**	**-166**	**-3.6**
220.	Profits (Losses) on equity investments	156	34	122	
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-3	-3	
240.	Goodwill impairment	-	-	-	
250.	Profits (Losses) on disposal of investments	1	1	-	-
260.	**Income (Loss) before tax from continuing operations**	**4,935**	**4,284**	**651**	**15.2**
270.	Taxes on income from continuing operations	-1,001	-820	181	22.1
280.	**Income (Loss) after tax from continuing operations**	**3,934**	**3,464**	**470**	**13.6**
290.	Income (Loss) after tax from discontinued operations	-	21	-21	
300.	**Net income (loss)**	**3,934**	**3,485**	**449**	**12.9**

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

(millions of euro)

Assets			30.06.2023	31.12.2022
Cash and cash equivalents			**66,037**	**97,071**
	Caption 10	Cash and cash equivalents	66,037	97,071
Due from banks			**30,852**	**35,264**
	Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	30,818	35,135
	Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	34	29
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	100
Loans to customers			**375,891**	**385,795**
Loans to customers measured at amortised cost			***374,223***	***383,277***
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	368,656	377,477
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	5,567	5,800
Loans to customers at fair value through other comprehensive income and through profit or loss			***1,668***	***2,518***
	Caption 20a (partial)	Financial assets held for trading - Non-bank loans	81	86
	Caption 20b (partial)	Financial assets designated at fair value through profit or loss - Non-bank loans	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value through profit or loss - Non-bank loans	514	824
	Caption 30 (partial)	Financial assets at fair value through other comprehensive income - Non-bank loans	1,073	1,608
Financial assets measured at amortised cost which do not constitute loans			**54,301**	**46,629**
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (Banks)	1,271	1,432
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	53,030	45,197
Financial assets at fair value through profit or loss			**48,845**	**47,523**
	Caption 20a (partial)	Financial assets held for trading	45,672	44,416
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	1
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value	3,172	3,106
Financial assets at fair value through other comprehensive income			**44,131**	**34,196**
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	44,131	34,196
Equity investments			**24,179**	**23,646**
	Caption 70	Equity investments	24,179	23,646
Property, equipment and intangible assets			**11,869**	**12,056**
Assets owned			***10,993***	***11,136***
	Caption 80 (partial)	Property and equipment	6,761	6,800
	Caption 90	Intangible assets	4,232	4,336
Rights of use acquired under leases			***876***	***920***
	Caption 80 (partial)	Property and equipment	876	920
Tax assets			**14,855**	**16,594**
	Caption 100	Tax assets	14,855	16,594
Non-current assets held for sale and discontinued operations			**554**	**528**
	Caption 110	Non-current assets held for sale and discontinued operations	554	528
Other assets			**20,676**	**16,079**
	Caption 50	Hedging derivatives	7,824	8,774
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-8,740	-9,472
	Caption 120	Other assets	21,592	16,777
Total assets			**692,190**	**715,381**

(millions of euro)

Liabilities			30.06.2023	31.12.2022
Due to banks at amortised cost			**113,815**	**159,956**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	113,822	159,962
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-7	-6
Due to customers at amortised cost and securities issued			**438,082**	**433,616**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	344,158	354,851
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	94,816	79,702
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-892	-937
Financial liabilities held for trading			**49,745**	**48,810**
	Caption 20	Financial liabilities held for trading	49,745	48,810
Financial liabilities designated at fair value			**13,609**	**8,795**
	Caption 30	Financial liabilities designated at fair value	13,609	8,795
Tax liabilities			**434**	**431**
	Caption 60	Tax liabilities	434	431
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			**17,888**	**5,241**
	Caption 40	Hedging derivatives	4,400	4,652
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,360	-7,962
	Caption 80	Other liabilities	19,949	7,608
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	7	6
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	892	937
Allowances for risks and charges			**3,827**	**4,464**
	Caption 90	Employee termination indemnities	726	797
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	416	425
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	72	125
	Caption 100 c)	Allowances for risks and charges - Other allowances	2,613	3,117
Share capital			**10,369**	**10,369**
	Caption 160	Share capital	10,369	10,369
Reserves			**33,006**	**33,531**
	Caption 140	Reserves	4,865	5,369
	Caption 150	Share premium reserve	28,160	28,212
	Caption 170	Own shares (-)	-19	-50
Valuation reserves			**287**	**81**
	Caption 110	Valuation reserves	287	81
Interim dividend			**-**	**-1,400**
	Caption 145	Interim dividend (-)	-	-1,400
Equity instruments			**7,194**	**7,188**
	Caption 130	Equity instruments	7,194	7,188
Net income (loss)			**3,934**	**4,284**
	Caption 180	Net income (loss) (+/-)	3,934	4,284
Total Liabilities and Shareholders' Equity			**692,190**	**715,381**

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

(millions of euro)

		30.06.2023	30.06.2022 Restated
Net interest income		**4,839**	**3,041**
Caption 30	Interest margin	4,929	3,071
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	46	23
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	3	38
+ 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 (Components of profits (losses) on trading relating to net interest income)	-118	-89
+ Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-17	-3
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Time value allowances for risks and charges)	-11	-
Net fee and commission income		**2,708**	**2,788**
Caption 60	Net fee and commission income	2,606	2,784
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-3	-38
+ 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	50
+ Caption 160 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-13	-11
+ Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	-22	-22
Profits (Losses) on financial assets and liabilities designated at fair value		**226**	**1,280**
Caption 80	Profits (Losses) on trading	82	234
Caption 90	Fair value adjustments in hedge accounting	-55	35
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	164	-140
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	17	-8
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	-201	543
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value through profit or loss	31	96
+ 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)	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 (Components of profits (losses) on trading relating to net interest income)	118	89
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-25	-25
+ 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 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-1	-2
- 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	-50
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value through profit or loss (Charges concerning the banking industry)	1	7
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments to loans)	14	-5
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions/Releases linked to Profits (losses) on financial assets and liabilities designated at fair value)	-	-
+ Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	2	6
Other operating income (expenses)		**2,270**	**2,456**
Caption 70	Dividend and similar income	2,261	2,488
Caption 200	Other operating expenses (income)	404	415
- 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)	-120	-140
- Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	-279	-313
- Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-2	-6
- Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	7	15
- Caption 200 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-1	-3
+ Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
Operating income		**10,043**	**9,565**

(millions of euro)

		30.06.2023	30.06.2022 Restated
Personnel expenses		**-2,509**	**-2,559**
Caption 160 a)	Personnel expenses	-2,540	-2,554
- Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	1	-57
- Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	17	3
- Caption 160 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	13	11
- Caption 160 a) (partial)	Personnel expenses (Donations to personnel)	-	38
Other administrative expenses		**-1,010**	**-989**
Caption 160 b)	Other administrative expenses	-1,604	-1,655
- Caption 160 b) (partial)	Other administrative expenses (Charges for integration)	6	12
- Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	287	319
- Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	22	22
+ Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	279	313
Adjustments to property, equipment and intangible assets		**-527**	**-512**
Caption 180	Net adjustments to/recoveries on property and equipment	-236	-237
Caption 190	Net adjustments to/recoveries on intangible assets	-380	-337
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	25	20
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	5	-
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	47	31
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	2	-
- Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	10	11
Operating costs		**-4,046**	**-4,060**
Operating margin		**5,997**	**5,505**
Net adjustments to loans		**-639**	**-618**
Caption 140	Profits/losses from changes in contracts without derecognition	16	-1
Caption 170 a)	Net provisions for risks and charges (a) commitments and guarantees given	9	-1
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-33	-164
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	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)	41	50
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments to loans)	-14	5
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-689	-425
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Amounts attributed to other net provisions and net impairment losses on other assets)	4	6
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	-2	-8
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	17	-6
- Caption 170 a) (partial)	Net provisions for risks and charges (a) commitments and guarantees given (provisions for credit risk related to commitments and guarantees given)	-3	-1
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions for non-recurring expenses)	-	-76
Other net provisions and net impairment losses on other assets		**-158**	**-103**
Caption 170 b)	Net provisions for risks and charges (b) other net provisions	-45	-189
Caption 230	Valuation differences on property, equipment and intangible assets measured at fair value	-	-3
Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	-34	-22
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Amounts attributed to other net provisions and net impairment losses on other assets)	-4	-6
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (banks) (Charges concerning the banking industry)	-	2
Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-35	-31
+ Caption 170 a) (partial)	Net provisions for risks and charges (a) commitments and guarantees given (provisions for credit risk related to commitments and guarantees given)	3	1
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Time value allowances for risks and charges)	11	-
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Charges for integration)	-2	-13
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions/Releases linked to Profits (losses) on financial assets and liabilities designated at fair value)	-	-
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions for non-recurring expenses)	-	76
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (future charges on controlling interests)	-18	82
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-5	-
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-2	-
+ Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/Recoveries due to impairment of associates)	-27	-

(millions of euro)

		30.06.2023	30.06.2022 Restated
Other income (expenses)		**189**	**141**
Caption 220	Profits (Losses) on equity investments	156	34
Caption 250	Profits (Losses) on disposal of investments	1	1
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	78	361
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	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 160 a) (partial)	Personnel expenses (Donations to personnel)	-	-38
+ Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-7	-15
- Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
- Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/Recoveries due to impairment of associates)	27	-
- Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	12	159
Income (Loss) from discontinued operations		**-**	**31**
Caption 290	Income (Loss) after tax from discontinued operations	-	21
- Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	10
Gross income (loss)		**5,389**	**4,956**
Taxes on income		**-1,151**	**-961**
Caption 270	Taxes on income from continuing operations	-1,001	-820
+ Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	-10
- Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration)	-25	3
- Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-32	-27
- Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-
- Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	-	-1
- Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-93	-103
- Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)	-	-3
Charges (net of tax) for integration and exit incentives		**-51**	**7**
+ Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-1	57
+ Caption 160 b) (partial)	Other administrative expenses (Charges for integration)	-6	-12
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Charges for integration)	2	13
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-25	-20
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-47	-31
+ Caption 200 (partial)	Other operating expenses (income) (Charges/revenues from integration)	1	3
+ Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration)	25	-3
Effect of purchase price allocation (net of tax)		**-64**	**-55**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-46	-23
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-41	-50
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	1	2
+ Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-10	-11
+ Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	32	27

		30.06.2023	30.06.2022 Restated
			(millions of euro)
Levies and other charges concerning the banking industry (net of tax)		**-195**	**-222**
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value through profit or loss (Charges concerning the banking industry)	-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 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-287	-319
+ Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	93	103
+ Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking industry)	-	3
Impairment (net of tax) of goodwill, other intangible assets and controlling interests		**6**	**-240**
Caption 240	Goodwill impairment	-	-
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (future charges on controlling interests)	18	-82
+ Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	-12	-159
+ Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-
+ Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	-	1
Net income (loss)		**3,934**	**3,485**