INTESA SANPAOLO

Half-yearly report as at 30 June 2022

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

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Banks

INTESA SANPAOLO

BANCA 5 LA BANCA A PORTATA DI MANO — Gruppo INTESA SANPAOLO

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,083	Banca 5	1
	Fideuram	109

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
727	Fideuram	60

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
762	Fideuram	49

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
632	Fideuram	34

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
217	Fideuram	10

Figures as at 30 June 2022

Product Companies[1]

CARGEAS ASSICURAZIONI · FIDEURAM VITA · INTESA SANPAOLO ASSICURA · INTESA SANPAOLO INSURANCE AGENCY · INTESA SANPAOLO RBM SALUTE · INTESA SANPAOLO VITA

Bancassurance and Pension Funds

PRESTITALIA

Consumer Credit[2]

EURIZON ASSET MANAGEMENT

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

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

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

AUSTRALIA/OCEANIA

Direct Branches
Sydney

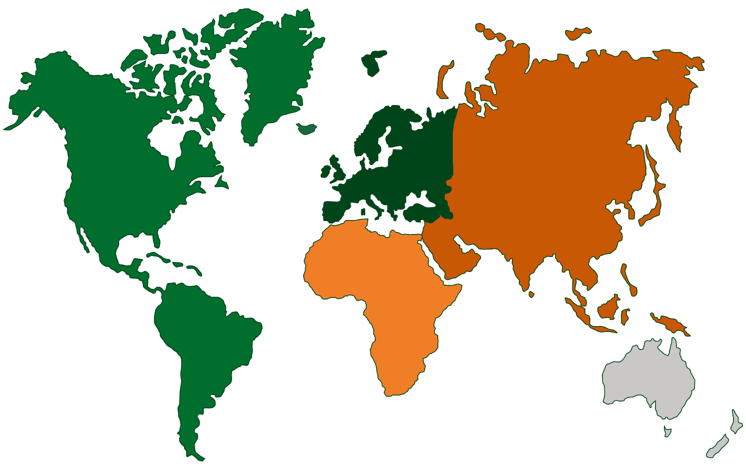
ASIA

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

Country	Subsidiaries	Branches
UAE	Reyl Intesa Sanpaolo	1

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	34
Belgium	Compagnie de Banque Privée S.A. Quilvest	2
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	47
Croatia	Privredna Banka Zagreb	146
Czech Republic	VUB Banka	1
Hungary	CIB Bank	61
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Compagnie de Banque Privée S.A. Quilvest	1
	Fideuram Bank Luxembourg	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	147
Slovakia	VUB Banka	161
Slovenia	Intesa Sanpaolo Bank	42
Switzerland	Reyl Intesa Sanpaolo	3
Ukraine	Pravex Bank	45

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	175

Figures as at 30 June 2022
(1) European Regulatory & Public Affairs

Product Companies

PBZ CARD

E-money and Payment Systems

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB OPERATING LEASING

Leasing

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

Wealth Management

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

Board of Directors

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

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

Half-yearly report on operations

Introduction

The Half-yearly Report as at 30 June 2022 is made up of the Half-yearly report on operations and the Half-yearly condensed consolidated financial statements including the Consolidated financial statements and related Explanatory notes.

As illustrated in detail in the chapter “Accounting Policies” of the Explanatory notes, the Half-yearly condensed consolidated financial statements have been prepared in compliance with Article 154-ter of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS-IC), endorsed by the European Commission, as provided for by European Regulation 1606 of 19 July 2002.

In particular, the Half-yearly condensed consolidated financial statements as at 30 June 2022, subject to limited review by the company EY S.p.A., have been prepared in compliance with the requirements of IAS 34, which regulates interim reports.

The Half-yearly report on operations and the Explanatory notes to the half-yearly condensed consolidated financial statements also contain certain financial information not directly attributable to the financial statements such as, for example, figures on quarterly development and Alternative Performance Measures. With regard to the latter, see the chapter “Alternative Performance Measures and Other Information” in the Report on operations accompanying the 2021 Consolidated Financial Statements for a detailed description, confirming that, with specific regard to the aftermath of the COVID-19 pandemic, in line with the ESMA guidance, in this Half-yearly Report no new measures have been added, nor have any changes been made to the measures used.

To support the comments on results for the period, the Explanatory notes to the Half-yearly condensed consolidated financial statements also present and illustrate the reclassified income statement and balance sheet schedules.

In the reclassified statements, the figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through “restated” figures, which include/exclude the values of the companies that entered or left the scope of consolidation.

As already noted in periodic reports, in 2021, as a result of the acquisition of the UBI Banca Group, the restated figures were also accompanied by the “redetermined” figures in order to align/supplement them through management figures. This presentation has been maintained in this Half-yearly Report for the first two quarters of 2021 presented for comparison.

Specifically, as discussed in more detail below in this Report, in order to provide like-for-like comparative income statement figures that take account of the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata in the first half of 2021, which was linked to the acquisition, and inclusive of the entry of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal, use has also been made of management figures, in relation to the nature of the necessary restatements. The figures for the first two quarters of 2021 “redetermined” on the basis of accounting and management information, have been presented in the reclassified income statement schedules, in addition to those prepared on the basis of the stated figures at the end of the various periods, while the detail tables have been expanded upon or duplicated with the “Redetermined figures” shown separately. A reconciliation of these “Redetermined figures” and the accounting figures has been appended to this Report.

With regard to balance sheet figures, in order to obtain easily comparable quarterly figures in light of the corporate transactions relating to the acquisition of the UBI Banca Group, in 2021 the line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold during the first and second quarter of 2021 was carried out. In the reclassified balance sheet, those figures were by convention allocated to the caption Non-current assets held for sale and discontinued operations. That restatement was carried out based on the accounting records.

With regard to the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were restated as illustrated above, in 2021 it was not deemed necessary to “redetermine” the balance sheet figures so as to exclude – on the basis of management data – the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability.

As a result of the above, since the restatements of the balance sheet data were – as normally happens – based on accounting records, no separate reclassified “redetermined” balance sheet schedules were prepared.

Consequently, for the comparative balance sheet figures, the exposure used in 2021 for the entities of the former UBI Banca Group has also been maintained.

Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned “redeterminations” – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

Lastly, please consult the website of Intesa Sanpaolo, www.group.intesasanpaolo.com, for the press releases and all the financial documents published during the half-year period.

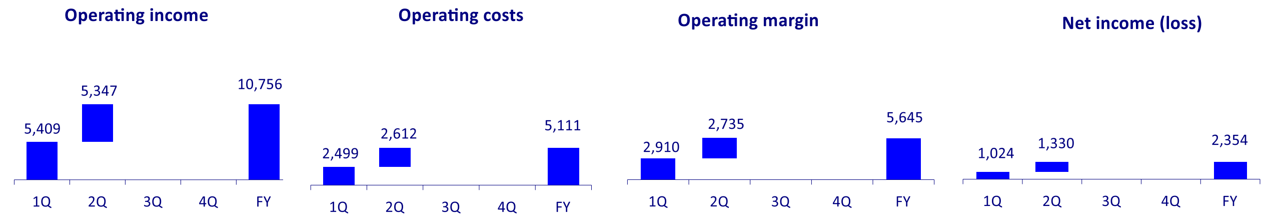
Overview of the first half 2022

Income statement figures and Alternative Performance Measures(°)

Consolidated income statement figures (millions of euro)	30.06.2022	30.06.2021	Changes amount	Changes %
Net interest income	4,047	3,947	100	2.5
Net fee and commission income	4,529	4,670	-141	-3.0
Income from insurance business	867	854	13	1.5
Profits (Losses) on financial assets and liabilities designated at fair value	1,323	1,139	184	16.2
Operating income	10,756	10,661	95	0.9
Operating costs	-5,111	-5,242	-131	-2.5
Operating margin	5,645	5,419	226	4.2
Net adjustments to loans	-1,432	-1,001	431	43.1
Net income (loss)	2,354	3,023	-669	-22.1

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

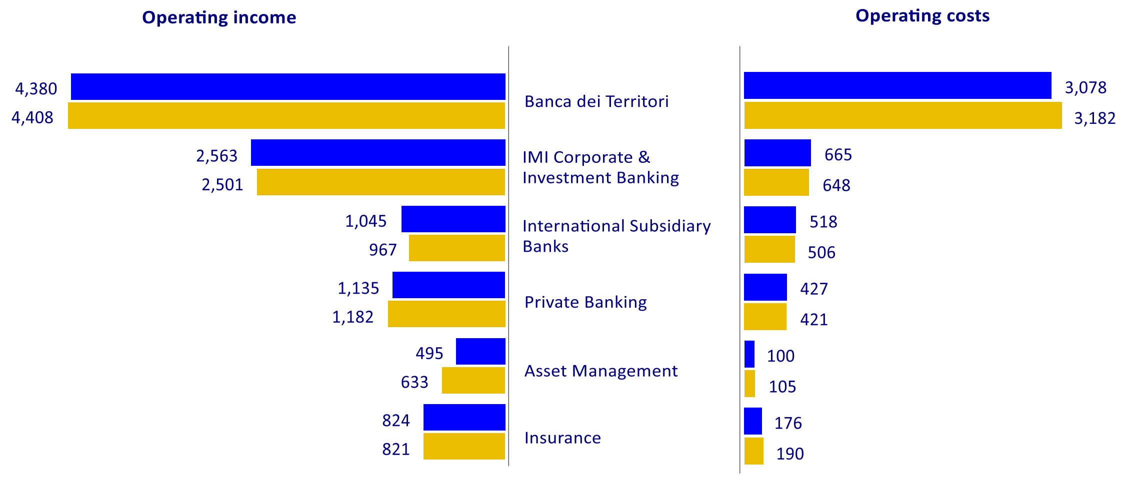
Quarterly development of main consolidated income statement figures
(millions of euro)

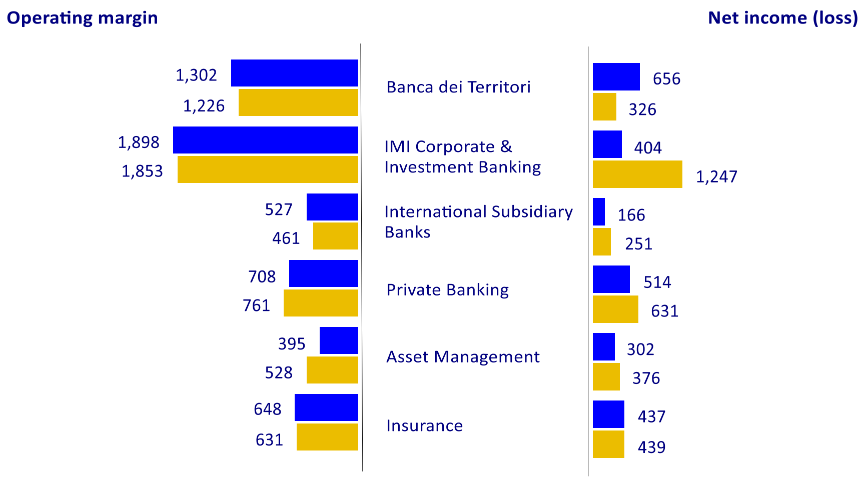


30.06.2022
30.06.2021
Redetermined figures

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the Annual Report 2021.

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





(*) Excluding Corporate Centre

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

Balance sheet figures and Alternative Performance Measures(°)

Consolidated balance sheet figures (millions of euro)	30.06.2022	31.12.2021	Changes amount	Changes %
Financial assets	161,006	162,021	-1,015	-0.6
Financial assets pertaining to insurance companies measured pursuant to IAS 39	180,717	206,885	-26,168	-12.6
Loans to customers	471,649	465,871	5,778	1.2
Total assets	1,032,315	1,070,816	-38,501	-3.6
Direct deposits from banking business	549,360	557,248	-7,888	-1.4
Direct deposits from insurance business and technical reserves	180,788	204,479	-23,691	-11.6
Indirect deposits:	662,784	725,137	-62,353	-8.6
of which: Assets under management	*436,493*	*477,530*	*-41,037*	*-8.6*
Shareholders' equity	64,017	63,775	242	0.4
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	85.9%	83.6%		

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

	Loans to customers 30.06.2022	Loans to customers 31.12.2021	Direct deposits from banking business 30.06.2022	Direct deposits from banking business 31.12.2021
Banca dei Territori	254,916	250,592	290,507	291,697
IMI Corporate & Investment Banking	153,210	152,543	92,522	94,844
International Subsidiary Banks	39,820	38,970	52,465	51,529
Private Banking	14,607	14,450	55,926	55,895
Asset Management	308	783	17	21
Insurance	-	-	-	-

(*) Excluding Corporate Centre

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

30.06.2022
31.12.2021

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the Annual Report 2021.

Alternative Performance Measures and other measures(°)

Consolidated capital ratios (%)

	30.06.2022	31.12.2021
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	12.7	14.5
TIER 1 Capital / Risk-weighted assets	14.9	16.4
Total own funds / Risk-weighted assets	17.5	19.1
Risk-weighted assets (millions of euro)	325,341	326,903
Absorbed capital (millions of euro)	31,421	30,770

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

	30.06.2022	31.12.2021
Banca dei Territori	88,709	93,821
IMI Corporate & Investment Banking	118,466	112,719
International Subsidiary Banks	34,607	34,403
Private Banking	13,068	11,617
Asset Management	1,850	1,836
Insurance	-	-

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

	30.06.2022	31.12.2021
Banca dei Territori	7,620	8,059
IMI Corporate & Investment Banking	10,202	9,704
International Subsidiary Banks	3,681	3,648
Private Banking	1,148	1,014
Asset Management	188	196
Insurance	4,439	4,137

(*) Excluding Corporate Centre

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

30.06.2022
31.12.2021

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the Annual Report 2021.

Consolidated profitability ratios (%)

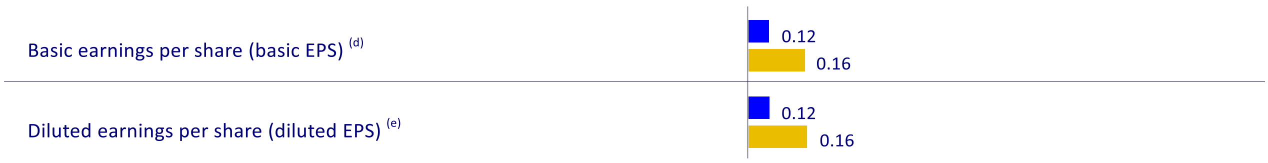
Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) For 2021, the measure is calculated on redetermined figures. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

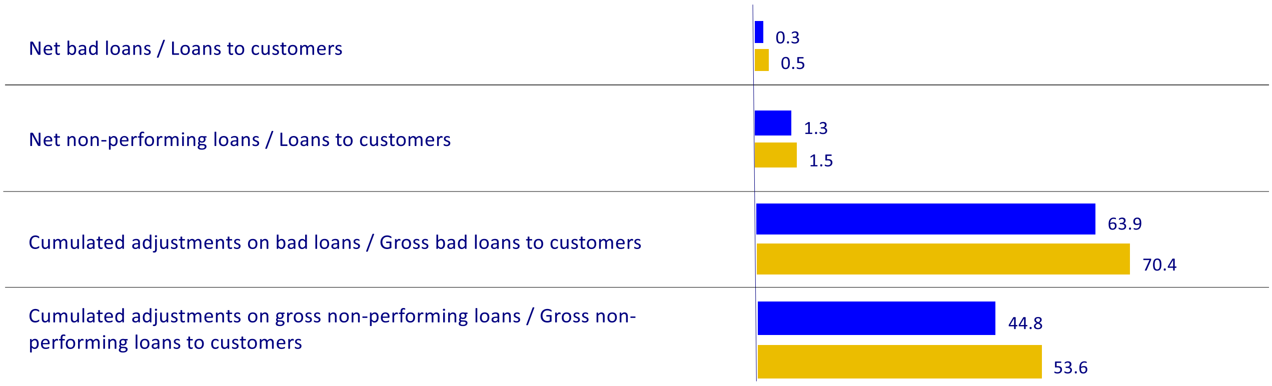
(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments and income for the period. The figure for the period has been annualised except for the gain on the disposal of Intesa Sanpaolo Formazione and except for the net benefits of the realignment of the tax values of certain intangible assets. The figure for the previous period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line and except for the net benefits of the realignment of the tax values of certain intangible assets.

(c) Ratio between net income and total assets. The figure for the period has been annualised except for the gain on the disposal of Intesa Sanpaolo Formazione and except for the net benefits of the realignment of the tax values of certain intangible assets. The figure for the previous period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line and except for the net benefits of the realignment of the tax values of certain intangible assets.

Earnings per share (euro)



Consolidated risk ratios (%)



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

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

(e) The diluted EPS is calculated taking into account the effects of any future issues of new ordinary shares.

Operating structure	30.06.2022	31.12.2021	Changes amount
Number of employees (f)	**96,723**	**97,698**	**-975**
Italy	74,265	75,300	-1,035
Abroad	22,458	22,398	60
Number of financial advisors	**5,688**	**5,654**	**34**
Number of branches (g)	**4,648**	**4,719**	**-71**
Italy	3,684	3,740	-56
Abroad	964	979	-15

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

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

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

30.06.2022
30.06.2021 (Income statement figures)
31.12.2021 (Balance sheet figures)

The first half of 2022

The macroeconomic and geopolitical context

The economy and the financial and currency markets

From the end of February, the Russian invasion of Ukraine caused a steep rise in the prices of several commodities. The impact was particularly strong in the natural gas market, due to the greater significance of the infrastructure constraints and the European Union's high dependence on imports from Russia to cover its energy needs. In addition, strategic considerations led many European countries to embark on an accelerated trajectory of reducing oil and gas imports from Russia, which heightened the pressures on the global energy market. Inflation, already on the rise since 2021, sped up sharply at global level, partly due to the indirect impacts of the energy shock on other goods and services. The global economy was also affected by the health restrictions imposed in China to control new outbreaks of the pandemic, which led to a severe slowdown in Chinese GDP in the first half of the year. In the US, domestic demand started to slow down.

In the Eurozone, GDP growth still remained positive in the first half of the year, despite the impact of the energy shock on household purchasing power and company profit margins. Demand was supported by fiscal measures aimed at mitigating the effect of price increases on household and company budgets, while activity continued to recover in the services most affected by the pandemic in 2020-21. There was also a further rise in total employment. The trend was similar for the Italian economy, which also benefited from strong growth in construction activity. In the second quarter, GDP growth on the previous period was 1%; the increase compared with the same quarter of 2021 was 4.6%.

The rapid rise of inflation to levels not seen in decades, and a faster-than-expected post-pandemic recovery, prompted central banks to start the withdrawal of the monetary stimulus. The turnaround was very rapid in the US, due to clear signs of overheating in the labour market and excess demand. The Federal Reserve has already stopped the net purchases of securities and implemented an initial 25 basis point hike in official rates in March. This was followed by a second hike of 50 basis points in May and then a third of 75 basis points in June. The central bank's top management also initiated a plan to reduce the securities portfolio acquired in recent years.

The European Central Bank has also started to remove the stimulus measures introduced during the pandemic crisis, but at a slower pace. Inflationary pressures are less widespread than in the US and the energy shock has proportionally greater negative effects on domestic demand. In the first quarter, net purchases related to the Pandemic Emergency Purchase Programme (PEPP) were gradually reduced, until they were suspended on 31 March. The ECB implemented a temporary monthly increase in the Asset Purchase Programme (APP) net purchases in April and May, but then suspended them altogether from 1 July 2022. In June, it informed the markets that a period of official rate hikes would begin in July[1].

The shift in monetary policy caused a rapid increase in medium and long-term rates in European markets, with 5- and 10-year rates having risen respectively by 176 and 185 basis points since December 2021. The greater uncertainty in the international scenario, combined with the rise in interest rates and the reduction in official purchases led to a further widening of the Btp-Bund spread, which stood at around 200 basis points in June. The interest rate divergence between the US and Europe and the Eurozone's greater exposure to the Russian-Ukrainian conflict weakened the euro, which fell from 1.13 euro at the end of December to 1.05 euro at the end of June.

The first half of 2022 saw a strong bearish trend on the international stock markets and a general increase in risk aversion.

Investor concerns have grown about the outlook for the business cycle and company profits, due to the combined effect of factors such as: the further increase in inflationary pressures, now extending from energy and commodity prices to major consumer goods; new bottlenecks in global supply chains, accentuated by the "zero-COVID" policy in China; and restrictive monetary policies adopted by central banks.

In this context, the outbreak of the war between Russia and Ukraine at the end of February introduced a strong element of uncertainty for the economic outlook and for listed companies, particularly in the Eurozone.

The first quarter 2022 results season was positive overall, with many companies reconfirming their year-end targets. However, the main issue for investors is now the sustainability of the current earnings levels, in a business environment that could weaken in the coming quarters.

The Euro Stoxx index ended the half year down 20.1% and the CAC 40 performed negatively (-17.2%), as well as the DAX, which fell by 19.5%, while the IBEX 35 outperformed (-7.1%). Outside the Eurozone, the Swiss SMI market index closed the period at -16.9%, while the FTSE 100 index in the UK was almost unchanged (-2.9%).

The US equity market recorded sharp declines: the S&P 500 index closed the half year at -20.6%, while the Nasdaq Composite technology stocks index fell even more (-29.5%). The major stock markets in Asia contained the declines, with the NIKKEI 225 index at -6.9% and the Chinese benchmark index SSE A Share at -6.6%.

The Italian equity market underperformed with respect to the Eurozone benchmarks: the FTSE MIB index ended the half year at -22.1%, in line with the FTSE Italia All Share index. Mid-cap stocks showed a larger decline, with the FTSE Italia STAR down -29.2%.

[1] On 21 July 2022, the European Central Bank raised the three key interest rates by 50 basis points.

The European corporate bond markets ended the first six months of 2022 negatively, with risk premiums (measured as Asset Swap Spreads - ASW) up sharply compared to the beginning of the year.
The monetary policies of the central banks have been among the main drivers of market performance since January, when expectations of less monetary stimulus from the ECB weighed on spreads. Investor sentiment then gradually worsened due to Russia's invasion of Ukraine, concerns about the outlook for the business cycle, and above all the sudden price increases that prompted the ECB and Federal Reserve to accelerate the rate normalisation process.
In terms of performance, investment grade corporate bonds saw their spreads increase to 136 basis points from 63 at the start of the year (source: IHS Markit iBoxx), with only small differences between financial and industrial issuers. Except for the peak reached in March 2020 due to the outbreak of the pandemic, the current values are the highest in five years. In this context, in relative terms, there was a greater increase for securities with shorter maturities, resulting in a slight flattening of the curves. High-yield bonds also performed negatively, with spreads at 540 basis points compared to the initial 300 (source: IHS Markit iBoxx).
The primary market was affected by the rise in market interest rates, with a contraction in new issuances, especially in the second part of the semester. The volumes of ESG issuances also declined compared to the first half of 2021 (-20% according to Bloomberg data). The breakdown by type of sustainable bond shows that the fall was mainly due to the decrease in social bonds (-80%), while issuances of green bonds and sustainability-linked bonds were up on the previous year. The rise in interest rates also had an effect in terms of the placement price of ESG securities, with the gradual erosion of the "greenium", for issuers, from issuances of "sustainable" securities compared to securities with the same characteristics, but not linked to ESG.

The emerging economies and markets

The first half of 2022 saw mixed signals in the first and second quarters in terms of economic growth. The first quarter posted a continued strong increase in GDP, on the back of the recovery seen in 2021, while the second quarter showed signs of a slowdown prompted by a global environment characterised by high inflation and the negative repercussions of the Russian-Ukrainian conflict, in addition to the effects of the pandemic in the various parts of the world.
There was a sharp slowdown in growth rates in Asia, where China's GDP rose by 0.4% year-on-year in the second quarter, compared to 4.8% in the first quarter. In India, the economy grew by 4.1% in the first quarter from 5.4% in fourth quarter of 2021.
In the countries with ISP subsidiaries, GDP growth in the first quarter in the Central Eastern Europe (CEE) and South Eastern Europe (SEE) area was 7.4% and 6.1% respectively, compared to 6.4% for both areas in the previous quarter. In detail, performance was very strong in Slovenia (+9.8%) and Hungary (+8.2%) in the CEE Area, and also in Croatia (+7.0%) and Romania (+6.4%) in the SEE area, and slightly weaker in the Czech Republic (+4.8%) and Slovakia (+3.1%) for the CEE Area and in Serbia (+4.4%) for the SEE area. In Eastern Europe (EE), GDP for the first quarter collapsed in Ukraine (-15.5% year-on-year), while it grew, although weakly, in Moldova (+1.1%) and, thanks to the significant performance in January and February, in Russia (+3.5%).
The cyclical indicators recorded in the second quarter, while still signalling mixed performance at global level, showed overall signs of a slowdown in growth.
Rising commodity prices – in particular for gas and oil – further driven by the prolonged conflict in Ukraine, together with bottlenecks in global supply chains for semi-finished and intermediate products are continuing to push up prices worldwide and among the emerging economies.
In the countries with ISP subsidiaries, in June the year-on-year inflation rate had risen to above 14% on average in the CEE area and above 12% on average in the SEE Area, with peaks of 17.2% in the Czech Republic and 11.7% in Hungary, of 15.1% in Romania and 11.9% in Serbia, respectively. In the EE area, inflation in Russia rose again by 15.9% in June, compared to a peak of 17.8% in April, and by 31.8% in Moldova and 21.5% in Ukraine. In the same month, there was a slight decrease in Egypt (to 13.2% from 13.5% in May).

As a result of the growing risks to price stability worldwide, monetary policy was characterised by several policy rate hikes in the first half of the year, with significant interventions in a good few countries.
In the countries with ISP subsidiaries, the central banks increased key interest rates by 200 basis points, 325 basis points and 535 basis points in Romania, the Czech Republic and Hungary respectively in the first half of the year, in the three cases to 3.75%, 7.0% and 7.75% (and to 9.75% with a further increase of 200 basis points on 12 July in Hungary). During the same period, in Russia, after the increase to 9.5% on 24 February and the significant rise to 20% on 28 February, the Central Bank, supported by an easing of inflationary pressures, made four cuts in the key interest rate, which was brought back down to 9.5% in June. In Moldova and Ukraine, the policy rate also rose significantly in the first half of the year, to 18.5% and 25% respectively, from 6.5% and 9% at the end of 2021. In the same period, the Central Bank of Egypt in turn made two increases: the first in March (+100 bps to 10.25%) and the second in May (+200 bps to 12.25%).
In the first half of 2022, the MSCI Emerging Equity Index (-18.8%) fell in line with the markets worldwide (-21.2%) and the major equity markets of the advanced countries (EuroStoxx50 -19.6%, S&P500 -20.6%). Among the BRICS countries, the Russian Moex index (-41.8%) underperformed the others: Brazilian Bovespa (-5.9%), Indian Nifty 500 (-10.7%), Shanghai SSEC (-6.6%) and Johannesburg FTSE All Share (-10.1%).
In the countries with ISP subsidiaries in the CEE/SEE area, double-digit declines were recorded by the stock indices of Hungary (-22.6%), the Czech Republic (-12.2%) and Slovenia (-10.7%). The indices were more resilient in Slovakia (-6.2%), Romania (-5.9%) and Croatia (-3.2%), but still penalised by sales. The stock markets in Serbia and Bosnia and Herzegovina managed to stay just above breakeven at +2.3% and +2.1% respectively. In Ukraine, the stock exchange has been closed since February. In the MENA region, the Egyptian stock market ended the half year down 22.8%.
On the currency markets, among the BRICS, the Russian rouble strengthened significantly against the US dollar, to its highest level since 2015, after a phase of weakness from the beginning of the conflict in Ukraine until early March. However, the functioning of the capital market in Russia is limited by international sanctions against the country by Western countries and restrictions on capital movements by the Russian Central Bank. The Brazilian real, which appreciated, and the South

African rand, which depreciated slightly against the greenback, were supported by high commodity prices, although since April they have been penalised by fears of a global economic slowdown. The uncertainties looming over Asia as economic growth has cooled have penalised the Chinese renminbi and the Indian rupee.
In the countries with ISP subsidiaries, in the CEE/SEE area, all the currencies, in parallel with the Euro, depreciated against the US dollar, with the latter favoured by increasing risk aversion in the international markets. The biggest change concerned the Hungarian forint. In the MENA area, the Egyptian pound weakened considerably, followed in the EE area by the Moldovan leu and the Ukrainian hryvnia. In relation to the Euro, among the CEE/SEE countries the weakness of the Hungarian forint and the Polish zloty was particularly notable. In the other cases, the changes were marginal.
Investor caution led to the widespread widening of yield spreads between emerging bonds and US government bonds (EMBI Plus +75 basis points) as well as the credit default swaps (+152 basis points).

The Italian banking system

Interest rates and spreads

In the first half of 2022, the interest rate on total bank deposits remained stable, as did the remuneration of current accounts, which was close to zero. Interest rates on new time deposits offered to households were on average lower than in 2021, and those paid to non-financial companies continued to fluctuate widely, reaching negative values in March and May, for the first time in history. There were also no notable changes in the interest rates on the outstanding bonds. As a result, the overall cost of customer funding remained unchanged at minimum levels.
For the interest rates on loans, the period was characterised by stability and increases. The most notable trend concerned the fixed rate on household mortgage lending, which, following the increase in long-term market rates, rose progressively from month to month, totalling +0.7 percentage points from the end of 2021 to May 2022, reaching 2.1%. In contrast, the variable interest rate remained at very low levels. With regard to lending to businesses, there was little variation in interest rates until May, with the first increases at the end of the half year. Similarly, the average interest rate on the stock of loans to households and businesses also started to show signs of a turnaround, by a few cents from the low at the end of 2021.
As a result of the above, the spread between lending and funding rates has stopped narrowing. However, as in the previous ten years, the mark-down on on-demand deposits still remained very negative, with a slight improvement at the end of the half year as a result of the movements in Euribor rates. The mark-up on short-term interest rates in the spring was in line with the end of 2021.

Loans

On the credit market in the second quarter, supply conditions generally tightened, particularly for loans to businesses, due to the perception among banks of increased risk. On the side of demand from businesses, increased requests related to the financing of inventories and working capital in a scenario of sharply rising production costs were offset by a decline in investment needs. The result was modest growth in lending to businesses, with a recovery in the short-term component, after more than nine years of decline, against a slight fall in the medium- to long-term component.
Lending to households continued to grow at a robust pace, averaging 4% year-on-year in the second quarter. The performance remained strong for loans to consumer households for home purchases, which reached a rate of change of 5.0% year-on-year in June, the highest in over ten years. However, disbursements for new mortgages fell slightly from the high volume recorded in the same period in 2021. The performance of consumer credit strengthened, but was still modest.
With regard to credit quality, there were no particular signs of deterioration. The default rate in terms of annualised flow of non-performing loans in relation to total performing loans remained at a record low, at 1% in the first quarter of 2022, down on the last quarter of 2021. De-risking by banks continued, through sales and securitisations of non-performing loans. Net bad loans as a percentage of total loans remained stable at 0.9% in May, the same as at the end of 2021. For the significant banking groups, the ratio of non-performing loans over total loans fell to 3% in March in gross book value, from 3.1% at the end of 2021, and remained unchanged at 1.4% in net terms.

Funding from customers

Customer deposits continued the robust growth in the overnight deposits segment, which has been underway since 2013, but at a more moderate pace than in 2021. The rate of growth in overnight deposits, which had been slowing down until February 2022, revived in March and April as a result of a renewed preference for liquidity in the climate of uncertainty generated by the Russian-Ukrainian conflict and despite the heightened inflationary environment. Subsequently, in the two-month period May-June, the growth in overnight deposits slowed down again, recording significant outflows. Against the decline for bonds, the demand component of deposits continued to drive the increase in total funding from customers, which was more moderate than in 2021.
The balances on company deposits remained high, although the growth rate was more subdued after the exceptional accumulation of liquidity in 2020-21 and the half-year period reported an overall net outflow. The growth in household deposits was more constant, although they also slowed down in June, with an inflow of savings of around 12 billion euro in the half year, less than half the amount for the same period in 2021.

Indirect deposits and asset management

For assets under administration, the decline in debt securities held in custody by banks on behalf of households and businesses continued in the first half of 2022. The persistence of this trend reflected the ongoing fall in bank bonds held by retail customers and, on the basis of the data up to May, also in government bonds. In contrast, as already seen in 2021, in the first quarter there was a significant increase in the fair value of equities held in custody, particularly mutual funds.
The asset management market proved to be fairly resilient overall, particularly for mutual funds, which saw healthy inflows until April, followed by moderate outflows in May-June. The overall result for the period remained positive thanks to the equity and balanced funds, which continued to record net inflows throughout the half year, despite the high volatility in the financial markets. In contrast, the bond funds experienced significant outflows. Asset management inflows from retail customers were good, while institutional asset management recorded substantial outflows. The life insurance segment recorded a contraction in new business, both for high financial content and traditional policies.

The impact for the ISP Group of the military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:
- Joint-Stock Company Banca Intesa (Banca Intesa Russia), 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International (Luxembourg). This is a Moscow-based corporate bank, part of the IMI Corporate & Investment Banking Division, which operates with 27 branches and around 950 staff. The Group's presence in Russia dates back 48 years (at the time as a Representative Office). The bank participates in the financing of large national and international Russian projects but also offers a full range of banking services for small and medium-sized enterprises, retail customers and companies. The regional branch network extends from Kaliningrad to Vladivostok;
- Pravex Bank Joint-Stock Company, 100%-owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 45 branches mainly in the Kyiv region and employs around 760 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

Both entities are continuing to operate despite the critical situation, particularly for Pravex, with the support of the Parent Company structures. At present, there have been no governmental acts that could lead to the conclusion that Intesa Sanpaolo does not have control over the two entities, nor have any decisions been taken other than maintaining the Parent Company's investment in the two entities. Intesa Sanpaolo has retained the rights of governance and influence over the two entities, in continuity with the pre-war situation.
The accounting impacts incorporated in the consolidated financial statements as at 30 June 2022 – described further below in this section – are therefore based on the going concern assumption for the two subsidiary banks, i.e. the Parent Company's current intention to keep the equity investments in Banca Intesa Russia and Pravex Bank under its control.

Risk management

As soon as the conflict began on 24 February 2022, Intesa Sanpaolo, in accordance with the provisions of the "Crisis Management Model", activated its Emergency Unit to monitor the situation and assess the potential risks and consequent impacts on the Group.
The Emergency Unit, which has representatives from all the Governance Areas and Business Divisions, approved the creation of two Task Forces, with steering and monitoring powers, to address the immediate priorities, improve the effectiveness of the decision-making and escalation process and empower the operational teams:
- The Risk Management and Control Task Force with the objectives of:
  - monitoring, assessing and identifying the actions to mitigate the financial risks arising from the Ukraine-Russia emergency;
  - applying strict procedures for compliance with the sanctions imposed by the competent authorities;
- The Operational Resilience Task Force with the objectives of:
  - organising and maintaining continuous cross-function communications;
  - managing the security of employees and their families, the operating model, business continuity and cybersecurity.

Intesa Sanpaolo's top management also participates in the two Task Forces, which are chaired respectively by the Chief Risk Officer and the Head of the International Subsidiary Banks Division.
On 7 March 2022, Intesa Sanpaolo also set up the Russia-Ukraine Conflict Crisis Unit, a technical unit with advisory functions, responsible for examining particularly significant/complex operations, due to their exposure and structure, through a cross-function approach, assessing the main credit, legal, operational, compliance and reputational risks and carefully identifying the remedial actions, in accordance with the general principle of maximum prudence and in line with the Group's ESG and impact values.
The Crisis Unit, chaired by the Chief Lending Officer, was made up of the Chief Compliance Officer and the Group General Counsel, as well as the Division Heads for the discussion of operations pertaining to their business unit.
The Crisis Unit operated in this manner until 30 June. However, once the emergency phase had passed, in a situation in which the crisis had become structural in nature, it was decided to reinstate the ordinary approval processes, while maintaining the option for the Chief Lending Officer to convene the Crisis Unit when considered necessary.

The Task Forces meet on a regular basis with the aim, among other things, of preparing reports for the top management, which are also provided to the ECB's Joint Supervisory Team (JST) as necessary.
The situation is being continuously monitored both at Parent Company level and in all the Group banks directly involved in the conflict or close to it, where direct and continuous contacts are being maintained.
Regular reports are provided to the board committees and the Board of Directors.
For further details on the impact of the conflict on the Intesa Sanpaolo Group's risk profile, see the chapter "Risk Management" of the Explanatory Notes to the Half-yearly condensed consolidated financial statements.

The Risk Management and Control Task Force and the Crisis Unit
One of the first actions was to block new operations that could lead to increased risk towards counterparties resident in Russia, Belarus and Ukraine. This also included initiating a review of the ratings of individual Russian companies.
With regard to credit risk governance in particular, the actions consisted of:
- a detailed assessment was launched of the exposures to the two countries where the crisis is underway, to ensure better monitoring of future changes in the risk profile;
- the prompt provision of specific customisations of existing credit products to support energy-intensive small and medium-sized enterprises and of those with revenues largely derived from exports to Russia and Ukraine;
- the temporary centralisation of the decision-making process with reference to: (i) Russian/Belarusian entities; and (ii) entities of any nationality controlled (directly or indirectly) by Russian/Belarusian counterparties.

In addition, at the beginning of March, a new initiative designed to prevent flows into non-performing status was launched, under the Credit Action Plan, in order to carry out a diagnostic analysis of the counterparties that may be more affected by the current geopolitical crisis. The initiative concerned the performing counterparties of the Banca dei Territori and IMI Corporate & Investment Banking Divisions with significant operations with the Russia and Ukraine markets, i.e. counterparties with foreign movements to/from Russia and Ukraine above a defined threshold with respect to total outflows/receipts to/from abroad over the last 13 months. The aim of the initiative was to assess each counterparty for the need for any extraordinary credit measures to deal with the problems related to the current conflict. The results of the initiative, which ended at the end of March, showed that around 95% of the critical positions can be overcome without extraordinary credit measures and only a residual portion (0.02%) is being assessed for classification as non-performing loans. In the second quarter, the initiative was repeated and focused on those counterparties that, in the initiative in the first quarter, had displayed some problems (which could be overcome without extraordinary measures, but where difficulties could be foreseen in terms of supply/market outlets, or for which assessments were underway, also from a legal standpoint, aimed at the collection of the debts from their clients) with the goal of providing an updated diagnostic analysis of the counterparties – the provisional results of the initiative substantially confirm the results of the first quarter.
The conflict between Russia and Ukraine has led to the imposition of heavy sanctions on Russia, adopted on a progressive basis by the Western countries. To ensure regulatory compliance, Intesa Sanpaolo immediately launched initiatives, monitored through a specific dashboard at Group level, aimed at overseeing the changes in the lists of sanctioned persons and entities at European and international level, identifying sanctioned persons and entities for the purpose of blocking positions and payments, complying with the specific ban on accepting deposits above the threshold set by the European regulations, and identifying and blocking financial instruments subject to sanctions. As at 30 June 2022, the exposure to Russian counterparties included in the SDN lists of names to which sanctions have been applied was 0.4 billion euro.

Russia reacted with counter-sanctions and, by presidential decree of 5 March 2022, it introduced restrictions on capital movements in hard currencies and the possibility of using local currency to repay loans taken out in foreign currencies, in order to mitigate the impact on exchange rate volatility and protect the remaining share of reserves. The combination of these measures clearly weakens Russia's ability to conduct cross-border transactions, including its ability to repay sovereign bonds. Following the US Treasury Department's decision not to renew the Russian banks' licence to operate in USD, Russia failed to honour interest payments on two government issues, and the 30-day grace period expired on 27 June.
The three main rating agencies Fitch, Moody's and Standard & Poor's have also progressively downgraded Russia's credit rating to the point of withdrawing their ratings.
On 17 March 2022, Intesa Sanpaolo changed the internal sovereign and transfer ratings assigned to the country, applying a reduction of 7 notches, which led to Russia's downgrade to CCC (a level to which Ukraine and Belarus were also downgraded at the same time).
In general, it is worth noting that the Group is carefully monitoring the evolution of the fallout of the Russian-Ukrainian crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of profitability and capital adequacy. These analyses focus both on the direct effects, such as the deterioration of assets in the countries involved, and on the indirect effects, including the effects on the Group's other customers deriving from the changes in the economic and financial environment. Although the situation is constantly evolving, without taking into account extreme scenarios of conflict escalation that could lead to outcomes that are currently difficult to assess, these analyses have found that the Group would be able to respect – also through the implementation of specific actions – regulatory requirements and the stricter limits set internally.

The Operational Resilience Task Force
Since the beginning of the crisis, contacts have been established and maintained with all the staff of Pravex Bank, supporting the employees and their families who have expatriated due to the conflict. The people have been taken in by the Group's other banks in countries bordering Ukraine (Romania, Moldova, Slovakia and Hungary) and then transferred, on a voluntary basis, to Italy, where they are housed in Group flats and assisted for all their needs[2]. Specific workstations for Ukrainian colleagues were set up in one of the buildings where the Group operates in Bergamo.
With regard to business continuity in Ukraine, the systems are operational, a backup copy of the data was immediately set up at a data centre in Lviv and later, following regulatory changes by the National Bank of Ukraine, a backup copy of the data

[2] For more details see the information on "The Intesa Sanpaolo Group's initiatives for Ukraine" provided below in this section.

was also set up outside the country, at a cloud data centre in Poland. The transfer of data to the cloud in Germany has been initiated, with a view to ensuring uniformity in the cloud solutions strategy.
In the first quarter, after the outbreak of the conflict, an average of around 28 of the 45 branches of Pravex Bank operated and no liquidity problems were reported. In the early months of the conflict, two branches in Kharkiv, one in Mariupol and one in Kyiv were affected by the bombings. In the second quarter, an average of 31 branches were open per day. In consideration of the intensification of attacks in several parts of the country since the second half of June, the risk assessment methodology is being updated to guide the decision-making process for the opening of individual branches based on specific indicators. The Kremenchuk branch was damaged in June.
In Russia, at the Group's subsidiary bank, the systems are up and running and the branches are working without operational problems. Following the interruption of services offered by Western providers, in order to ensure the bank's continued operation it was necessary to identify local partners that are providing services through specific contingency solutions.
The operations of Eximbank, the Group's Moldovan subsidiary, are also being monitored. Following the worsening geopolitical situation and thanks to the authorisation granted by the Central Bank of Moldova at the beginning of April for the transfer of data out of the country, the physical backup of the data centre in Romania was implemented and the transfer of the cloud backup to Germany was completed in June.
With regard to cybersecurity, from the beginning of 2022, as the first signs of increased instability in the Ukrainian situation emerged, the Group began a specific threat intelligence exercise and strengthened its cybersecurity controls throughout the Intesa Sanpaolo Group.
Alert levels were also raised through specific analyses of indicators of compromise collected by the Group threat intelligence services and from external info-sharing sources, to detect any cyber threats and determine the appropriate countermeasures to be implemented.
Numerous security controls were already in place and standardised in all the Group companies, such as strict access control policies based on the principle of minimum privilege to carry out the activities requested, the controlled and monitored provision of access credentials to company infrastructures and tools, and the strong authentication required to access the corporate network. In response to the increase in the level of risk at the beginning of the conflict, the control and surveillance structures have been strengthened. To reduce the exposure to cyber risks, connections with the Group's most at-risk banks have been reduced, through selective opening of only vital and critical services and continuous monitoring. E-mails with attachments and/or links to websites are also analysed as possible sources for spreading malicious attacks. After the initial blocking of e-mails containing attachments and originating from the Group's most at-risk banks, additional preventive control systems were implemented that allowed those e-mails to be sent to the Parent Company with a low level of risk.
During a public holiday in May, Banca Intesa Russia's institutional website suffered a minor DDoS (Distributed Denial of Service) cyber-attack without any significant impact on customers. Specific educational initiatives on cyber risks, with a focus on phishing, were implemented to further raise awareness among all the Group's staff. In addition, the initiatives involved posting news on the Group intranet, sending information to staff, and adding a warning message upon login to the company computers, which has been deactivated progressively since mid-June with the possibility of reintroducing it periodically in the future. A warning message was also added to all e-mails from outside the Group, and a compulsory training course on cybersecurity was provided to staff in the second quarter of 2022.
Lastly, a specific work group was set up to trace and monitor the extra costs incurred in managing the ongoing emergency.
Only some of the actions described above and implemented to ensure the Group's business continuity operations come under the scope of operational risk, in particular the extra costs incurred in relation to business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone.

The Intesa Sanpaolo Group's initiatives for Ukraine

In response to the severe humanitarian crisis affecting the entire population of Ukraine, Intesa Sanpaolo immediately took action by making available 10 million euro to provide relief and shelter for the people and families affected, 60% of which was allocated to initiatives in Ukraine and at the borders, and 40% to interventions in Italy.
Collaboration agreements were signed with national and international humanitarian organisations to implement projects for humanitarian protection, accommodation, direct economic support, health and psychological assistance, distribution of basic necessities and integration of Ukrainian refugees in Italy. The agreements involved:
- UNHCR - UN Refugee Agency, for the provision of essential goods including food, emergency shelter, blankets and hygiene products, in addition to direct financial assistance to people, to meet their basic expenses. The initiative supports the Ukrainian authorities in setting up reception centres and also performs activities to protect against exploitation and abuse. The support for UNHCR was further strengthened by the crowdfunding initiative on the digital platform ForFunding.it, a fundraising initiative that citizens and businesses contributed to and where Intesa Sanpaolo doubled the amount donated for every donation made;
- Caritas Italiana, through the "A.P.R.I. Accogliere Promuovere Proteggere Integrare i Profughi Ucraini in Italia" (Welcome, Promote, Protect, Integrate Ukrainian Refugees in Italy) project to support the Caritas diocesan network in welcoming refugees throughout Italy, with services ranging from initial hospitality to integration with the aim of promoting their social and economic inclusion;
- CESVI, to support refugees with a focus on families with children, disabled and elderly people in Ukraine, Romania and Hungary;
- Banco Farmaceutico Onlus, with the "Pharma4Ucraina" project for the free distribution of emergency medicines and to contribute to the costs for their transport and delivery to the Ukrainian population;
- CIR - Consiglio Italiano Rifugiati (Italian Refugee Council), for the legal and structured support for the protection of single children and single-parent families;
- Vicariate of Rome, for relief and shelter initiatives for the Ukrainian community, also thanks to the actions of the Next Gen Together project, aimed at "bringing the suburbs closer to the centre" and focusing on respect and equal rights;

- Confederazione Nazionale delle Misericordie d'Italia for the accommodation of 34 boys and girls aged between 9 months and 18 years in the "Casa della Stella" shelter in the village of Fosciandora in Tuscany. The project involves educational/school activities, extra-curricular activities and medical assistance;
- FEBA (European Federation of Food Banks), to ensure the adequate supply of food to the Ukrainian Food Bank for the period July 2022-March 2023, not only through the management of donations but also through the direct purchase of food;
- AVSI, in partnership with AVSI Polska, to increase the employment and employability levels of 150 refugee women and the socio-educational integration of 50 children in their care (children and foster children);
- Azione Contro la Fame (Action Against Hunger), to provide access to safe water and proper sanitation (WASH) for Ukrainian refugees and host communities in Moldova;
- the NGO Bambini nel Deserto Onlus, in support of Ukrainian health care with the project "Ambulanze Ucraina 2022/23", which involves the purchasing of second-hand emergency vehicles (ambulances, vans, pickups and other vehicles), the complete repair and upgrading of the vehicles and their delivery to the Ukrainian civil authorities on the border with Poland;
- Robert F. Kennedy Human Rights Italy, for raising awareness of human rights among students and programmes for the integration of Ukrainian refugees into the Italian labour market.

A crowdfunding initiative was also set up on the Group's digital platform ForFunding.it in favour of the Fondazione RAVA with the aim of supporting the purchasing of medicines and first aid equipment for children's hospitals in Ukraine. Intesa Sanpaolo also contributed to this initiative with a direct donation, in addition to the funds raised through the crowdfunding platform.

The Group's International Subsidiary Banks Division is particularly involved in several initiatives, both implemented directly and through several of its subsidiaries in Eastern Europe, involving:
- a fundraiser in 5 countries for several local NGOs;
- the provision of banking services on favourable terms (zero withdrawal, transfer and account management fees);
- the suspension of loan and mortgage payments for two months;
- the introduction of the Ukrainian language on the digital platforms of several of the subsidiaries in Eastern Europe.

The Intesa Sanpaolo Charity Fund provided support to two organisations directly present in Ukraine:
- Médecins Sans Frontières, for the distribution of emergency medical supplies to hospitals, the training of health workers in the management of mass influxes of injured people, as well as the provision of basic health and mental health care;
- Fondazione Soleterre, for the provision of shelter and continuity of care for children with cancer, to facilitate their safe and rapid evacuation and to set up the collaboration with hospitals in Italy that have offered to admit the children who need hospital care.

In addition, 6,300 hours of paid leave were donated to employees willing to volunteer to host refugees or work outside Italy with NGOs and non-profit organisations for humanitarian and social purposes (1,500 hours already used).
Intesa Sanpaolo joined the Italian Banking Association initiative for a voluntary donation of 10 euro by bank employees, to which an equivalent donation was added by the Bank (subscribed by 1,350 employees).
Lastly, Intesa Sanpaolo is offering hospitality in Italy to Pravex Bank employees and their families by providing 40 Group-owned flats and residential facilities in Bergamo. These are mainly female bank staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law. The people are mostly from the eastern parts of Ukraine and the capital Kyiv. Currently, 208 colleagues and their families have accepted the invitation to come to Italy. The guests have initially been taken in by Caritas and Intesa Sanpaolo is providing them with the main services and basic economic needs. Other initiatives have also been identified to support and facilitate the integration of the families of Pravex Bank staff in Bergamo, including sports activities, support for administrative activities, and ensuring access to schooling by providing devices for remote learning at Ukrainian schools.

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

On 24 February 2022, the gradually escalating tension between Russia and Ukraine erupted into conflict, the intensity of which had not been seen in Europe since the end of the second world war. The situation was immediately closely monitored and assessed by Intesa Sanpaolo, also in light of the guidance provided by the regulators on the subject[3], 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.
Loans to Russian customers represent around 1% of the Intesa Sanpaolo Group's total loans to customers (net of Export Credit Agency - ECA guarantees). As at 30 June 2022, exposures amounted, in terms of gross values, to 949 million euro for Banca Intesa Russia (figures as at 31 March 2022 updated at the exchange rate of 30 June 2022, as described below, 659 million euro according to the management information updated as at 30 June 2022) and 3,851 million euro for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks

[3] See in particular the documents "ESMA Public Statement: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets – 14.03.2022" and "ESMA: Public Statement – Implication of Russia's invasion of Ukraine on half-yearly financial reports – 13.05.2022, and "CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine in relation to inside information and financial reporting – 22 March 2022" and lastly "Warning Notice no. 3/22 of 19 May 2022".

totalling 581 million euro and in securities totalling 156 million euro[4]. Exposures to customers resident in Ukraine amounted to 242 million euro, of which 158 million euro related to the subsidiary Pravex Bank (figures as at 31 December 2021 updated to the exchange rate of 30 June 2022, as described below). These were accompanied by exposures to banks and in securities totalling 117 million euro. The majority of the exposures to Russian[5] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 “Financial Instruments”, for which risk factors mainly related to geopolitical risk, to be applied according to the country of residence of the counterparties, are relevant. Of particular relevance is “transfer” risk, i.e. the risk that counterparties fail to honour debt repayment commitments not due to aspects directly related to their business (as mentioned, Intesa Sanpaolo’s exposures are mainly represented by leading industrial groups which have well established commercial relationships with the main international supply chains and operate essentially in the commodities/energy sectors with significant revenues from exports), but rather due to government-imposed restrictions.

In view of the above, the Intesa Sanpaolo Group has conducted a normative analysis of the international accounting standards to check for any guidance or criteria for the measurement of the expected credit loss (below also ECL) in crisis/war situations like the current one. The analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[6], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[7]), using the management overlay in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
The Group has therefore decided, since the Interim Statement as at 31 March 2022, to adopt a measurement approach strongly driven by the emergence of geopolitical risk applied on the basis of the country of residence of the counterparties, both for the determination of the SICR and the calculation of the ECL through the application of management overlays. 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. These choices have been applied consistently to the cross-border exposures and the ones of the two subsidiaries. As already noted, with specific reference to the cross-border exposures, the Russian companies financed before the outbreak of the conflict all 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 type of risk was captured both through a revision of the ratings of Russian counterparties and the consequent downgrading to classes with higher risk and classification in Stage 2 or Stage 3 and the introduction of management overlays consisting of the application of an estimated loss rate based on the risk of the country of residence and considering the elements of uncertainty and risk connected with the conflict, in relation to potential additional worsening of the counterparties’ creditworthiness.
These choices build on what was already implemented in the Interim Statement as at 31 March 2022, maintaining substantially the same approach, and represent an evolution that became necessary/possible in light of the developments in the situation as well as the longer timeframe available. Indeed, the choices are characterised by rationales strongly guided by the uncertainties and elements of risk, in view of the continuing conflict, and in particular:
- the consistency of the ratings of the main counterparties directly affected by the conflict has been further verified and, if necessary, updated in order to capture the most up-to-date risk profile possible in the ratings;
- in that context, the deterioration of specific positions was also recognised, which were classified among unlikely-to-pay exposures (Stage 3) and, as a result, subject to analytical assessment[8];
- the positions of the two subsidiaries resident in Russia and Ukraine have been further written down, in consideration of the inevitable repercussions on the entities resident in the countries directly involved in the conflict.

Before describing the valuation choices relating to the two investees in more detail, a few preliminary remarks need to be made about how Pravex and Banca Intesa Russia contribute to the preparation of the consolidated financial statements. Given the Parent Company’s continued control over Pravex, the subsidiary’s balance sheet has been fully consolidated on the basis of the reporting package as at 31 December 2021 updated to the exchange rate of 30 June 2022, making central adjustments in connection with the write-down of the bank’s assets. The decision to use last 31 December’s reporting package, in continuity with the approach adopted as at 31 March 2022, was based on the following joint considerations:
- the low materiality of and lack of change in the balance sheet and, basically, income statement of the subsidiary, with respect to the Group’s consolidated figures;
- the obvious logistical and execution difficulties for the Ukrainian bank’s administrative structures, also in terms of available IT channels, after having assessed the actual operational possibilities and the high risk of incurring major operational difficulties that could have significantly affected the process of closing the period accounts.

[4] There were also unsecured risks to customers of 370 million euro at Banca Intesa Russia, 293 million euro in cross-border exposures to resident customers (net of ECA) and a total of 200 million euro essentially to Russian resident banks. The exposures in OTC derivative contracts are small and amount to 7 million euro in terms of fair value.

[5] For these purposes, the small exposures to Belarusian counterparties have for simplicity been treated and disclosed together with the exposures to the Russian Federation.

[6] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5, IFRS 9 B5.5.18 and IFRS 9 B5.5.52.

[7] IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

[8] The amount of the exposures to Russia-Ukraine recognised as at 30 June 2022 as unlikely to pay was 0.4 billion euro gross and 0.2 billion euro net.

Having verified the maintenance of control over Banca Intesa Russia, similar considerations were also adopted for the consolidation of this investee company, for which the balance sheet and income statement figures of the reporting package as at 31 March 2022 updated to the exchange rate of 30 June 2022 have been adopted, making central adjustments – also in this case – in connection with the additional write-downs of the Bank's assets. This decision was prompted by the worsening of the situation, also with respect to the extreme relevance of the IT security issues, and the investee's low materiality.

For both entities, Pravex and Banca Intesa Russia, the above consolidation methods are also supported by the balance sheet "management" data as at 30 June, which do not show – in the overall aggregates – any significant differences from those presented as at 31 December 2021 for Pravex and as at 31 March 2022 for Banca Intesa Russia, with the sole exception of a decrease of around 30% in loans to customers of the latter as a result of the block on new operations.

In particular, with regard to the exposures of the subsidiary Pravex Bank, the continuing war in a large portion of the country led to the establishment of a very specific approach for the valuation of the loan portfolios, strongly guided by rationales that considered the uncertainties and elements of risk linked to the conflict. That approach was adopted on the entire performing loan portfolio of Pravex (the Bank substantially had no NPLs as at 31 December 2021) to which a specific management overlay was applied at ECL level, which resulted in impairment that brought the coverage ratio to 73% (up compared to the 60% applied as at 31 March, in light of the continuation of the conflict and the resulting impacts on the Ukrainian economy).
As a result of these valuation effects, the equity of the subsidiary is zero for the purposes of the Group's consolidated financial statements.

Also for Banca Intesa Russia, it has been adopted an approach to classifying and assessing performing loans that strongly considers the geopolitical risk deriving from the ongoing crisis, which moreover – according to the most recent indications from the Group's Research Department – contributes to a forecast decrease in Russia's GDP of 10% in 2022 and 1% in 2023. Therefore, the assessments made by the subsidiary in March, based on the indications from the Parent Company, were supplemented by an "additional", centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict, as it is no longer considered possible that it will cease in a short time, and the increased isolation of the Russian economy. As a result of those additional provisions, the total coverage of performing loans of the Russian subsidiary amounted to around 25% of the gross value of performing loans to customers recognised in the consolidated financial statements (accounting figures as at 31 March 2022, used for the consolidation as at 30 June 2022). That percentage increases to 30%, taking into account the reduction in loans by the subsidiary in the second quarter and not included in the figures subject to consolidation for the reasons stated above.
As a result of these additional valuation increases, for the purposes of the Group's consolidated financial statements, the equity of the investee company has been reduced to zero.

The real estate assets of the two investees were also subject to valuation: given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to write-off the value of Pravex's investment and branch assets and other properties used in operations. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged, pending further considerations in the coming months in the light of developments in the situation. With regard to the real estate assets of Banca Intesa Russia, given the substantial absence of relevant information on which to base a specific analysis of market trends, no elements were found to warrant a write-down.
Both investees also have small investments in government bonds of their respective countries. The valuations of the securities were carried out by the Head Office risk management structures using: i) prices recorded on the Russian secondary market for the securities held by Banca Intesa Russia, with consequent classification in fair value level 2 due to the low liquidity of the reference market; and ii) implicit spreads for the securities held by Pravex, with consequent classification in fair value level 3, due to the absence of executable prices on the secondary market. A similar approach was adopted for the small securities exposures of the Parent Company and the insurance sector.

In total, these valuation processes led to the recognition in the half year, before tax, of 1,093 million euro in adjustments to loans and 33 million euro on securities and real estate.

With regard to the assessment of the appropriateness of the amounts stated for the intangible assets, and in particular for goodwill, in the context of the Russian-Ukrainian conflict, we refer to the recent guidance provided by the authorities and industry bodies:
- ESMA Public Statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports" of 13 May 2022, through which the Authority provides the boards of directors and control bodies of regulated entities recommendations on a number of topics related to the process of producing half-yearly financial statement disclosures, including the impairment tests for non-financial assets;
- CONSOB Warning Notice no. 3/22 of 19 May, in which the Authority reiterated the contents of the ESMA Public Statement;
- OIV Discussion Paper no. 1/2022 "Impairment tests of non-financial assets following the War in Ukraine", which suggests the analyses to be adopted in the context of the conflict to assess whether or not the conditions apply for repeating the impairment tests in the 2022 half-yearly report.

It is worth noting, first of all, that having conducted a recent impairment test as at 31 December 2021, a recalculation of the recoverable values of the Cash Generating Units (CGUs) is not necessary in the interim reporting, unless there are clear signs (impairment indicators) that the recoverable amount of goodwill allocated is no longer recoverable.
Basing its analysis on the guidance provided by ESMA and OIV, for the assessments made for this Half-yearly Report, Intesa Sanpaolo first of all analysed the updated macroeconomic scenario prepared by the Research Department, which was substantially in line with the forecasts for the Eurozone and Italy issued by the ECB and the Bank of Italy, as well as the consensus forecasts, which were influenced, on the one hand, by the problem issues arising from the start of the Russian-

Ukrainian conflict and, on the other hand, by the tensions in the first half of the year on the international commodities markets. This led to lower GDP growth rates than those assumed at the end of 2021 and a parallel increase in the inflation estimates. Also in view of the changes in expectations concerning price levels, the forecast scenario for interest rates incorporates the monetary policy normalisation measures being initiated by the ECB.

In view of the above, with regard to the Group's earnings prospects in the current macroeconomic context, following a negative impact on the 2022 net income, mainly due to the higher credit risk adjustments linked to the Russian-Ukrainian conflict, a significant recovery in earnings is expected already from 2023, thanks to the positive contribution of the net interest income resulting from the rise in market interest rates, offsetting the negative effects on other captions of the income statement. As a result, the earnings forecasts for the years 2023, 2024 and 2025, as stated in the Business Plan approved by the Board of Directors on 4 February 2022 and used for the most recent impairment tests for the 2021 Financial Statements, can be substantially confirmed.

Also in consideration of the attention given by the accounting standards to the analysis of externally sourced information, the Group's internally prepared earnings forecasts have been compared with, and confirmed by, the updated consensus forecasts of the financial analysts.

With regard to the other variables that affect the recoverable amount of the CGUs (cost of capital and growth rate), these were updated based on the current and future market situation resulting from the macroeconomic scenario prepared by the Research Department and the change compared to the previous impairment test was analysed. An increase was found in the cost of capital for all the CGUs, mainly attributable to the risk free rate and country risk components, which, however, was well within the stress limits resulting from the sensitivity analysis conducted for the 2021 Financial Statements. In addition, a check was made to ensure that Intesa Sanpaolo's estimates regarding the cost of capital were consistent with the discount rates incorporated in the valuations by the main financial analysts.

The large buffers with respect to the carrying amounts that still remain for the CGUs to which goodwill items are allocated, concentrated in the asset management, private banking and insurance sectors, even in the face of extreme stress conditions, currently lead us to believe that the possible continuation of the negative effects of the war conflict and/or the highly uncertain environment is not likely to change the results of the last impairment test conducted for the financial statements as at 31 December 2021.

On the basis of the analyses performed, despite the macroeconomic context and the geopolitical tensions, Intesa Sanpaolo did not detect any internal or external indicators that led to the presumption of impairment losses on the goodwill allocated to the CGUs that would necessitate a new impairment test for the Half-yearly Report as at 30 June 2022.

With regard to the other intangible assets recognised in the balance sheet as a result of business combinations, the analysis of the updated macroeconomic scenario and the performance of inflows and redemptions, for both the asset management and insurance businesses, did not identify any indicators of impairment.

Impacts of the COVID-19 pandemic

The early weeks of 2022 were marked in Italy by a new wave of infections caused by the rapid spread of the Omicron variant, which began in late 2021 and led to the extension of the state of emergency until 31 March 2022 (Christmas Decree - Law Decree no. 221 of 24 December 2021). The Group consequently updated its internal rules in response to the progressive reconfiguration of the COVID-19 regulations by the Italian Government. Specifically:

- the obligation of minimum presence was removed, allowing return to the office solely on a voluntary basis and within the limit of 50% per office, alongside the limitation of business trips and meetings. The mandatory minimum presence of 40% was reinstated in the head office premises only from 7 March, with the initial easing of the rise in infections;
- for the branches, customer access, only in the red and orange zones mandatorily by prior appointment, has remained subject to compliance with social distancing requirements, the use of appropriate personal protective equipment, hygiene measures and limited in the number to the maximum capacity set in advance and indicated at the entrance;
- the deadline for granting remote working status to the frail or severely disabled was further extended to 31 March 2022 (this provision also applied to caregivers of frail or severely disabled cohabiting family members, employees who have received certification of exceptional health monitoring, pregnant and breastfeeding women, and people exempted from vaccination due to illness or allergies);
- the change in the quarantine regime, reconfigured in relation to the vaccination status of the person concerned, (Law Decree no. 229 of 30 December 2021 and Explanatory Circulars of the Ministry of Health of 30 December 2021 and 4 February 2022), necessitated a revision of the internal operating instructions for the return to the workplace of positive cases and close contacts;
- from 1 February 2022, access to certain services, including banking and financial services, was restricted to people with at least a "basic" Green Pass (Law Decree no. 1 of 7 January 2022);
- from 15 February 2022, for those over 50, access to workplaces was restricted to holders of a Super Green Pass (requirement introduced by Law Decree no. 1 of 7 January 2022);
- as a result of an amendment to Legislative Decree 81/2008, which strengthened the obligations of "designated personnel" (heads of structures) in relation to monitoring and reporting, the activities of control and supervision of the fulfilment of the obligations in all branches and offices were intensified.

Law Decree 24 of 24 March 2022[9], issued in relation to the end of the state of emergency, established the following, in addition to the elimination of the coloured risk zones and precautionary quarantines for close contacts:

- the obligation until 30 April to use the "basic" Green Pass for all workers, regardless of their age, to access workplaces (abolition of the Super Green Pass for the over 50s);
- the elimination from 1 April of the requirement for the "basic" Green Pass for customers to access banking, financial and commercial services;

[9] Converted into Law no. 52 of 19 May 2022, published in the Official Gazette on 23 May.

- the use of respiratory protective equipment in workplaces until 30 April.

As a result, the internal company rules were revised to incorporate the mandatory contents of the legislative provisions and to adopt a more prudent approach, where possible and appropriate, based on the health situation, particularly with regard to situations of vulnerability. Specifically:

a) a number of precautionary measures were temporarily maintained (temperature measurement, hygiene, distancing and capacity) particularly for meetings, events/conferences and in presence training, while the obligation to complete the questionnaire prior to return to work premises after an absence of more than fifteen days was removed, and unrestricted access to branches was maintained for customers in compliance with the measures on hand hygiene, distancing and use of appropriate personal protection equipment, as well as the previously established restrictions on maximum capacity;
b) with regard to situations of vulnerability, for fragile and disabled people and for cases of exemption from vaccination (based on the requirements set out in the Ministerial Decree of 3 February 2022 or in the Ministry of Health Circular of 8 October 2021), the use of remote working was extended until 30 June 2022, subject to the presentation of a suitable certificate. The extension was also granted to pregnant women. For employees who are breastfeeding or who live with a vulnerable person, the flexible working arrangements were extended until 30 April. The conversion law also established an extension to 30 June 2022 for parents with frail children (severe disabilities or special educational needs).
   Pending a possible update of the legal provisions on vulnerability, the Bank subsequently decided to prudentially postpone the return from remote working to 1 September – subject to future more favourable legislative conditions – for people that have a greater exposure to the risk of COVID-19 infection (frail workers, the disabled and people who are exempt from vaccination, vulnerable individuals, workers with children with severe disabilities for whom the conditions set out in the Ministerial Decree of 4 February 2022 or the Ministry of Health Circular of 8 October 2021 apply, and pregnancies involving special clinical situations);
c) the obligation to report a positive result from a molecular/antigen test to employers and to comply with home isolation for 7/10 days based on vaccination status was maintained. Return to the office is only permitted following a negative molecular/antigen test at the end of the isolation period.

From 1 May, with the removal of the legal obligation for workers to show the green pass to access workplaces established by Law Decree 24/2022, the related checks were discontinued with the suspension of body temperature measurement on entrance and the resulting deactivation of the thermal scanners and QR code readers, where present. The ban on entering company premises with a fever (over 37.5°) or other COVID-19-related symptoms was maintained.
With regard to the use of safety equipment, on 28 April the Ministry of Health issued an Order – effective until the date of entry into force of the conversion law for Law Decree 24/2022 and in any case no later than 15 June 2022 – which limited the obligation to use protective equipment in closed places to specific and limited cases. This was followed on 4 May by the meeting between the government and the business and labour associations, which confirmed the full application for the private sector until June of the Protocol signed on 6 April 2021 concerning the measures for containing the pandemic in the workplace, which required the use of safety equipment where workplaces are shared, both outdoors and indoors. From 1 May, the ISP Group had maintained the requirement – in addition to keeping an inter-personal distance of one metre and complying with proper hygiene practices – to wear protective masks (surgical or FFP2) within company premises. From 15 June, the obligation to use personal protective equipment was changed to a recommendation, particularly at times of gathering, subject to the rules on distancing and hygiene and the obligation to wear FFP2 masks for 10 days in the event of contact with someone who is COVID-19 positive.
In the branches, on the other hand, since 1 May, the use of a mask is only recommended for customers entering company premises, without the need to make an appointment, but with a maximum number of admissions stated on signs displayed.
The Emergency Unit, which was set up at the beginning of the pandemic, was operational until April 2022 when, at the last meeting, it was decided to suspend regular meetings and only convene it when necessary. However, the continuous monitoring of the evolution of the pandemic is still being maintained.

Following the release of the measures described above, the use of remote working by the head-office structures has become an integral part of a new model of working based on strengthening individual responsibility and achieving a better work-life balance, through the “Next Way of Working” project, aimed at introducing new methods of work in the post-COVID period. In this context, the implementation is continuing of the real estate and technological interventions, initiated in 2021, aimed at helping staff in the structural use of a flexible working mode, based on alternating work in the office and from home, and in developing skills, also thanks to the insourcing of critical activities (e.g. digital operations) and continuous retraining towards activities with high added value for the Bank.
More specifically, in Milan – where the first phase related to the integration of UBI Banca has been completed – work is underway on the Via Melchiorre Gioia 22 complex. In recent weeks, the implementation activities began on the buildings in Vicenza, Brescia and Varese, while the planning of the real estate project in Assago is being completed with a view to subsequent commencement of the works. The planning is still in progress for the building in Bergamo.
Finally, work was completed on the building in Rome, located at Piazzale G. Douhet 31, and on the New Headquarters in Turin, solely for the projects started in 2021 and early 2022.
The work for the renovation of the spaces was accompanied by the continuation of the implementation of technological tools (release of the space booking function in the planning and reservation tool) and communication campaigns aimed at supporting staff during this period of change.

In terms of the extraordinary measures to support the Italian economy, businesses and households, at the end of June 2022, Intesa Sanpaolo – the first bank in Italy to grant moratoria, anticipating the specific regulatory provisions – had processed around 956 thousand requests for suspension of payments, for a volume of 117 billion euro[10], mainly relating to Article 56 of the “Cura Italia” Law Decree 18/2020. Applications from business customers accounted for 77% of the total volumes.

[10] The total moratoria granted up to 30 June 2022, including the former UBI Banca Group and considering the sale of branches carried out in the first half of 2021. Net of renewals, redemptions and terminations, the amount was 40.5 billion euro.

With regard to the expiry of the moratoria pursuant to Law Decree 18/2020, the measures were further extended until 31 December 2021 by Law Decree no. 73/2021 ("Sostegni bis") of 25 May 2021, subject to certain restrictions (including the requirement for the customer to make an explicit request by 15 June 2021).
At domestic level, as at 30 June 2022, there were around 0.3 billion euro of outstanding moratoria (4.8 billion euro at the end of 2021), of which over 47% attributable to business customers, in addition to around 0.3 billion euro of terminated moratoria that will reach the term for the resumption of payments in subsequent months, almost entirely relating to business customers (6.7 billion euro at December 2021). As a result of the phase-out of the EBA provisions concerning the exemption from forbearance classification (EBA compliant moratoria), as at June 2022 the total outstanding moratoria eligible for qualification as such under the EBA Guidelines was 0.033 billion euro (1.1 billion euro at the end of 2021).
The expired moratoria that had already met the conditions for the resumption of payments at the end of the half year amounted to 39.8 billion euro (34.7 billion euro at the end of 2021). The rate of new defaults on this portfolio at the end of the first half of 2022 was around 3% (2.7% at the end of 2021), and the level of significant overruns was also low.
The Intesa Sanpaolo Group supported the legislative and non-legislative measures adopted to combat the crisis generated by the COVID-19 pandemic, both in Italy and in the various countries where it operates.
At consolidated level, the exposure value of the outstanding moratoria as at 30 June 2022 was 0.3 billion euro (4.9 billion euro as at December 2021), substantially attributable to the domestic perimeter, against expired moratoria of 44.7 billion euro (around 47 billion euro at the end of 2021). Like at domestic level, also at consolidated level the outstanding moratoria qualifying as such under the EBA Guidelines amounted to 0.033 billion euro (1.1 billion euro at the end of 2021).

With reference to the specific measures to support the production system, Intesa Sanpaolo, the first Bank in Italy to sign the collaboration protocol with SACE, has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Overall, at the end of the first half of 2022, a total of 48 billion euro[11] of loans backed by government guarantee had been granted, also through the SME Fund, since the start of the pandemic (in application of the "Liquidità" Law Decree no. 23 of 8 April 2020), of which 13 billion euro SACE and 35 billion euro SME Fund (43 billion euro, of which 11 billion euro SACE and 32 billion euro SME Fund, in December 2021).
At consolidated level, also considering the operations in the other countries where the Group has a presence, the residual debt of exposures subject to government guarantee schemes, for which the process has been completed for both the acquisition of guarantees and for disbursement, which may not coincide with each other, totalled 35.3 billion euro at the end of June 2022 (40 billion euro at the end of December 2021).

Moreover, the "Rilancio" Decree (Law Decree 34/2020) introduced several measures to support the relaunch of the construction sector. First of all, it raised the tax deduction to 110% for energy and seismic upgrading of buildings (110% Superbonus introduced by Article 119) carried out by private individuals, not involved in business, arts and professions, condominiums and persons other than companies. Instead of the deduction, the taxpayer can opt for the application of a corresponding discount on the price by the supplier, or for the assignment to third parties (including banks) of a tax credit equivalent to the deduction. The Decree also allowed for the possibility of converting the main construction- and energy-related tax deductions into a discount on the amount due and into a transferable tax credit (Article 121), as well as the possibility, for the beneficiaries of tax credits recognised by the measures issued to address the COVID-19 emergency, to opt for the partial or full transfer of the tax credits to other parties, rather than using them directly (Article 122). In relation to those provisions, the Group has developed specific solutions not only for those who want to transfer their credit directly but also for businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte.
The process of acquiring tax credits is subject to comprehensive controls that allow the Bank to demonstrate that it effectively fulfils the specific due diligence requirements.
From the start of operations to the beginning of June, credits amounting to 12.4 billion euro (6.2 billion euro finalised and 6.2 billion euro signed) had already been formally acquired, while those in the process of being acquired amounted to a further 9 billion euro. At present, considering not only the credits already acquired but also those being formalised and the ceilings related to the companies, Intesa Sanpaolo's tax capacity has almost been fully absorbed. New solutions are therefore being studied by the Bank's business structures to meet the continuing market demands.

At last April's Shareholders' Meeting, a booklet was published – also available on the Group's website, in the Newsroom section – detailing all the objectives that it was possible to achieve through the donation of 100 million euro to the National Health System made by Intesa Sanpaolo at the outbreak of the COVID-19 pandemic. Of the total amount made available, donations of 88.5 million euro were managed through the Department of Civil Protection, on the basis of a specific collaboration protocol, while the remaining 11.5 million euro of donations were allocated directly by Intesa Sanpaolo to specific beneficiaries: ASST Papa Giovanni XXIII of Bergamo and the Veneto Region. Overall, the sums were primarily allocated to the permanent structural strengthening of the National Health Service and the bodies responsible for dealing with emergencies.

In the first half of 2022, as Italy came out from the health emergency, the effects on the performance of the Group's balance sheet aggregates specifically attributable to the pandemic eased off considerably, due to the gradual establishment of a scenario of general uncertainty generated by Russia's invasion of Ukraine.
The development of direct deposits from banking business continued to be driven by the short-term component, in particular current accounts, where customers are choosing to place their liquidity while waiting to invest. This phenomenon, already present before the outbreak of the health emergency, had accelerated sharply during 2020, but this growth has gradually been slowing down since 2021. At the end of June 2022, direct deposits from banking business showed a fall of 1.4% on a half-yearly basis but growth of 3% year-on-year.
With regard to indirect customer deposits, the performance of assets under management, which in 2021 had benefited from the renewed climate of confidence generated by the economic recovery after the closures caused by the health emergency,

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

was affected in the first half of 2022 by the increased volatility of the markets due to the various factors of concern related to the Russia-Ukraine military conflict and the rise in inflation, which are undermining the full recovery to pre-pandemic levels of activity, compounded by the effects of the reversal of European monetary policy announced in June. At the end of the half year, assets under management of the companies of the Asset Management Division, net of duplications, were down 11.2% compared to 31 December 2021.
On the basis of management data, in the insurance business the uncertain scenario led to a decline in gross premiums, both in the life segment (-11% compared to the same period in 2021) and in the non-life segment, despite the growth in the non-motor sector (+2%). The net flows were also negative, as they were affected by an upturn in liquidations, particularly in the initial months of the year, due to higher mortality as a result of COVID-19 compared to the second half of 2021.

With regard to the impact of the pandemic on the Group's operating income in the six months under review, net interest income continued to be positively impacted by financing activities, although at a slower rate, as well as the increased benefits from the TLTRO III transactions with the ECB, which generated interest income of 645 million euro, recognised at an interest rate of 1% up to 23 June 2022 – the end of the special interest rate period – and 0.5% up to the end of the half year (515.5 million euro in the first half of 2021). At the end of June 2022, the TLTRO III refinancing amounted to 114.8 billion euro, down from 132 billion euro in December due to an early repayment at the end of the first half of the year[12], compared to 129.8 billion euro in June 2021.
Compared to the first six months of 2021, total net interest income increased by 2.5% to 4,047 million euro.
Net fee and commission income fell by 3% to 4,529 million euro. This aggregate was affected by a lower contribution from the management, dealing and consultancy activities segment, due to the market volatility, which particularly impacted the revenue items related to assets under management.
Despite the performance of the flows described above, income from insurance business grew slightly to 867 million euro (+1.5%), thanks to the increased contribution of the technical margin, mainly attributable to the life insurance business, which offset the moderate decline in the net investment result.
In the first six months of the year, the costs incurred by the Intesa Sanpaolo Group for interventions related to the pandemic amounted to around 11 million euro in terms of current expenses, down by around 1 million euro on the corresponding period of 2021, while no investments were made, whereas they amounted to around 2 million euro in the same period of 2021. Overall, operating costs totalled 5,111 million euro, down 131 million euro, or -2.5%, also as a result of the synergies from the integration with the former UBI Banca Group.
With regard to adjustments to loans, in the first half there was a significant reduction in the management overlays to cover the vulnerability of the moratoria, given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues. Despite this, total adjustments increased to 1,432 million euro, compared to 1,001 million euro in the first six months of 2021, as they incorporated the valuation effects described above related to the Russia-Ukraine risk.

Lastly, for details of the impact of the pandemic on the various risk profiles, see the chapter "Risk management".

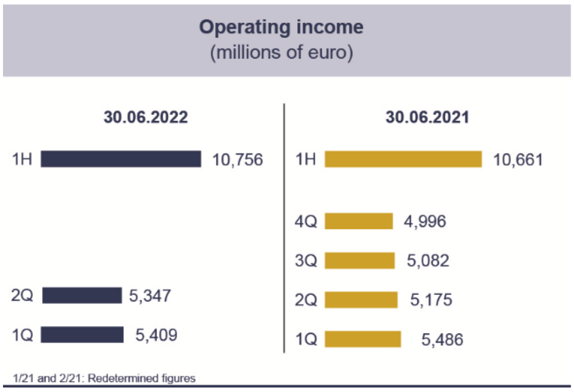
[12] Early repayment of nominal amount of 17 billion euro obtained by Intesa Sanpaolo in the December 2019 auction and maturing in December 2022.

Intesa Sanpaolo in the first six months of 2022

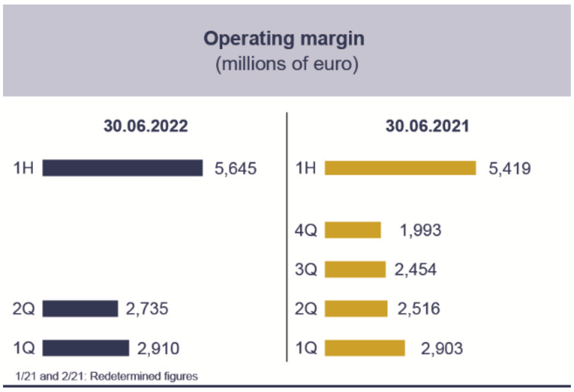
Consolidated results

The commentary on the consolidated results for the first half of 2022 refers to the reclassified income statement, which – in continuation of the approach adopted in the 2021 Annual Report and the Interim Statement as at 31 March 2022 – presents figures for the first two quarters of 2021 that have been "redetermined", on the basis of management figures, in order to enable a like-for-like comparison, by: (i) excluding the income statement results, on a line-by-line basis, for the UBI Banca branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated to the caption Income (loss) from discontinued operations and (ii) including the figures, on a line-by-line basis, for the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, which entered the scope of consolidation from the second quarter of 2021, after stripping out the income statement results linked to the business from the customers of the branches sold to BPER, with the allocation of the net result to the caption Minority interests, and therefore without impact on the net income for the period.

Although the consolidated income statement for the second quarter closed with significantly higher net income than in the previous quarter (+29.9%), the *consolidated net income* for the first six months of 2022, at 2,354 million euro, was down compared to the 3,023 million euro in the corresponding period of 2021 (-22.1%; -669 million euro).
Despite the positive performance of operations, net income was primarily conditioned by the valuation effects of the conflict between Russia and Ukraine: overall, adjustments for risk towards Russian and Ukrainian counterparties, almost entirely attributable to on-balance-sheet and off-balance-sheet credit exposures, totalled 1,126 million euro gross, of which 822 million euro pertaining to the first quarter (922 million euro net of tax, of which 646 million euro in the first three months of the year). The net income was also affected by the higher tax burden, because direct taxation for the half year reflected a smaller benefit, in comparison with the previous year, from the tax relief on intangible assets (117 million euro compared to around 460 million euro in 2021).



Operating income totalled 10,756 million euro, up slightly on the first six months of 2021 (+95 million euro; +0.9%), as a result of offsetting movements in the various revenue captions.
Net interest income increased by 2.5% to 4,047 million euro, as a result of an acceleration in the second quarter. This performance was driven by the growth in (i) relations with banks, still supported by the benefits of the TLTROs with the ECB, (ii) differentials on hedging derivatives, and (iii) interest on securities investments. In contrast, there was a slight decline for both customer dealing, despite having grown significantly in the second quarter, and other net interest income, including that on non-performing assets, which continued to be affected by the de-risking policies being implemented.
Fee and commission income was down by 3% to 4,529 million euro. The negative performance of the financial markets penalised the management, dealing and financial consultancy segment, which recorded a 9.1% decrease in total income, mainly attributable to the dealing and placement of securities and asset management, despite the higher contribution from the distribution of insurance products. In contrast, there was an improvement in the contributions from commercial banking activities (+4.5%), particularly from collection/payment services and debit/credit cards, and from other fee and commission income (+16.1%), mainly on loans.
Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, increased slightly by 1.5% to 867 million euro due to the positive performance in the second quarter, reflecting an improvement in the technical margin offset by a slight reduction in the net investment result.
Profits (losses) on financial assets and liabilities designated at fair value increased by 16.2% to 1,323 million euro. The growth in this caption was driven by the "Profits (losses) on trading and on financial instruments under fair value option", and the "Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost", in addition to minor repurchases of own financial liabilities issued.
Other operating income (expenses), which include the profits on investments carried at equity and other income and expenses from continuing operations, showed a balance of -10 million euro, compared with +51 million euro in the first half of 2021. The change was attributable to the combined effect of the reduction in profits on investments carried at equity from 49 million euro to 20 million euro, in the presence of other net operating income/expenses of -30 million euro, compared to a net +2 million euro in the first six months of 2021.
Having benefited from the synergies deriving from the integration with the former UBI Banca Group, *operating costs*, amounting to 5,111 million euro, continued their downward trend (-131 million euro, -2.5%). More specifically, personnel expenses decreased by 2.8% to 3,181 million euro, mainly due to the reduction in the average workforce (-3,070 staff; -3.1%), while administrative expenses fell by 4% to 1,307 million euro, in particular for IT services, as a result of the restructuring of the agreements following the merger of UBI.S, the former services company of the UBI Group, and for property management, as a result of the real estate scale back underway. Only amortisation and depreciation, at 623 million euro, bucked this trend (+2.5%), as a result of the IT investments and despite lower depreciation as a consequence of the real estate scale back.



As a result of the positive revenue and cost performance described above, the *operating margin* improved to 5,645 million euro (+226 million euro; +4.2%) and the cost/income ratio fell from 49.2% to 47.5%.

Net adjustments to loans totalled 1,432 million euro, compared to 1,001 million euro in the first six months of 2021 (+431 million euro; +43.1%), due to having incorporated the valuation effects related to the Russia-Ukraine risk mentioned above for a total of 1,093 million euro, of which 801 million euro relating to the first quarter and 292 million euro to the second. These effects have been partially mitigated by a reduction in the management overlays to cover the vulnerability of the moratoria (around 300 million euro), given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues. As a result of the collective assessment approach adopted to incorporate the aspects related to the ongoing military conflict into the provisions, the increase in the caption was essentially concentrated in Stage 2 (+299 million euro) and Stage 1 (+106 million euro), and in the allowances for credit risk associated with commitments and financial guarantees given (+135 million euro), only partly offset by the decrease in adjustments on Stage 3 exposures (-92 million euro).

The cost of risk, represented as the ratio of net adjustments to net loans, consequently stood at 61 basis points in annualised terms (27 basis points when excluding adjustments for the Russia-Ukraine exposure, net of the partial release of generic provisions set aside in 2020 for future COVID-19 impacts), which compares with 43 basis points, also annualised, in the first half of 2021 and 59 basis points for the full year 2021 (25 basis points when excluding the additional provisions to accelerate the de-risking process).

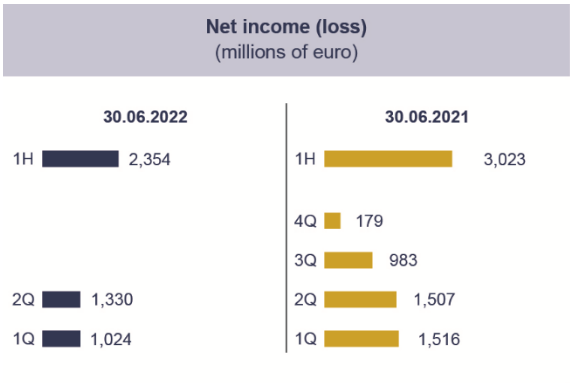
Other net provisions and net impairment losses on other assets totalling 123 million euro were recognised, of which 87 million euro related to net adjustments, including for the Russia and Ukraine risk assessments on securities and real estate (33 million euro), and the remaining 36 million euro to provisions for risks and charges for legal disputes and tax litigation. This caption was down sharply from 354 million euro in 2021 (-65.3%), which included, among other things, an allocation of 126 million euro, made in the second quarter, for risks and charges in the insurance segment (excess of claims over earned premiums and estimated provision for future charges on outstanding policies).

Other income (expense), which includes realised gains and losses on investments, together with income and expenses not strictly related to operations, amounted to 143 million euro and included the gain of 194 million euro on the sale of Intesa Sanpaolo Formazione at the end of June under the Digit'Ed project (described in greater detail below), as well as 48 million euro as a one-off contribution to Intesa Sanpaolo people – excluding those classified as managers or having equivalent remuneration – to mitigate the impact of inflation (in this regard, refer to that set out in the paragraph "Significant events" below). The figure for this caption in the first half of 2021 was 191 million euro, which in turn incorporated the 194 million euro gain recognised in the first quarter following the sale by Fideuram Bank Luxembourg to State Street of its depository bank business line.

There was no income from discontinued operations, compared to 58 million euro in the first six months of 2021 related to the contribution of the branches sold.

As a result of the accounting entries described above, *gross income* amounted to 4,233 million euro, a slight decrease from 4,313 million euro in the comparison period (-80 million euro; -1.9%).

Taxes on income amounted to 1,456 million euro, compared to 922 million euro in the first six months of 2021 (+57.9%), resulting in an increase in the tax rate from 21.4% to 34.4%. As mentioned above, this change reflected the smaller benefit from the tax relief on intangible assets (117 million euro, compared to around 460 million euro in the first half of 2021).



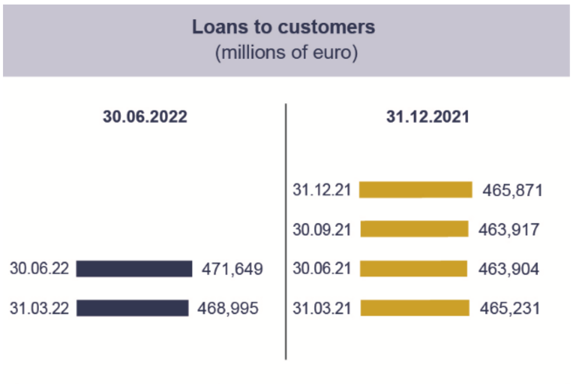
After tax, charges for integration and exit incentives of 39 million euro were recognised, down from 107 million euro for the comparison period, together with the negative effects of purchase price allocation of 101 million euro, up from the previous 34 million euro.

In contrast, the charges aimed at maintaining the stability of the banking industry remained stable, at 278 million euro net of tax (400 million euro gross). Around 90% of these charges (248 million euro net, 362 million euro gross) consisted of the cost for the full year 2022 of the ordinary contributions to the single resolution fund for the Group's Italian and international banks, down from the six-month comparative period, which also included an additional contribution (261 million euro net, 381 million euro gross, including an additional component of 69 million euro net and 103 million euro gross).

After the allocation of the net income of 5 million euro to minority interests (loss of 52 million euro in 2021), the consolidated income statement for the half year closed, as already stated, with net income of 2,354 million euro, down from 3,023 million euro posted in 2021.

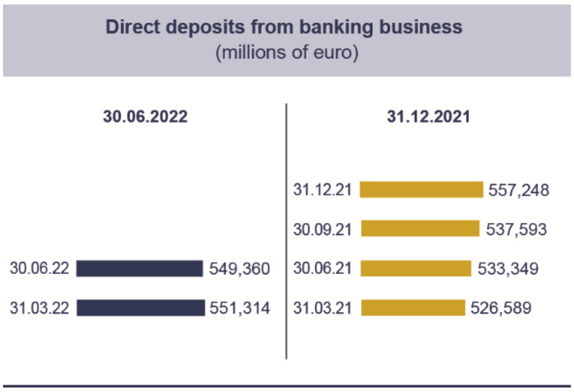
Compared to the previous quarter, the *consolidated income statement for the second quarter* showed a slight decrease in operating income to 5,347 million euro (-62 million euro; -1.1%) due to the lower contribution of the profits (losses) on financial assets and liabilities designated at fair value (-27.5%), mainly due to lower gains on disposals, and a slight decrease in net fee and commission income (-1.4%), affected by the performance of the financial markets. These falls were only partially

offset by the buoyant recovery in net interest income (+6.9%), driven in particular by customer dealing, and income from insurance business (+15.7%), which in both cases reached levels above those of the previous five quarters.
Operating costs increased overall to 2,612 million euro (+113 million euro; +4.5%). The growth primarily concerned administrative expenses (+13.6%), related both to a degree of seasonality in invoicing in the second quarter, and to the operational recovery underlying some expense categories, such as IT services and advertising and promotional expenses related to exhibitions and cultural initiatives. Personnel expenses were also up (+2.4%), against a slight fall in the average workforce (-112 people; -0.1%), mainly due to the effect of the variable component, both ordinary and non-ordinary, with the latter represented by the advance portion of the 2022-2025 LECOIP 3.0 incentive plan. Only amortisation and depreciation bucked the trend (-2.2%).
As a result of the revenue and cost performance described above, the operating margin fell to 2,735 million euro from 2,910 million euro in the first quarter of 2022 (-175 million euro; -6.0%), while the cost/income ratio increased from 46.2% to 48.8%.
Net adjustments to loans amounted to 730 million euro, compared to 702 million euro in the previous three months, and included an additional 292 million euro of Russia-Ukraine risk-related adjustments, after the 801 million euro allocated in the first months of 2022. The change in this caption reflected an increase in adjustments at Stage 3 level (+362 million euro) against reductions in Stage 2 (-128 million euro), Stage 1 (-127 million euro) and in allowances for credit risk associated with commitments and financial guarantees given (-74 million euro).
Other net provisions and net impairment losses on other assets remained substantially stable at 63 million euro (+3 million euro), due to the combined effect of higher net provisions for risks and charges and lower net adjustments, which in both periods also incorporated the effects of the Russia and Ukraine risk assessments on securities and real estate.
Other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, amounted to +147 million euro, compared to the previous -4 million euro. They included the above-mentioned gain of 194 million euro on the sale of Intesa Sanpaolo Formazione and the 48 million euro one-off payment to the personnel to mitigate the impact of inflation.
As a result of the accounting entries described above, the gross income decreased to 2,089 million euro, from 2,144 million euro for the first quarter (-55 million euro; -2.6%).
Taxes on income decreased to 675 million euro (-13.6%), having benefited from the realignment of the tax values of certain intangible assets of 117 million euro, resulting in a tax rate of 32.3% (36.4% in the first quarter). Net of tax, charges for integration and exit incentives were recorded of 23 million euro, as well as the negative effects of purchase price allocation of 47 million euro. The charges aimed at maintaining the stability of the banking industry amounted to 12 million euro (16 million euro gross), mainly attributable to the contributions from the international subsidiary banks, compared to the 266 million euro recognised in the first quarter, almost all of which consisted of the estimated cost of the ordinary contributions to the single resolution fund for the Group's Italian banks for the full year 2022.
After the allocation to minority interests of net income of 2 million euro (3 million euro in the previous three months), the consolidated income statement for the second quarter closed with net income of 1,330 million euro, an improvement of 29.9% on the previous 1,024 million euro.

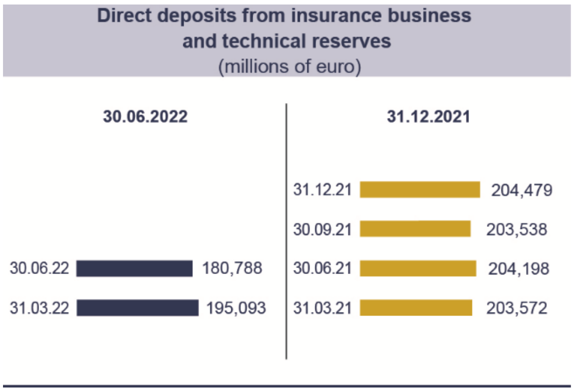


With regard to the balance sheet aggregates, loans to customers stood at 471.6 billion euro as at 30 June 2022, up by 5.8 billion euro (+1.2%) compared to December 2021.
The positive performance of this aggregate was primarily driven by commercial banking loans, which grew by 4.6 billion euro (+1.1%) to 438.7 billion euro. Within these loans, the strong growth in short-term technical forms, mainly aimed at financing the inventories and working capital of businesses (+7.5% current accounts; +3.9% advances and loans), more than offset the fall in medium/long-term loans. The latter are suffering from weak demand from businesses despite a positive trend in mortgages for home purchases by households.
There was also an increase for loans of a financial nature, consisting of repurchase agreements and which by nature are subject to a certain degree of variability during the year. After a decline in December and a peak in March, these loans stood at 19.8 billion euro in June (+2.2 billion euro in the six months; +12.6%), in line with the levels of twelve months earlier.
Loans represented by securities remained essentially unchanged at 6.9 billion euro (-1.3%), while non-performing loans fell further to 6.2 billion euro (-13%). As a result, their proportion decreased to 2.3% in gross terms and 1.3% in net terms (3.2% and 1.5% respectively at the end of 2021)[13]. As the disposals finalised during the period (see in this regard the information provided further below in relation to the de-risking initiatives) regarded exposures featuring a coverage ratio higher than the average for the specific category, the coverage of non-performing loans dropped to 44.8% from 53.6% at the end of 2021, against an increase from 0.54% to 0.59% for performing loans.

[13] Based on the EBA definition, the proportion of non-performing loans was 1.8% in gross terms and 1% in net terms (2.4% and 1.2% respectively in December 2021).



On the funding side, direct deposits from banking business were down at the end of the half year to 549.4 billion euro (-7.9 billion euro; -1.4%). While funding from current accounts and deposits, which represent 80% of the total aggregate, remained essentially stable (-1% to 439.5 billion euro), the downward trend continued for bonds (-12.1% to 54.9 billion euro), reflecting the lower issuance volumes with respect to maturing stocks due to the abundant liquidity in deposits.
Also down, although to a lesser extent, were certificates of deposit (-4.2% to 2.8 billion euro), subordinated liabilities (-1.3% to 12.4 billion euro), which included an issuance of around 860 million euro of Tier 2 in June as part of the renewal of a maturity, and financial funding in the form of repurchase agreements and securities lending (-17.3% to 2.2 billion euro).
Only other deposits increased (+15.7% to 37.4 billion euro), mainly due to margins from customers trading in derivatives, the values of which rose as a result of the rise in interest rates. The fair value component, almost entirely made up of investment certificates, only increased moderately by 2.1% to 12.4 billion euro.



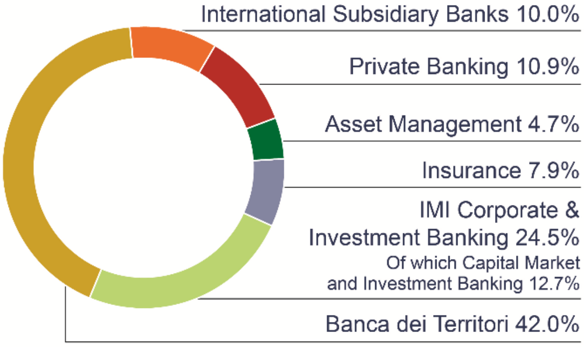
Direct deposits from insurance business – which also include the technical reserves, namely the amounts owed to customers that have taken out traditional policies or policies with significant insurance risk – totalled 180.8 billion euro in June 2022, down by 23.7 billion euro over the half year (-11.6%). The downward trend, which became more pronounced in the second quarter as a result of the increased climate of uncertainty, affected both the main components.
The financial liabilities designated at fair value, consisting of unit-linked products, decreased to 74.3 billion euro (-10.3 billion euro; -12.2%), having been affected by the volatility of the financial markets; technical reserves fell to 104.8 billion euro (-13.5 billion euro; -11.4%), entirely attributable to the life business, which account for almost all the reserves.
In contrast, other insurance deposits, which include subordinated liabilities, increased to 1.7 billion euro (+0.1 billion euro; +8.9%).

The negative performance of the financial markets, driven by numerous concerns related to the ongoing military conflict and rising inflation and the reversal in European monetary policy, dragged down the indirect customer deposits which, valued at market prices, fell to 662.8 billion euro as at 30 June 2022, from 725.1 billion euro in December (-62.3 billion euro; -8.6%).
The decrease in the aggregate was attributable for 21.3 billion euro (-8.6%) to assets under administration – which fell to 226.3 billion euro, corresponding to 34.1% of the total aggregate – and for 41 billion euro (-8.6%) to assets under management, which decreased to 436.5 billion euro, equivalent to 65.9% of the total. Within assets under management, all the components were down: funds (-11.9% to 155.3 billion euro), technical reserves and insurance financial liabilities (-6.3% to 174.5 billion euro), portfolio management schemes (-10.1% to 73.6 billion euro) and pension funds (-7.4% to 11.7 billion euro). Only relations with institutional customers bucked this trend (+4.8% to 21.4 billion euro).

Results of the Business Units

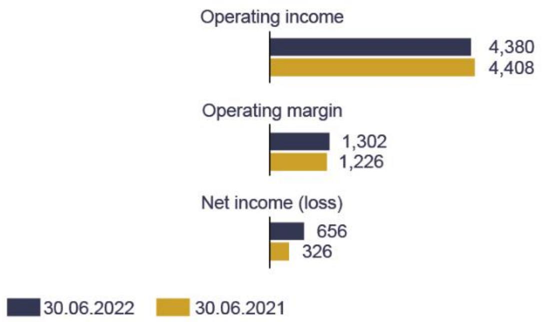
The Intesa Sanpaolo Group organisational structure is based on six business segments: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and Insurance. In addition, there is the Corporate Centre, which is responsible for guidance, coordination and control of the entire Group, as well as for the Treasury and ALM operations.
The share of operating income attributable to each business segment (excluding the Corporate Centre) confirmed that commercial banking activities in Italy continue to account for the majority (42% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (around 24%), commercial banking activity abroad (10%), private banking (around 11%), insurance business (around 8%) and asset management (around 5%).
Where necessary and where material, the division figures have been restated to reflect the changes in scope of the business units to enable a like-for-like comparison.

Operating income:
Breakdown by business area [1]

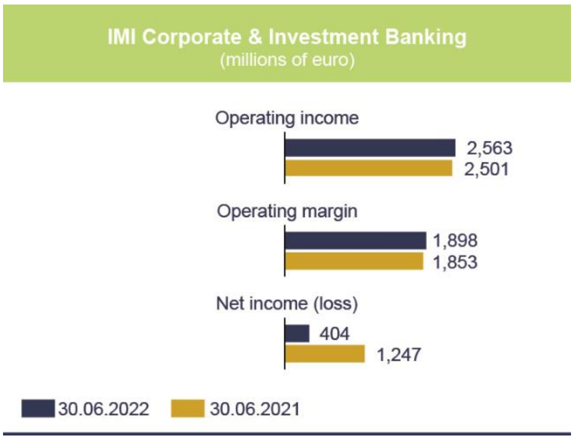


[1] Excluding Corporate Centre

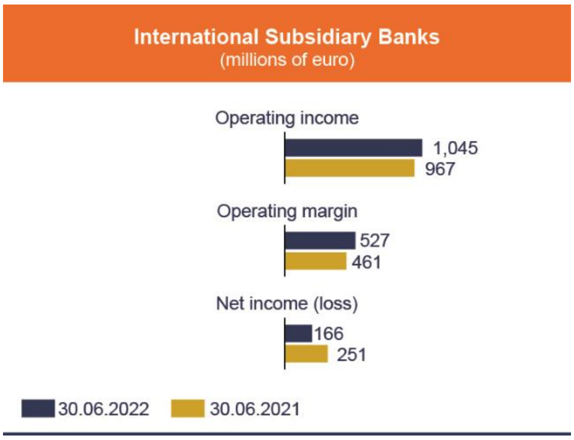
Banca dei Territori
(millions of euro)



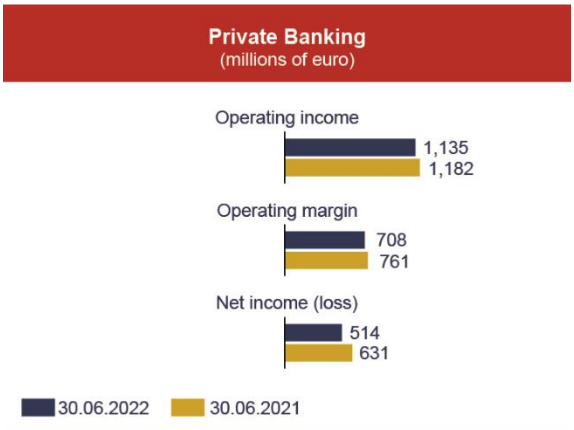
In the first half of 2022, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – reported operating income of 4,380 million euro, slightly down (-0.6%) on the same period of the previous year, due both to the decline in net interest income (-1.3%), mainly attributable to the de-risking operations, which considerably reduced the stock of non-performing assets, and, to a lesser extent, to the slight fall in net fee and commission income (-0.5%).
Among the other revenue components, which also provide a marginal contribution to the Division's income, there was an increase both in profits (losses) on financial assets and liabilities designated at fair value (+8 million euro) and in other operating income (+1 million euro).
Operating costs fell (-3.3% to 3,078 million euro), both for personnel expenses, primarily due to the savings resulting from the agreed redundancies, and for administrative expenses, mainly discretionary and relating to service costs in the real estate sector. As a result of the changes described above, the operating margin amounted to 1,302 million euro (+6.2%). Gross income was also up at 1,016 million euro (536 million euro in the first half of 2021), having benefited from the release of general adjustments made in 2020 for future COVID-19 impacts, mainly on performing positions subject to moratoria. Net income, after allocation to the Division of taxes and charges for integration, amounted to 656 million euro (326 million in the first half of 2021).
The balance sheet figures of the Division at the end of June 2022 showed slight growth in total intermediated volumes of loans and deposits from the beginning of the year (+0.6%). In detail, loans to customers reported an increase (+1.7%, equal to +4.3 billion euro), attributable to the positive trend in loans to individuals, mainly medium/long-term, and, to a lesser extent, businesses, including those operating in the agricultural and food sector.
Direct deposits from banking business were slightly down from the beginning of the year (-0.4%, equal to -1.2 billion euro) in relation to the trend in securities issued as well as amounts due to businesses, with the latter partly offset by the growth in deposits from individuals.



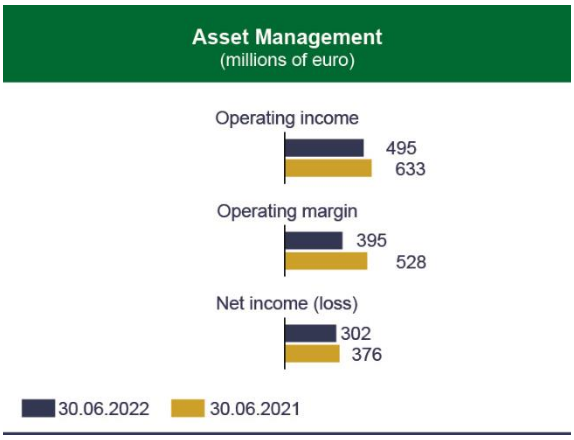
The IMI Corporate & Investment Banking Division – which oversees corporate and transaction banking, investment banking, public finance and capital markets in Italy and abroad – posted operating income of 2,563 million euro in the first six months of 2022, up on the first half of 2021 (+2.5%). In detail, net interest income decreased (-12.3% to 968 million euro), due to the lower contribution from customer dealing and from the securities portfolio in the Global Market, while net fee and commission income increased (+2.3% to 569 million euro), mainly due to the performance of commercial banking and structured finance. Profits (losses) on financial assets and liabilities designated at fair value was the revenue caption that had the largest increase (+22.3% to 1,027 million euro), having benefited from higher income linked to the securities trading portfolio and transactions in certificates, including the positive impact of the debt value adjustment (DVA). Operating costs amounted to 665 million euro, an increase of 2.6%, essentially attributable to administrative expenses.
As a result of the above revenue and cost trends, the operating margin increased by 2.4% compared to the value recorded in the first half of last year, amounting to 1,898 million euro. Gross income, equal to 767 million euro, recorded a sharp decrease (-57.4%) due to the significant value adjustments posted in relation to the events regarding Russia and Ukraine. Finally, net income came to 404 million euro (-67.6%).
The intermediated volumes decreased slightly compared to the beginning of the year (-0.7%). In detail, loans to customers increased slightly (+0.4% to around 153 billion euro), mainly due to increased operations with global corporate customers, essentially short-term, and financial institutions, which more than offset the reduction in medium/long-term loans for structured finance transactions. Direct deposits from banking business was down by 2.3 billion euro (-2.4%) due to the decrease in amounts due to international customers and financial institutions and securities issued.



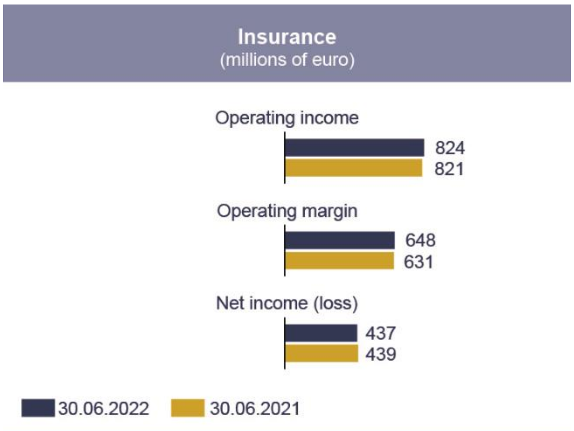
In the first half of 2022, the operating income of the International Subsidiary Banks Division – which is responsible for the Group's operations on international markets through commercial banking subsidiaries and associates – came to 1,045 million euro, up (+8.1%) on the same period of the previous year (+8.8% at constant exchange rates) due to the performance of all the main components: net interest income (+9.1% to 708 million euro), net fee and commission income (+10.3% to 290 million euro) and profits (losses) on financial assets and liabilities designated at fair value (+8.2% to 79 million euro). Operating costs of 518 million euro increased (+2.4%; +2.7% at constant exchange rates) in all components and, specifically, on administrative expenses. As a result of the above revenue and cost trends, the operating margin increased (+14.3%) to 527 million euro. In contrast, gross income was down (-11.9% to 327 million euro), due to higher net adjustments to loans as a result of the events concerning Russia and Ukraine. The Division closed the half year with net income of 166 million euro (-33.9%).
The Division's intermediated volumes grew at the end of June 2022 (+2%, equal to +1.8 billion euro) compared to the beginning of the year owing to both direct deposits from banking business (+1.8%) especially the component of amounts due to customers, and loans to customers (+2.2%). The performance of deposits is mainly attributable to the subsidiaries operating in Croatia Slovenia and Slovakia while the performance of loans is attributable to subsidiaries active in Serbia, Croatia and Slovakia.



The Private Banking Division – which serves the top customer segment (Private and High Net Worth Individuals) creating value by offering top products and services – generated gross income of 719 million euro in the first six months of 2022, down by 220 million euro (-23.4%) on the first half of 2021, which included – within other income – the gain of 194 million euro on the sale of the custodian bank business line by Fideuram Bank Lux. The downward trend in revenues was attributable to all the components: net fee and commission income (-21 million euro), profits (losses) on financial assets designated at fair value (-13 million euro), net interest income (-7 million euro) and other net operating income (-6 million euro). The Division closed the half year with net income of 514 million euro, down by 18.5% on the same period of 2021.
As at 30 June 2022, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 265.6 billion euro (-28.2 billion euro since the beginning of the year). This trend was due to the market performance that had a negative effect on assets, only partially offset by positive net inflows. The assets under management component amounted to 150.5 billion euro (-16.3 billion euro).



The Asset Management Division – whose mission is to develop asset management solutions targeted at the Group's customers and is present on the open market segment through the subsidiary Eurizon Capital SGR and its investees – posted operating income of 495 million euro in the first half of 2022, a decrease (-21.8%) on the first half of 2021 mainly due to the performance of net fee and commission income (-123 million euro), penalised by the unfavourable conditions in the financial markets. Operating costs were down (-4.8%), mainly due to the reduction in administrative expenses (as a result of the synergies deriving from the integration with Pramerica, completed at the end of June 2021) and personnel expenses. As a result of the above revenue and cost trends, the operating margin came to 395 million euro (-25.2%). The Division closed the first half with net income of 302 million euro (-19.7%).
The assets managed by the Asset Management Division totalled 314 billion euro, down by 40 billion euro (-11.2%) compared to the end of December 2021. This was mainly attributable to the impairment of assets managed relating to the negative performance of the markets.



In the first half of 2022, the Insurance Division – consisting of Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute and Cargeas (in addition to Intesa Sanpaolo Insurance Agency), with the mission of synergically developing the insurance product mix targeting Group customers – posted income for insurance business of 830 million euro, up slightly (+0.6%) on the first half of 2021. This trend is attributable to the increase in the technical margin, which more than offset the reduction in the net investment result, due to the trend in the financial markets.
Gross income, amounting to 639 million euro, showed strong growth (+28.1%), due to the reduction in operating costs (-7.4%), the increase in operating income (+0.4%) and lower net provisions (-123 million euro, considering that in the first half of 2021, the latter included the provision of 126 million euro representing the claims in excess of premiums accrued as at 30 June 2021 and the estimated future charges also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown).
Net income came to 437 million euro (-0.5%).

Highlights

Details are provided below of the significant events during the first half of 2022 and some of the subsequent events.

With regard to the completion of the integration of UBI Banca:

- as already detailed in the 2021 Annual Report, in mid-February 2022 the project was completed for the integration of IW Bank, which involved the partial demerger of the entire banking business line of the company and its transfer to the parent company Fideuram - Intesa Sanpaolo Private Banking (first demerger) and, concurrently, from the latter to Intesa Sanpaolo (second demerger), together with the amendment to IW Bank's articles of association, with the change of name to IW Private Investments SIM S.p.A. and the withdrawal of the authorisation to carry out banking activities.
  As a result of the demerger, IW SIM is now dedicated to the investment services offering (advisory and placement services) for which specific authorisation was requested and obtained from Consob, by order of 1 December 2021. The signing of the deeds took place on 11 January 2022 with legal effect from 14 February 2022 and completion of the IT migration over the weekend of 12-13 February;
- with regard to UBI Leasing on the other hand, after having received the ECB authorisation for the merger of the company into the Parent Company on 13 December 2021 and filed the merger plan with the Turin Company Register on 26 January 2022, as envisaged by Article 2501-ter of the Italian Civil Code, the transaction was approved by the Board of Directors of Intesa Sanpaolo on 1 March 2022. The deed of merger was signed on 19 April 2022 with legal effect from 16 May and accounting and tax effects from 1 January 2022. Given that the merger involved a wholly-owned subsidiary, the merger of UBI Leasing took place in accordance with Article 2505 of the Italian Civil Code;
- on 21 January 2022, the transfer was completed from Intesa Sanpaolo to Fideuram Bank (Luxembourg) of the total shareholding in UBI Trustee, a company of the former UBI Banca Group based in Luxembourg and specialised in trustee services for HNWI (High Net Worth Individual) and UHNWI (Upper High Net Worth Individual) customers.

The planned merger of VUB Leasing A.S. (VUBL) into its parent company Vseobecna Uverova Banka A.S. (VUB), Group Companies both operating in Slovakia, authorised by the ECB on 12 November 2021, became effective on 1 January 2022. The transaction involved the demerger of VUBL's finance lease and consumer credit portfolio and its transfer by merger into the parent company VUB, while VUBL's operating lease portfolio was transferred by merger into a newly created joint stock company, called VUB Operating Leasing A.S., which became operational on 1 January 2022. Following the completion the above steps, VUBL was put into liquidation.

On 11 January 2022, the partnership announced in August 2021 between Reyl & Cie S.A and 1875 Finance Holding A.G. (1875 Finance), a multifamily office and independent asset manager for private and institutional customers based in Geneva, was finalised following the authorisations received from the Swiss (FINMA) and Luxembourg (CSSF) supervisory authorities. The operation was completed through the acquisition by Reyl of a 40% interest in 1875 Finance. The partnership allows the two companies to create opportunities for transversal development and consequently play an active role in accelerating the consolidation of the asset management industry in Switzerland.

Within the partnership established in 2021 between Fideuram – Intesa Sanpaolo Private Banking and the Swiss group Reyl (details of which are provided in the 2021 Annual Report), in January 2022, after having received clearance from the Swiss supervisory authority FINMA, the merger of Intesa Sanpaolo Private Bank (Suisse) Morval in Reyl & Cie S.A. was completed, with legal effectiveness and accounting and tax effects from 1 January 2022. The merged entity kept the name of the absorbing company Reyl & Cie S.A.

The sale of the holdings in the capital of the Bank of Italy continued in the initial months of 2022. As already mentioned in the 2021 Annual Report, the Act containing the Government Budget for the year 2022 and the Multi-year Budget for the three-year period 2022-2024 amended the provisions on the capital of the Bank of Italy, establishing that each investor cannot, directly or indirectly, have a holding in excess of 5% – compared to the previous limit of 3% – and that, as before, any holdings in excess of that limit do not give entitlement to economic or equity rights. Partly as a result of this change in the law, the sale of holdings accelerated significantly in January and February 2022. Specifically, 23 transactions were completed in the first two months of the year, resulting in the sale of additional holdings, representing 9.9% of the capital, for a price corresponding to the book value (aligned to the nominal value of 25 thousand euro per unit).
At the end of the above-mentioned sales, the Intesa Sanpaolo Group came to hold a total of 15,000 units, equal to exactly 5% of the capital of the Bank of Italy, in line with the maximum limits set out by law, for a value of 375 million euro.
Lastly, on 31 March 2022, the Ordinary General Meeting of the Bank of Italy approved the financial statements for the year 2021 and the proposal for the allocation of net income in accordance with the Articles of Association. During that meeting, as in the previous year, a dividend was approved for a total of 340 million euro. The General Meeting also resolved to allocate an amount of 40 million euro to the special item for the stabilisation of dividends, established to facilitate the implementation of the dividend policy, which reached a total of 240 million euro. Considering that IFRS 9 establishes that dividends must be recognised when the right to receive the payment arises, Intesa Sanpaolo has recognised the amount due to it, of 17 million euro, in the income statement for the first quarter.

On 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.91%.
This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.79% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.79%, of which 1.01% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[14];
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - a Capital Conservation Buffer of 2.5%,
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%,
  - a Countercyclical Capital Buffer of 0.15%[15].

On 4 February 2022, the 2022-2025 Business Plan was approved and presented to the financial community. The related documentation (press release and presentation) is available on the Group's website, in the Investor Relations section. The specific paragraph below provides a description of the implementation activities carried out during 2022.

On 15 February 2022, Intesa Sanpaolo and Nextalia SGR, on behalf of the Nextalia Private Equity Fund[16], entered into a binding agreement to create a new company, which will be a leader in education and digital learning, leveraging on Intesa Sanpaolo's innovative learning infrastructure. The company, named Digit'Ed, will target both the business segment, i.e. large companies, small and medium-sized enterprises, public sector and professional associations, and the consumer segment, also in collaboration with prestigious Italian and international institutions, responding to the growing needs of the training market, linked to digital transformation, the development of know-how and re-skilling.
The binding agreement provided for the transfer by Intesa Sanpaolo of Intesa Sanpaolo Formazione, the Group company focused on training initiatives aimed at the growth of enterprises and local economies, in respect of which – ahead of the aforementioned transfer – it was also envisaged that the Parent Company would transfer a specific business line dedicated to the design and provision of training services and products for Group employees based in Italy.
The agreement is part of an overall operation in which the newco Digit'Ed (controlled by Nextalia Holdco, a company wholly owned by the Nextalia Private Equity Fund) will be an aggregator of the best entities operating in the sector. In addition to Intesa Sanpaolo Formazione, these include Altaformazione, a leader in Italy in the development of innovative training and digital learning solutions, with a particular focus on the corporate segment, and Università Telematica San Raffaele, a private online university that has agreements with public and private companies.

[14] The regulatory change establishes that the capital instruments not qualifying as Common Equity Tier 1 may be partially used to meet the Pillar 2 requirement.

[15] Countercyclical Capital Buffer calculated taking into account the exposure as at 30 June 2022 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first nine months of 2022).

[16] ISP is today a limited partner of the Nextalia Private Equity Fund, as it holds a 10.86% stake in the fund directly and indirectly at Group level.

Following the signing, on 17 June, of the agreement with the trade unions to govern the transfer of Intesa Sanpaolo Formazione's personnel and the related ISP business line, on 22 June 2022, the ISP business line dedicated to the design and provision of training services for Group employees was transferred to Intesa Sanpaolo Formazione. In exchange for the transfer, considering that this was a transaction "under common control" accounted for using book value accounting in accordance with the ISP Group's policy, Intesa Sanpaolo Formazione approved a capital increase equal to the amount of the accounting difference for the business line transferred. The latter was subject to valuation by an independent expert in accordance with Article 2343-ter, paragraph 2, letter b) of the Italian Civil Code.
On 29 June 2022 – following the outcome of the Bank of Italy's authorisation process for the outsourcing and the above-mentioned trade union procedure, and the completion of the IT activities for the transfer and the sale – the first phase of the transaction was completed, with the sale of Intesa Sanpaolo Formazione to Altaformazione, previously acquired by Digit'Ed. The equity investment in Intesa Sanpaolo Formazione was then derecognised, with the recording of a gain in the consolidated income statement of 191 million euro net of tax (194 million euro gross). Also on 29 June, ISP, in keeping with the aims of the 2022-2025 Business Plan, reinvested part of the consideration received for the sale of Intesa Sanpaolo Formazione into the capital of Digit'Ed, for an amount of around 22 million euro, corresponding to a 20% holding. Subsequently, once the acquisition of Università Telematica San Raffaele has also been completed (by the end of 2022), ISP will increase its investment in Digit'Ed, in order to maintain its 20% holding in the company's capital. The equity interest in Digit'Ed has been classified as an investment in an associate in accordance with IAS 28.
Alongside the corporate transactions described above, agreements were signed to initiate a multi-year commercial partnership, starting from the closing date, under which Intesa Sanpaolo Formazione will provide, among other things, training content and services to ISP and the ISP Group companies.

On 26 April 2022, the transaction was completed for the transfer to Mooney S.p.A. of the Banca 5 business line dedicated to the production of products/services distributed by the Mooney Group, as part of the strategic partnership agreements in place since 2019 (see in this regard the details provided in the Report on Operations of the 2021 Consolidated Financial Statements). The transfer of the shares of the transferee company Mooney to Mooney Group S.p.A. was completed on 3 May 2022, with settlement through the issuance of a "Pay in kind (PIK)" credit note to Banca 5. A gain, gross of the related tax effect, of 12.4 million euro was recognised against the derecognition of the business line transferred and the fair value recognition of the credit note.
With regard to the agreement signed in December 2021, already mentioned in the 2021 Annual Report, on 14 July 2022 Intesa Sanpaolo, through Banca 5 S.p.A., and Enel, through its wholly-owned subsidiary Enel X S.r.l., finalised the acquisition from Schumann Investments S.A., a company controlled by the international private equity fund CVC Capital Partners Fund VI, of 70% of the share capital of Mooney Group, a fintech company operating in proximity banking and payments services. Specifically, after having obtained the required administrative authorisations, Enel X acquired 50% of Mooney Group's share capital, whereas Banca 5, which previously owned a 30% stake, increased its investment to 50%, placing Mooney under the joint control of both parties. The transaction involved an investment of around 100 million euro for the ISP Group.

On 29 April 2022, the Shareholders' Meeting of Intesa Sanpaolo was held, validly constituted, on single call, to pass resolutions as those in attendance through the appointed representative – in accordance with Article 106, paragraph 4, of Law Decree 18 dated 17 March 2020, converted by Law 27 dated 24 April 2020, as subsequently amended – counted 2,901 holders of voting rights attached to 10,884,970,586 ordinary shares without nominal value equal to 56.02013% of the share capital. The Shareholders' Meeting voted in favour of all the items on the agenda.
In the ordinary session, the resolutions concerned the 2021 Financial Statements, the distribution of the dividend and part of the share premium reserve; the appointment of the members of the Board of Directors and of the Management Control Committee for the years 2022-2023-2024; the remuneration policies and incentive plans; and own share buybacks to service the incentive plans and for market operations.
In the extraordinary session, the resolutions concerned the annulment of own shares without reducing the share capital and the consequent amendment of Article 5 (Share Capital) of the Articles of Association, as well as the mandate to the Board of Directors to approve a share capital increase without payment and with payment to service the approved incentive plans.
The contents of the individual resolutions and the related majority of votes by which they were passed are set out in detail in the press release published on the Group's website www.group.intesasanpaolo.com[17].
The new Board of Directors of Intesa Sanpaolo, in its first meeting held on 29 April, unanimously appointed Carlo Messina as Managing Director and CEO, granting him the powers necessary and appropriate to ensure consistent management of the Company.
On 6 May 2022, the Board by unanimous resolution – except for the abstention of the members involved – set up the Nomination Committee, the Remuneration Committee, the Risk and Sustainability Committee and the Committee for Transactions with Related Parties, whose powers and functions comply with the provisions of the Articles of Association and the supervisory regulations in force. All the Committees are chaired by independent Directors. The names of the members and related information are available in the section Governance, Committees of the Board of Directors, of the Group's website.

[17] The Articles of Association with the amendments approved by the Extraordinary Shareholders' Meeting were registered with the Torino Company Register on 7 June 2022, in relation to the mandates to the Board of Directors to approve the increases of share capital functional to implementing the Long-Term Incentive Plans, and on 1 July 2022, in relation to the annulment of own shares, once the European Central Bank had issued the authorisations necessary to initiate the procedure for the registration in the company register and proceed with the purchase of own shares associated with the annulment.

With specific regard to the delegated powers approved by the Shareholders' Meeting of 29 April 2022 for share capital increases to service the incentive plans authorised in the ordinary session, it should be noted that, in order to maximise the key role of the Group's employees in achieving the objectives of the 2022-2025 Business Plan, through a broad-based shareholding in the capital of the Bank, on 15 February the Parent Company's Board of Directors had resolved to submit the following two long-term incentive plans to the Shareholders' Meeting, based on financial instruments of Intesa Sanpaolo S.p.A. and reserved for all Group employees:
- the *2022-2025 Performance Share Plan*, reserved for Group's Management, which provides for the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment, subject to performance conditions in relation to specific key objectives to be achieved over the course of the Business Plan;
- the *2022-2025 Leveraged Employee Co-Investment Plan LECOIP 3.0*, reserved for employees of the Group in Italy, belonging to the Professional clusters, which provides for: i) the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment (Free Shares) for an amount equivalent to the Variable Result Bonus advance for 2022 (employees may opt to receive the advance in cash and, therefore, not to participate in LECOIP 3.0); ii) the assignment, free of charge, of additional shares in exchange for the same share capital increase without payment (Matching Shares) based on the role held and seniority; iii) the subscription, in set proportions with respect to the free shares received, of newly issued ordinary Intesa Sanpaolo shares deriving from a share capital increase with payment reserved for employees, at a discounted issue price (Discounted Shares) against market value.

On 13 June 2022, the period ended for exercising the right to withdraw from the subscription to the offer, expired on 30 May 2022, of the Certificates issued by J.P. Morgan and reserved for Professionals employed by the Group in Italy under the 2022-2025 LECOIP 3.0 Plan. A total of 45,629 employees, corresponding to 66.43% of those eligible, have participated in LECOIP 3.0 for a countervalue of the assigned shares (Free Shares and Matching Shares) of 139,931,221 euro.

On 21 June 2022, ISP's Board of Directors exercised the authority granted to it by the Shareholders' Meeting for capital increases in favour of the Group's employees to service the implementation of the 2022-2025 LECOIP 3.0 Plan. More specifically, the following were approved:
- a share capital increase without payment for a maximum amount of 350,000,000 euro, through the issue of a maximum number of 160,000,000 Intesa Sanpaolo ordinary shares, having the same characteristics as those already outstanding and with regular dividend entitlement;
- a share capital increase with payment, with the exclusion of the option right pursuant to Article 2441, paragraph 8, of the Italian Civil Code, for a maximum amount, net of a discount at issue, of 850,000,000 euro, through the issue of a maximum number of 387,000,000 Intesa Sanpaolo ordinary shares, with the same characteristics as the shares already outstanding and with regular dividend entitlement, applying a maximum discount of 19.5% to the stock market price calculated as the average of the prices recorded in the 30 days prior to the issue date.

On 30 June 2022, on the basis of the average price of the shares of Intesa Sanpaolo recorded on each business day in the 30 preceding calendar days – equal to 1.9080 euro – a total of 33,745,462 Free Shares, 39,591,828 Matching Shares, and 386,972,658 Discounted Shares subscribed were assigned to the Group's employees. Consequently, 73,337,290 Certificates issued by J.P. Morgan, i.e. financial instruments corresponding to the abovementioned sum of Free Shares plus Matching Shares, were assigned to Group employees.

The following was also carried out on the same day:
- the implementation of:
  - a share capital increase without payment – pursuant to Article 2349, paragraph 1 of the Italian Civil Code – for 83,200,000 euro, through the issue of 160,000,000 Intesa Sanpaolo ordinary shares, using of the Extraordinary Reserve;
  - a share capital increase with payment, with the exclusion, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of the option right in favour of the Intesa Sanpaolo Group's employees, for an amount of 201,225,782.16 euro, through the issue of 386,972,658 Intesa Sanpaolo ordinary shares at a price of 1.5671 euro (applying a discount of 17.867% to the abovementioned arithmetic average of the VWAP recorded in the preceding 30 calendar days), of which 0.52 euro to be allocated to share capital and 1.0471 euro to share premium;
- for the Performance Share Plan, the assignment of rights to the managers that, at the end of the Plan, will accrue in Intesa Sanpaolo shares, subject to the satisfaction of the conditions envisaged in the related rules and in compliance with the number and value limits established by the Shareholders' Meeting of 29 April 2022.

A total of 546,972,658 ordinary Intesa Sanpaolo shares were therefore issued without nominal value, having regular entitlement as coupon 47. Intesa Sanpaolo's share capital consequently increased from 10,084,445,147.92 euro (represented by 19,430,463,305 ordinary shares) to 10,368,870,930.08 euro, divided into 19,977,435,963 ordinary shares without nominal value[18].

The capital increase with payment led to an increase in the Intesa Sanpaolo Group's consolidated shareholders' equity of 606.4 million euro, of which 201.2 million euro in share capital and 405.2 million euro in share premium reserve.

With regard to the share buyback, on 24 June 2022 the ECB's authorisation was received for a maximum total outlay of 3,400 million euro and for a number of Intesa Sanpaolo ordinary shares not exceeding 2,615,384,615, as approved by the Shareholders' Meeting of 29 April 2022.

The Board of Directors of Intesa Sanpaolo, which met on the same day, made the resolution to execute the purchase carrying out an initial programme for an outlay of 1,700 million euro, and to defer to a subsequent date, by the time the results as at 31 December 2022 are approved, the decisions regarding the execution for the remaining authorised amount. The share buyback programme – which may be executed partially and/or in instalments and entrusted to an appointed third-party intermediary, operating in full independence and without any involvement of the Intesa Sanpaolo Group – started on 4 July 2022 and is expected to be completed by the end of October 2022.

In the period from 4 July to 22 July 2022, Intesa Sanpaolo purchased a total of 237,965,083 shares, equal to 1.19% of its share capital, at an average purchase price per share of 1.6863 euro, for a total countervalue of 401,278,748.01 euro.

[18] At the same time, the related formalities were completed at the Torino Company Register, with the filing of the share capital increase certificate (1 July) and the registration of the Articles of Association with the new share capital composition (5 July 2022).

The annulment of the own shares purchased will be carried out without nominal reduction of the share capital and may also be executed by means of several partial acts, before the purchase programme has been completed. Intesa Sanpaolo will notify the market of the own shares annulment transactions, in compliance with applicable regulations, and will update the Articles of Association and communicate the new composition of its share capital.

In line and in keeping with the transaction carried out in 2020 and 2021 regarding the acquiring business of Intesa Sanpaolo and UBI Banca, in 2022 the Group undertook a project initiative aimed at expanding the strategic partnership with the Nexi Group at international level, through the transfer to Nexi Payments of the merchant acquiring business line of the Croatian subsidiary PBZ Card. Similarly to the two previous transactions, the agreement provides for:
- the sale of the PBZ Card acquiring business line (including all agreements with the Croatian merchants) to the Nexi Group;
- the establishment of a commercial partnership between PBZ Group and the buyer on an exclusive basis in line with the terms of the transactions concluded in Italy, starting in 2022 and lasting for 25 years.

The transaction was approved by the Boards of Directors of ISP and PBZ on 6 May 2022 and 31 May 2022, respectively, and is expected to be completed by the end of 2022, subject to obtaining the necessary authorisations.
Although PBZ Card’s merchant acquiring business is an independent business line, on the basis of the provisions of IFRS 5 it has not been considered a “discontinued operation” and, consequently, only the balance sheet figures have been reclassified to assets held for sale in the Half-yearly Report as at 30 June 2022.

As disclosed in the last Annual Report, a strategic partnership was entered into in 2021 with the Tinexta Group, under which Intesa Sanpaolo transferred its equity investment in Intesa Sanpaolo Forvalue S.p.A. (renamed Forvalue) to Innolva S.p.A. (a wholly-owned subsidiary of Tinexta), acquiring a 25% equity investment in Innolva in return.
During the second quarter of 2022, Tinexta informed ISP that it had received an irrevocable offer from a leading global company specialising in credit and business information systems to acquire 100% of Innolva. The offer made, which does not involve Forvalue (which will be previously acquired by another company of the Tinexta Group), was accepted by Tinexta on 30 May 2022 with closing envisaged by August, subject to the fulfilment of certain conditions precedent, including the clearance for golden power purposes and the signing of the sale agreement between the company making the offer and ISP for the 25% of the share capital held by ISP in Innolva. Based on the Group’s Authority for Operating Autonomy, the transfer was approved by the Committee of ISP’s M&A and Equity Investments Department on 30 May 2022.
Since this is an investment subject to significant influence, in accordance with IFRS 5 only the carrying amount of the investment has been reclassified to discontinued operations in the Half-yearly Report as at 30 June 2022.

As a result of the changes in the market conditions and in the strategic orientation within the ISP Group, it was decided to reorganise the activities carried out by two companies. Accordingly, on 28 June, the documents (merger plans and explanatory reports) relating to the following corporate transactions were published on the authorised storage mechanism and on the Group’s website:
- *merger by incorporation of Intesa Sanpaolo Agents4You S.p.A. into Intesa Sanpaolo S.p.A.*
  This is a company of the former Banca Popolare di Vicenza Group dedicated to financial agency activities pursuant to Article 128-quater of the Consolidated Law on Banking, without its own personnel. In view of the termination of the agency agreement that the company had in place with the parent company Intesa Sanpaolo, with which the company’s mission came to an end, as part of the integration of the former UBI Banca Group, a reorganisation of the marketing activities was undertaken with the gradual convergence of the Agents4You network of agents into Prestitalia. On 27 July 2022, the transaction received the ECB authorisation;
- *merger by incorporation of Intesa Sanpaolo Smart Care S.r.l into Intesa Sanpaolo S.p.A.*
  This is a company specialising in the provision of ancillary services for several insurance products offered by Group companies. It has no employees but operates with personnel seconded from ISP. The transaction will be preceded by (i) the take-over by ISP of the share held by Intesa Sanpaolo Vita S.p.A. and (ii) the sale by the company to be merged of capital assets and technological devices to Intesa Sanpaolo Assicura S.p.A. (a company of the Insurance Division), which will carry out the new operations.

Given that, at the time of signing of the merger deed, the two companies will be wholly owned by the absorbing company, the merger will take place in the simplified manner provided for in Article 2505 of the Italian Civil Code, with accounting and tax effects from 1 January 2022.

On 30 June 2022, once the necessary approvals were received from the supervisory authorities, Fideuram - Intesa Sanpaolo Private Banking, through its Luxembourg subsidiary Fideuram Bank (Luxembourg) S.A. completed the acquisition of 100% of Compagnie de Banque Privée Quilvest S.A. (CBPQ), a Luxembourg-based private bank, wholly owned by the holding company Quilvest Wealth Management, with branches in Belgium, which employs around 140 people and serves a solid base of European and non-European High Net Worth Individuals, with around 8 billion euro of assets under management (including loans).
This transaction, which follows on from the agreement signed on 17 September 2021, will lead to the creation of an additional hub in the European Union, alongside Reyl & Cie in Switzerland, for European and international customers, which will enable the development of private banking activities in areas with promising growth prospects, such as Luxembourg and Belgium.
In 2023, Fideuram Bank (Luxembourg) will be merged with the acquired company through a reverse merger in which CBPQ will absorb Fideuram Bank (Luxembourg). The new entity will thus benefit from the entry of a team of managers with solid expertise in the provision of private banking services to international customers.
The price paid on the closing date, of 180 million euro, was recognised on the basis of the company’s balance sheet as at 31 December 2021 and will be subject to adjustment by the time of the 2022 Annual Report to take into account the changes in the company’s balance sheet occurring between 31 December 2021 and the closing.
With regard to the purchase price allocation and the fair value recognition of the assets and liabilities of the acquired entity and new intangible assets not already recognised in CBPQ’s financial statements, primarily those related to the value of assets under management/administration, for the Half-yearly Report as at 30 June 2022, Intesa Sanpaolo has exercised the

option provided for by IFRS 3, which grants the acquiring entity 12 months to definitively complete the PPA (Purchase Price Allocation) process, and has decided to show a provisional amount of goodwill arising from the business combination, equal to the difference between the acquisition cost and the IAS/IFRS shareholders' equity of CBPQ at the closing date (91 million euro). The purchase price allocation will be fully completed by the time of the 2022 Annual Report is prepared.

In addition, during the second quarter of 2022, the Group made use of the provisions set out in Article 15 of Law Decree no. 185/2008 and realigned the tax values of certain intangible assets recognised as a result of extraordinary transactions and corporate reorganisations, as well as the acquisition of controlling interests, carried out during 2021. These realignments generated a benefit to the consolidated income statement in the second quarter totalling 117 million euro, of which: 43.3 million euro attributable to Intesa Sanpaolo (in relation to the merger of UBI Banca); 13.2 million euro to Intesa Sanpaolo Private Banking (in relation to the demerger from UBI Banca of the "Top Private" business line); 13.7 million euro to Eurizon Capital (following the merger of Pramerica SGR); 19.5 million euro to Fideuram – Intesa Sanpaolo Private Banking (in relation to the acquisition of the controlling interest in Reyl & Cie); and 27.3 million euro to Intesa Sanpaolo Vita (as a result of the acquisition of 100% of Cargeas).
The higher values of intangible assets recognised in the annual financial statements as a result of an extraordinary transaction (business contribution, merger or demerger) may be subject to tax realignment pursuant to Article 15, paragraph 10 of Law Decree no. 185/2008, subject to the payment of a 16% substitute tax, made as a single payment by the deadline for the payment of the final income taxes for the year in which the transaction was carried out (2021), therefore by 30 June 2022. The substitute tax, like the direct taxes it replaces, is not deductible for the purposes of IRES (corporate income tax), IRAP (regional tax on business activities) and any additional taxes. The effects of the realignment start from the tax period in which the substitute tax is paid (i.e., from 2022). The deduction of the amortisation of the intangible assets subject to realignment is made starting from the tax period following the period in which the substitute tax is paid (i.e., in the present case, from 2023).
Unlike the tax realignment pursuant to Article 110, paragraphs 8 and 8-bis*,* of Law Decree no. 104/2020, the realignment at hand does not require the establishment of any tax suspension constraint over the pre-existing reserves and, therefore, does not require any shareholders' meeting resolution.

To complete the disclosure for the first six months of 2022, the continuation is confirmed of the voluntary exits plan in accordance with the trade union agreement of 29 September 2020 in parallel with the first exits related to the agreement of 16 November 2021.
A total of 1,011 voluntary exits took place in the half year (of which 900 in the first quarter and, in particular, 691 with effect from 1 January 2022), for a total of 3,850 departures since the beginning of 2021. They were joined by a further 895 departures with effect from 1 July 2022.

Lastly, in the insurance segment, on 19 July 2022, the agreement was announced through which Intesa Sanpaolo Vita and Reale Group entered into a partnership that envisages the transfer of a business line of Blue Assistance – Reale Group's service company specialising in healthcare assistance – to the new company InSalute Servizi. The latter, which will be 65% owned by Intesa Sanpaolo Vita and 35% by Blue Assistance, will operate within Intesa Sanpaolo's Insurance Division and will be dedicated to the management of claims and the development of a network of affiliated healthcare facilities (TPAs - Third Party Administrators) in support of Intesa Sanpaolo RBM Salute's insurance offer. The closing of the transaction is scheduled for the first half of 2023, subject to obtaining the necessary authorisations.
InSalute Servizi will be engaged in the management of health and welfare services for Intesa Sanpaolo's captive customers, supplementary health funds, welfare funds, mutuals, companies and other entities operating in the supplementary health and welfare sectors, confirming the strategy of Intesa Sanpaolo's Insurance Division and its development plan for health insurance, launched in 2020 with the acquisition of RBM Salute. In parallel with this new joint venture, the service company of the Reale Group will continue its activities with the Intesa Group insurance companies and the non-captive business, without any change in commitment to the planned strategies.

* * *

In the current very difficult macro-economic environment, which is having far-reaching consequences on the world economy with highly negative repercussions in terms of a considerable increase in inflation, energy prices, food prices and, in general, all consumer prices, Intesa Sanpaolo is continuing to demonstrate its attention to the needs of society by supporting people and businesses with all the instruments at its disposal.
In particular, in order to help the Group's employees who, together with their families, are also facing a very difficult economic environment, the Group decided to make an extraordinary contribution of 500 euro gross *per capita* to all the personnel in Italy and abroad in service as at 30 June 2022, excluding those classified as managers or having equivalent remuneration, for a total of 48 million euro.

The 2022-2025 Business Plan

In recent years, the Intesa Sanpaolo Group has demonstrated its ability to generate value for all its stakeholders, achieving significant results even in difficult external contexts, in particular during the recent COVID-19 crisis and the recent conflict in Ukraine.
Today, Intesa Sanpaolo is one of the leading players in the industry and is well positioned to capture future opportunities, thanks to a number of strengths, including indisputable capital strength, a flexible business model, a well-established international network, continuous investment in technology, and a leading ESG position.
The initial months of the year saw the full launch of the main industrial initiatives of the 2022-2025 Business Plan, which projects the Bank over the next ten years, confirming the target of net income of 6.5 billion euro in 2025 and a 70% dividend payout in each year of the Business Plan.
The expectation of rising interest rates, the Bank's high strategic flexibility in managing costs, the massive deleveraging already achieved – through which the lowest-ever NPL stock and ratios have been achieved – are driving forces for further growth, even in the currently highly complex environment.
The Group's ambition is to be a Wealth Management, Protection & Advisory leader in Europe, distinguished by zero NPLs, a strong digital push and a focus on commissions, while continuing to excel in ESG and offering the best professional experience for its People. This set of ingredients will also enable Intesa Sanpaolo to be the best investment for Shareholders, both in the short and in the medium-long term.
These objectives will be achieved through a strategy centred on four fundamental pillars of the Plan and implemented thanks to the quality of the Bank's People:
- massive upfront de-risking, slashing cost of risk;
- structural cost reduction enabled by technology;
- growth in commissions, driven by Wealth Management, Protection and Advisory;
- significant ESG commitment, with world-class positioning in social impact and strong focus on climate.

Massive upfront de-risking, slashing Cost of risk

In the first half of the year, Intesa Sanpaolo achieved a further improvement in asset quality, with NPL deleveraging of 4.1 billion euro compared to the end of 2021, also helped by the de-risking operations described below. As a result, the Plan's targets were achieved ahead of schedule, bringing the NPL to total loan ratio to 1.8% gross and 1.0% net, based on the EBA methodology.
At the same time, four credit risk transfer transactions (synthetic securitisations) were completed for a total of 5.9 billion euro, of which 1.9 billion euro completed in the first quarter on a portfolio of commercial real estate loans and 4 billion euro in the second quarter on a portfolio of residential mortgages and leases. The Active Credit Portfolio Steering unit also strengthened the capital efficiency initiatives and improved credit strategies, shifting around 11 billion euro of new lending to lower risk/higher return sectors.
The development of the credit strategies continued, with the full integration of the ESG Sectorial Strategy (ESG Heatmap) and the start of activities to extend the framework to the Group's international subsidiary banks, starting with Banca Intesa Beograd and VUB Banka. The ESG-Climate Credit Framework project has set itself the objective of integrating ESG-Climate metrics into the underwriting process. The launch of the New Sector Framework project on the other hand aims to evolve the main credit processes (regarding credit granting and proactive credit management) by adding sector information.
The implementation continued of the plan for the IT developments for the New Credit Granting Programme (ONE), with the aim of extending the use of the new digital process, to expand its scope and the products managed.
Within the proactive management of other risks, anti-fraud cybersecurity protection was extended to new products and services for retail customers, also using Artificial Intelligence (AI) solutions. Open Source Intelligence solutions were adopted to enhance the cyber threat intelligence capability and the Anti Financial Crime Digital HUB (AFC Digital Hub) was launched with the aim of combating money laundering and terrorism with new technologies.

With regard to the de-risking initiatives in particular, in the first half of 2022, the structuring for the sale of the portfolios preliminarily identified in 2021 continued, with completion expected in the second half of the year.
In addition to the information provided in the 2021 Annual Report, please note that on 15 March 2022 the Board of Directors of Intesa Sanpaolo approved the transfer to the Back2Bonis fund[19] of a credit exposure of Intesa Sanpaolo, classified as unlikely-to-pay (NBV 216 million euro), in exchange for the subscription of new units of the fund, in which Intesa Sanpaolo was the second largest investor with a share of around 29% of the units, also thanks to transfers made by the former UBI Banca[20]. The closing of the transaction took place on 11 April 2022. At the time of closing, ISP therefore derecognised the exposure and simultaneously recognised the units received from the fund at fair value as the initial recognition value. Given that the transfer value agreed with the asset management company (supported by the specific fairness analysis) was in line with the NBV of the loans transferred, the transaction did not have any profit and loss impacts.
At the end of April, the sale was carried out, through a securitisation with subsequent request for the issuance of the "GACS" government guarantee, of a portfolio of bad loans for 3.9 billion euro gross (0.9 billion euro net), which, as at 31 December 2021, were recognised as non-performing loans in accordance with the provisions of IFRS 9, i.e. factoring in a probable scenario of sale at market prices.

[19] Credit fund established in 2019 by the Prelios Group and AMCO with the aim of creating a multi-originator platform to manage positions classified as unlikely-to-pay with underlying real estate.

[20] Based on the percentage ownership and participation in the fund's decision-making process, at the end of 2021 the investment was recognised in the ISP Group's consolidated financial statements under interests subject to significant influence in accordance with IAS 28 at a value of 141 million euro. As at 30 June 2022, also as a result of the completion of the transaction, the book value of the investment had increased to around 397 million euro. Please note in this regard that, in June, an offsetting swap was carried out with another Italian bank concerning part of the Idea CCR II fund units held by ISP against the subscription of the Back2Bonis fund units held by the counterparty.

Structural Cost reduction, enabled by technology

The setting up of the new Digital Bank (Isybank) is well underway. The "Domain Isy Tech" unit with 230 dedicated specialists is operational and the agreement with Thought Machine has been signed. The management team has been strengthened with the hiring of the new head of Isybank and the new heads of the Sales & Marketing Digital Retail Department and Domain Isy Tech.

Ahead of the launch of the Digital Bank, the target offering and functionalities of Isybank have been defined, as well as the roadmap for the migration of ISP customers. The technological master plan has also been drawn up and its implementation has begun.

As already discussed in the paragraph "Impacts of the COVID-19 pandemic", the implementation is going ahead of the Next Way of Working project, which is aimed at achieving a better work-life balance and involves adapting work spaces to the needs of the increased use of remote working.

Work also continued on the streamlining of the retail network, with the closure of around 500 branches from the fourth quarter of 2021. At the same time, the real estate scale back continued in Italy, with a reduction of around 260,000 square metres between the fourth quarter of 2021 and the first half of 2022. At total of 23 owned real estate assets were also sold for a total value of around 24 million euro.

The insourcing of core IT skills began with the hiring of around 270 staff. The artificial intelligence laboratory in Turin (AI Lab) is already operational (Centai Institute established). The digital platform for analytical cost management was launched and is fully operational. Over 20 efficiency initiatives have already been identified and tools have been selected to support negotiations and the search for potential suppliers.

Around 1,000 voluntary exits were completed in the first half of 2022[21] (around 3,850 exits since 2021), which will further contribute to the cost containment.

The work continues on extending the technology infrastructure to the entire Group, including the international network, through the development of a single core banking/digital front-end system. The project work was initiated for the adoption of the new core banking target platform abroad in Slovakia and Albania.

In reflection of the excellence of the technological solutions developed by the Group, Intesa Sanpaolo's Mobile App was once again recognised by Forrester as "Overall Digital Experience Leader" and this year ranked first among all the banking apps evaluated in the EMEA (Europe, Middle East, Africa) region.

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

The new dedicated service model for Exclusive customers has been fully implemented. The advanced advisory paid service "Valore Insieme", for affluent and exclusive customers, was enhanced with new insurance and asset management products, and, partly as a result of this, around 26 thousand new contracts were signed in the first half of the year and 8.2 billion of financial asset inflows were achieved. To support the relationship managers, new functionalities of Robo4Advisor by BlackRock were introduced to generate investment advice on selected products (funds, certificates and insurance products and certificates). The BlackRock Aladdin Wealth and Aladdin Risk platforms have also been adopted for the investment services.

New functionalities were developed for the advisory tools for UHNWI (Ultra High Net Worth Individuals) customers, the service model for family offices was strengthened and a project is underway to include ESG principles in the advisory model and reporting. A project was launched to develop the lending offering for Fideuram and ISPB distribution networks. The online investment and trading platform (former IW Bank) was successfully integrated and is fully operational in Fideuram. The strengthening of the Private Banking division at international level continued with the acquisition of Compagnie de Banque Privée Quilvest S.A. (CBPQ) and the integration of Reyl (completion of the IT migration and streamlining of the presence in Latin America).

A number of new asset management and insurance products dedicated to the Group's distribution networks were launched, including a specific offering for customers with excess liquidity. The strengthening of the ESG asset management and insurance product offering also continued, with the proportion of Eurizon's total assets under management growing to 49%.

The Caring Programme was launched, which involves a suite of insurance, asset management and personal support services designed for the needs of senior customers. The non-life offering was also enhanced with dedicated health protection solutions and products for corporate customers. The further development of the protection and health business will also be guaranteed by future operations of "InSalute Servizi", a new Third-Party Administrator in collaboration with Reale Group.

There were numerous initiatives dedicated to companies and financial institutions:

- the digital platform "IncentNow" was launched and webinars and workshops were initiated to provide information to customer companies on the opportunities offered by public tenders related to the National Recovery and Resilience Plan;
- advisory initiatives were launched with a focus on Infrastructure, TMT and Energy corporate customers, linked to selected themes and post-pandemic recovery plans;
- there was strong growth in ESG advisory services to companies to steer the energy transition through a scalable approach, with a focus on the energy, infrastructure and Automotive & Industrials sectors;
- the enhancement of the digital platforms serving Corporate customers is underway, with a focus on Cash and Trade services and the Global Markets offering also through the launch of Cardea, an innovative digital platform for financial institutions.

The growth continued in digital payments, which amounted to 51 million at the end of June (15 million in June 2021). The recent signing of the agreement with ENEL for the joint acquisition of the Fintech Mooney Group S.p.A. (see the paragraph "Highlights" above), will enable the Intesa Sanpaolo Group to acquire new customers and expand its digital service model internationally. Intesa Sanpaolo was also the first bank in Europe that activated Huawei Pay for PagoBancomat cards, through the Huawei Wallet App, thus expanding the offering of payment services for our retail customers and supporting the plan to develop the national network.

The Bank launched an ESG value proposition initiative for the corporate and SME segments of the Group Banks in Slovakia, Hungary, Croatia, Serbia and Egypt, setting the priority sectors of the commercial strategy, and synergies are being developed between the IMI Corporate & Investment Banking Division and the Group Banks in Slovakia, the Czech Republic,

[21] Relating to the agreements already signed with the trade unions.

Croatia and Hungary. The strengthening continued of the service model for customers shared with Banca dei Territori and the master cooperation agreement on Bancassurance was signed with a leading insurance group for the distribution of products at 5 local banks (Slovakia, Croatia, Hungary, Serbia and Slovenia). The expansion of digital services in several countries where the Group has a presence is also continuing in the Corporate & SME, Retail and Wealth Management segments.

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

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

The Group’s people as its most important asset

The Group continuously implements a series of initiatives dedicated to strengthening its human capital, which represents the most important resource for the achievement of its Plan objectives.
The hiring of professionals, together with the reskilling and training of in-house staff, ensures that sufficient skills are maintained and developed to meet the challenges the Group will face in the coming years. The International Talent Programme and targeted development and training initiatives for key middle management staff also continued.
During the first half of the year, Intesa Sanpaolo and Nextalia SGR set up the newco Digit’Ed, a new company that aims to become an international leader in training and digital learning (see in this regard the paragraph “Highlights” above).
Particular attention is also paid to people’s well-being, for which live webinars, podcasts, video content and other thematic initiatives are continuously organised.
As already mentioned, the new long-term incentive plan to support the Business Plan targets and foster individual entrepreneurship was implemented.
The 2022 Diversity&Inclusion goals were set and shared for every organisational unit, including the implementation of the new commitment related to gender equality to access to senior leadership roles and the monitoring was initiated of the 2022 targets for each Division and Governance Area.
The attention given by Intesa Sanpaolo to its people has been recognised through the achievement of two important awards, Top Employer 2022, given to our bank by the Top Employers Institute, and first place in LinkedIn’s Top Companies 2022 ranking.
Intesa Sanpaolo attaches significant importance to ESG in the development of its people and more information in this regard can be found in the paragraph on ESG and Sustainability below.

ESG and sustainability

In the first half of 2022, the Intesa Sanpaolo Group launched activities to pursue the objectives stated in the 2022-2025 Business Plan, in which ESG issues represent one of the four pillars for solid and sustainable value creation and for further strengthening Intesa Sanpaolo's leadership in sustainability. With a focus on the global scenario and, in particular, the Russia-Ukraine conflict, as already mentioned, the Group was involved in numerous humanitarian initiatives for the people of Ukraine and the staff of the Pravex Bank subsidiary.

Intesa Sanpaolo continues to be a leading model for sustainability, as reflected by its positioning in the main indices and rankings. It is the only Italian bank included in the Dow Jones World and Europe Sustainability Indices and is ranked first among its peers by MSCI, Sustainalytics and Bloomberg (ESG Disclosure Score). In the first half, Intesa Sanpaolo continued to be listed in the Bloomberg GEI Index, in addition to receiving the S&P Global Sustainability Award - Bronze Class (February 2022) and being recognised as the Best Italian Company in ESG (Large Cap) in the Institutional Investor ranking (July 2022).

The Group has signed up to all the main United Nations initiatives, including the Global Compact, concerning sustainability in the financial sector, which form part of the achievement of the UN Sustainable Development Goals. These consist of the Principles for Responsible Banking, the Principles for Sustainable Insurance, and the Principles for Responsible Investment. Intesa Sanpaolo supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and published its first TCFD Report in 2021, which includes specific climate disclosures in accordance with these Recommendations. In addition, the Bank has adopted the Stakeholder Capitalism Metrics developed by the World Economic Forum, a set of ESG indicators and disclosures that evidence the commitment to long-term value creation and the contribution to the UN Sustainable Development Goals. In June, Intesa Sanpaolo became an investor signatory of CDP, further promoting transparency on climate and environmental issues.

As evidence of its commitment to combating climate change, the Group has joined all the Net-Zero alliances promoted by the UNEP Finance Initiative: Net-Zero Banking Alliance (NZBA), Net-Zero Asset Managers Initiative (NZAMI), Net-Zero Asset Owner Alliance (NZOA) and Net-Zero Insurance Alliance (NZIA), and has set Net-Zero-aligned 2030 emissions reduction targets in the 2022-2025 Business Plan for the oil&gas, power generation, automotive and coal mining sectors. Intesa Sanpaolo is also committed to bringing its own emissions to Net-Zero in 2030, also by purchasing 100% energy from renewable sources in the Group (this target was already achieved in Italy in 2021). Following the Group's joining of the Net-Zero alliances, Intesa Sanpaolo's commitment to the SBTi validation was published on the SBTi website in April 2022.

The Bank also initiated its active engagement in various task forces of the Net-Zero Alliances and the Glasgow Financial Alliance for Net-Zero (GFANZ) to support target setting for the banking, asset management and insurance business. In June 2022, GFANZ published an interim report for the "Financial Institution Net-zero Transition Plans" consultation, in which Intesa Sanpaolo was mentioned in the chapter on Metrics and Targets as a best practice for its targets announced in the 2022-2025 Business Plan.

With regard to the preservation of natural capital, the 2022-2025 Business Plan envisages the development of a specific biodiversity policy and a major reforestation project, with the goal of over 100 million trees planted directly or through loans to customers. In addition, Intesa Sanpaolo is already active in derivatives linked to CO_2 emission quotas under the European Emission Trading Scheme (ETS) and, in the voluntary market, a new service model is being developed focused on forest management, with an initial proposal centred around loans and advice for SMEs.

In the area of ESG Governance, the Group's ESG Risk Governance Guidelines were revised in line with regulatory developments (e.g. Taxonomy Regulation) and the ongoing climate and environmental initiatives and, in April 2022, at the time of the renewal of the Bodies, the Risks Committee was renamed the Risk and Sustainability Committee with the strengthening of its responsibilities relating to sustainability.

The internal ISP4ESG programme, launched in 2019 to consolidate Intesa Sanpaolo's leadership in sustainability, is a high-impact initiative that involves all the various Group structures and aims to integrate ESG principles into the strategy and the business model. In the first half of the year, this programme continued its activities within the project areas envisaged: Governance, Sustainable Lending, Sustainable Investment and Corporate Centre. In addition, thanks to the work carried out by the Programme's team and the Sustainability Managers, and with the support of the ESG Control Room, which confirmed its fundamental role in the strategic proposition for ESG issues, the Group ESG Plan was prepared, which as already mentioned is one of the four pillars of the new 2022-2025 Business Plan. The Plan not only establishes sustainability as one of the four pillars of the Bank's strategy, but also increases its commitment, confirms and further strengthens Intesa Sanpaolo's focus on social and cultural issues, the fight against climate change and the issue of biodiversity. The Programme and the areas related to it include the following strategic and important projects for the Group: the implementation of the target setting and monitoring processes started after joining the specific Net-Zero alliances; the ESG-Climate Credit Framework project for the introduction of ESG factors in the valuation of the Group's loan portfolio; and the EU Taxonomy Green Enhancement project, started in the first half of 2022, to guide the activities aimed at identifying the alignment of the loan portfolio with those regulations. Lastly, in the area of disclosure, the ESG Reporting project, started in 2021, continued to guide the different emerging ESG reporting requirements to take into account the regulatory obligations and voluntary standards adhered to by the Group.

Financial inclusion and support to production

Intesa Sanpaolo confirmed its role as a key player in supporting Italy's economic system: in the first half of the year, the Bank allocated new medium/long-term lending to the real economy of around 42.2 billion euro, of which 32.4 billion euro in Italy. In addition, Intesa Sanpaolo made available over 400 billion euro in medium/long term lending to businesses and households in support of Italy's National Recovery and Resilience Plan (NRRP), with the aim of strengthening the country's growth over the period 2021-2026.
The Group's new Business Plan includes major social initiatives, with a commitment to providing new lending in this area of around 25 billion euro to support non-profit activities and vulnerable people who have difficulty in accessing forms of lending or who have been affected by natural disasters. In the first six months of the year, over 5 billion euro[22] in social lending was disbursed.
In particular, loans were provided in support of non-profit organisations for a total of 170 million euro and 21 million euro was made available through the Fund for Impact. With regard to the latter, this fund provides direct support to households and individuals to ensure broader and more sustainable access to credit, with dedicated programmes such as: "*per Merito*", the first unsecured credit line dedicated to all university students, "*Mamma@work*", a subsidised loan aimed at working mothers to help balance motherhood and work in the early years of their children's lives, "*per Crescere*", for the training and education of school-age children aimed at low-income families, "*per avere Cura*", to support families caring for non-self-sufficient people, and other solutions (e.g. *Obiettivo Pensione*, "*per Esempio*" and "*XME StudioStation*").
Lastly, the new Business Plan envisages dedicated loans for the new issue of urban regeneration, including interventions in sustainable infrastructure and services, hospitals, broadband networks and smart mobility. In the first half of 2022, Intesa Sanpaolo made commitments for over 500 million euro of new loans to support investments in student housing, services and sustainable infrastructure, in addition to the most important urban regeneration initiatives underway in Italy. Academic initiatives have also been promoted for the development of ESG valuation methods for the impact of urban regeneration interventions.

Support to address social needs

The social impact that Intesa Sanpaolo is committed to generating over the coming years is the natural continuation of the commitment and attention that it has always dedicated to the needs of the people and communities in which it operates. In its 2022-2025 Business Plan, the Group announced investments and donations of 500 million euro in favour of young and vulnerable people. In particular, Intesa Sanpaolo, which has always been keen to invest in young people, also to promote employment and the right to education, supports "Giovani e Lavoro", the programme created through the partnership between Intesa Sanpaolo and Generation Italy, with the objective of providing free training courses, over the period of the Business Plan, to over 3,000 young people aged between 18 and 29 who are currently unemployed, in order to help them gain the skills that companies are seeking. In the first half of 2022, the programme received applications from 5,500 young candidates, with around 1,000 students interviewed and 400 students trained/being trained through 17 courses. Over 2,600 students have been trained since 2019 and more than 2,200 companies have been involved since the start of the Programme. In May, the second edition was launched of the Generation4Universities programme, aimed at helping talented students in their final year of university and offering internships to around 100 students from 36 universities, involving 31 top Italian companies as potential employers.
In the area of inclusive education programmes, in the first half of the year, the partnerships were strengthened with leading Italian universities and schools (around 600 schools and over 1,900 students between January and June), to support merit and social mobility, and the School4Life project was launched to combat early school leaving, with companies and schools working closely with students, teachers and families. Another important initiative is "Tesi in Azienda", which is aimed at guiding students in choosing the most relevant subjects in the world of work and which involved around 70 students in the first half of 2022.
The Plan's initiatives, dedicated to the needs of the people and communities in which the Group operates, include one of the most extensive social housing projects in Italy, aimed at young people and the elderly, which will create housing (around 6,000-8,000 units over the Plan period) for students or young workers and for seniors on low incomes who live alone, with the set up of the Plan underway. In addition, thanks to the creation of around 30 senior community hubs, seniors will be able to enjoy social/leisure activities and dedicated health and social care services.
Lastly, in relation to support for people in difficulty, Intesa Sanpaolo has always been attentive to the issues of inclusion and the fight against poverty, and one of the main objectives of the new Plan is the expansion of the food and housing assistance programme, which will enable the implementation of over 50 million interventions, providing concrete help in Italy and abroad. In the first six months of the year, over 6 million interventions were implemented (also in support of the humanitarian emergency in Ukraine), including 5.8 million meals, over 300,000 dormitories/beds, 73,000 medicine prescriptions, and around 35,000 items of clothing.

[22] Not including loans related to the COVID-19 emergency.

Innovation, digital transformation and cybersecurity

In keeping with the strategic role given to digitalisation and multi-channelling, as set out in the paragraph “2022-2025 Business Plan”, Intesa Sanpaolo has committed over the coming years to extending the technological infrastructure to the entire Group, creating the new Isybank Digital Bank and strengthening the digital payments business. Moreover, the protection of customer information is of strategic importance for the Group and the Plan’s objectives include a commitment to extending anti-fraud cybersecurity protection to new products and services for retail customers, also through the use of Artificial Intelligence (AI).
The Group recognises the fundamental value of innovation for the growth of the new economy and is committed to promoting around 800 innovation projects over the period of the new Business Plan, of which 139 were launched between January and June. Particular attention will be paid to the growth of high-potential startups through non-financial services (e.g. acceleration programmes) and the connection to venture capital funds, also thanks to NEVA SGR.
Specifically, innovation ecosystem development initiatives are underway in three Italian cities: in Turin, the third class of the “Torino Cities of the Future” Programme managed by Techstars has been completed and the fourth class is underway, with 35 startups accelerated since its launch in 2019 (with 11 Italian teams), 48 million euro in capital raised and over 180 new staff hired after acceleration; in Florence, the first class of the three-year “Italian Lifestyle Accelerator Program”, managed by Nana Bianca, has been completed, with 6 Italian startups accelerated (over 210 candidates, 85% Italian) and over 2 million in capital raised; and, lastly, the new “Terra Next” Bioeconomy Accelerator Programme, promoted with Cassa Depositi e Prestiti, was launched in Naples with the support of Cariplo Factory and several local scientific partners, and with the patronage of the Ministry for the Green Transition – the programme is aimed at eight startups (around 130 applications received, 83% of which Italian).
Also in the area of innovation ecosystem development, the UP2Stars initiative is aimed at 40 startups for the development of four vertical pillars (Digital/Industry 4.0; Bioeconomy, with a focus on Agritech and Foodtech; Medtech/Healthcare; and Aerospace). The first program ended in May (over 230 candidates), the second will end in July (over 150 candidates), and the application phase for the third programme has begun.
In addition, two startup acceleration programmes for customers are underway, which provide supporting coaching and mentoring.
In the area of applied research, 12 multidisciplinary projects are being developed in the areas of AI, robotics and neuroscience.
To promote the acceleration of business transformation, over 20 companies were involved in open innovation programmes and support is being provided for the “Bando Evoluzioni” of Fondazione Compagnia di San Paolo and Fondazione Cariplo for the digitalisation of the Non-Profit Sector.
In keeping with its focus on the spreading of an innovation culture, the Bank launched a collection of podcasts on innovation (“A Prova di Futuro”), which were accompanied by 25 positioning and match-making events, with over 1,700 participants, and the publication of six innovation reports on technologies and industry trends.
Lastly, Neva SGR plans to invest around 100 million euro in startups over the course of the 2022-2025 Business Plan, and over 20 million euro has already been invested in Israel in IT, Quantum Computing, Agri-Foodtech and Cybersecurity.

Sustainable investment products and sustainable insurance

Intesa Sanpaolo is committed to further strengthening its offering of sustainable investment products, which combine financial criteria with environmental, social and governance (ESG) aspects, as stated in the 2022-2025 Business Plan, setting itself two important objectives: increasing the assets under management in funds classified according to Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR) to around 156 billion euro and reaching 60% of total assets under management in sustainable investment products[23]. Eurizon offers a diversified range across all the asset classes of funds classified according to Articles 8 and 9 of the SFDR, with penetration having increased to 49% of total assets under management as at 30 June 2022.
With a view to enhancing its ESG offering, Fideuram has committed to developing dedicated ESG advisory services and launched a comprehensive ESG certification training programme for its bankers, with over 25,000 hours of training provided in the first half of 2022.
In line with the Group’s objectives and the increasingly strategic importance of integrating ESG factors for the financial and insurance sectors, the Insurance Division has committed to developing a dedicated ESG offering for the non-life business and expanding the ESG/climate offering within the Group’s life insurance range. Specifically, it plans to strengthen the unit-linked/multi-line offering that includes ESG investment options and implement a process of reduction in carbon intensity towards net-zero for direct investments.

Support for ESG/climate transition

The strong focus on climate in the new 2022-2025 Business Plan includes the Group’s commitment to promoting the transition to a low-emission economy through direct actions to mitigate its own emissions and by supporting green initiatives and projects for its customers. To this end, 76 billion euro of new lending has been made available in support of the green economy, circular economy and green transition linked to the 2021-2026 National Recovery and Resilience Plan, of which around 24 billion euro has already been disbursed in 2021 and in the first half of 2022.
The commitment to the circular economy has been confirmed in the new Plan with the promotion of the diffusion of this model, the renewal of the partnership with the Ellen McArthur Foundation, and the announcement of 8 billion euro in credit

[23] Eurizon perimeter – Funds pursuant to Articles 8 and 9 SFDR 2088.

lines for the circular economy. In the first half of 2022, 192 projects for an amount of 5.3 billion euro were assessed and validated, 2.3 billion euro in 82 transactions were granted (of which over 1.2 billion euro related to green finance), and 933 million euro disbursed (of which 584 million euro related to green finance).
To support customers in the ESG/climate transition, the Bank provides its corporate customers with Skills4ESG, an online training platform dedicated to sustainability issues, and the New ESG Labs (the first three have already been activated in Venice, Padua and Brescia), in collaboration with specialist partners. As previously mentioned, an accelerated ESG advisory service to companies is also envisaged, aimed at guiding them towards the energy transition through a scalable approach. At the international subsidiary banks, a value proposition has been launched for the corporate and SME segments of the Group banks in Slovakia, Hungary, Croatia, Serbia and Egypt.
To support SMEs seeking to improve their sustainability profile, Intesa Sanpaolo offers the S-Loans, made up of 5 product lines: S-Loan ESG, S-Loan Diversity, S-Loan Climate Change, S-Loan Agribusiness and S-Loan Tourism. A total of 1.5 billion euro was granted between January and June (2.9 billion euro since launch). The offering was expanded in October 2021 with Digital Loan (D-Loan) aimed at improving the digitalisation of companies (16 million euro disbursed in the first six months, 17.4 million euro since launch).
For the S-Loans and the Skills4ESG training platform dedicated to corporate customers, the Bank won the Milano Finanza Banking Awards in March 2022.

The Group's People

As stated in the 2022-2025 Business Plan, people have always represented and continue to represent the most important asset for the Group and the enabler for its future success. The continuous empowerment, growth and satisfaction of our People are fundamental objectives to be pursued and the Group will continue to invest in its talents, fostering diversity and inclusion, and creating a unique ecosystem of skills in line with the Bank's evolution.
To support the Group's growth and generational change, 4,600 permanent hires will be made over the period of the Plan (around 900 professionals already hired in 2021 and in the first half of 2022). The reskilling/upskilling of around 8,000 people to be deployed towards priority and strategic initiatives is also envisaged (around 850 already involved in the first half of 2022).
Numerous well-being and safety initiatives are also provided for, together with new long-term incentive plans to engage the Group's people in achieving the Plan objectives.
Intesa Sanpaolo will continue to invest in its talents and the new Business Plan has set out a dedicated innovative strategy aimed at around 1,000 talents and key people. In the first half of 2022, under the International Talent Programme over 100 talents have already completed their training and another 200 people are currently undergoing training, in addition to around 430 key middle management staff who have been engaged in targeted development and training initiatives.
In terms of valuing diversity and promoting inclusion, the Group fosters an inclusive environment through a series of dedicated initiatives and a focus on equal gender opportunities. In addition, to promote female talent in fair and inclusive working environments, the new Plan has set a target of 50% for new appointments to senior positions for the women in the Group.
In an environment of continuously evolving skills and flexibility requirements, a learning ecosystem has been designed based on reskilling and upskilling programmes, together with job communities and professional categories with uniform paths and qualifications. Training is still an important vehicle for people's growth, also thanks to an innovative learning infrastructure that uses the latest technologies (e.g. Artificial Intelligence), and the Group's objective is to reach 50 million hours delivered over the entire period of the Plan. In the first half of 2022, around 4.5 million hours of training were delivered, of which over 220,000 hours were on ESG topics.
Lastly, through the new Plan, Intesa Sanpaolo intends to promote the simplification of processes through technology, based on the following objectives: development of a cloud infrastructure to enable a new Group "HR platform"; organisational simplification to improve efficiency and time-to-market; and establishment of innovative organisational models in selected areas of the Group.

Progetto Cultura

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

Gallerie d'Italia

Gallerie d'Italia, Intesa Sanpaolo's major museum project, has expanded since mid-May: the number of Gallerie has increased to four with the opening of the museum in Turin, which joins those in Milan and Vicenza, and the new venue in Naples has been inaugurated. The new logo was presented, designed by architect Michele De Lucchi under the supervision of President Emeritus Giovanni Bazoli and defined as an "iconic and universal sign, capable of representing not only a comprehensive museum system, but also an identity, a sense of belonging and a philosophy".

Visitors, exhibition projects, and educational and inclusive activities

In the first half of the year, visits and activities took place in strict compliance with anti-COVID regulations. The number of visitors totalled almost 185,000 and admission is free up to the age of 18.

Around 2,000 artworks from the Bank's collections were promoted, of which 1,100 on display in the permanent exhibitions and 900 viewable in the vaults in Milan and Vicenza, plus the Publifoto Archive in Turin.

In the first months of the year, seven temporary exhibitions opened at the end of 2021 continued and six new exhibitions were opened between May and June. In Turin (two exhibitions on climate change): *La fragile meraviglia*, a photographic exhibition by Paolo Pellegrin curated by Walter Guadagnini with Mario Calabresi and *Dalla guerra alla luna 1945-1969*. *Sguardi dall'Archivio Publifoto Intesa Sanpaolo*, curated by Giovanna Calvenzi and Aldo Grasso. In Naples: *La fragilità e la forza*, exhibition of the 19th edition of *Restituzioni* curated by Carlo Bertelli, Giorgio Bonsanti and Carla Di Francesco, under the High Patronage of the President of the Italian Republic. In Milan: *I Marmi Torlonia*, curated by Salvatore Settis and Carlo Gasparri, in collaboration with the Ministry of Culture and the Torlonia Foundation *Collezione Henraux 1960-1970* curated by Edoardo Bonaspetti, in collaboration with Fondazione Henraux. In Vicenza: *Christoph Niemann*. *Illustrissimo*, in collaboration with Festival Illustri. In addition, the exhibition *Tra pennelli e immagini virtuali* curated by Luca Beatrice, in Fiera Milano City under the partnership with Miart in collaboration with Intesa Sanpaolo Private Banking.

A key part of the Gallerie d'Italia's programming is the relationship with the world of education and the theme of accessibility and inclusion. In the first half of 2022, a total of 587 educational itineraries (visits and workshops) were implemented, in which 12,604 children and young people took part, together with 129 itineraries for the socially vulnerable with the participation of 1,810 people living in situations of disability and social hardship. All the educational activities are offered free of charge.

In addition, over 120 young art historians work permanently at the Gallerie d'Italia, under the partnership with Civita Mostre e Musei.

Inauguration of the new Gallerie d'Italia in Turin and Naples

The new Gallerie d'Italia in Turin and Naples were inaugurated within a few days of each other, on 16 and 20 May, with an official presentation conference attended by the Bank's top management, institutional authorities and the press.

The two major architectural projects, under the direction of Michele De Lucchi, were started in 2020 and in two years resulted in the transformation into museums of two historic buildings in the centre of Turin and Naples, Palazzo Turinetti in Piazza San Carlo and the former Banco di Napoli building in Via Toledo. The projects were carried out thanks to the collaboration of the other corporate structures, primarily the Real Estate and Logistics Department, as well as companies, external professionals, the Inspectorates, curators and art historians.

The identity of the Gallerie in Turin is linked to photography and the digital world, which are featured in three underground floors fitted out with the latest technological innovations and are accessed from a grand staircase that, in just a few weeks, has already become a new icon of the city. Photography is promoted as a tool for investigating the contemporary (with original exhibitions produced on commission, focusing on ESG in particular) and as a historical record (thanks to the Publifoto Archive, made up of 7 million images). On floor -3, the materials from the photographic archive can be consulted by scholars and a large interactive wall (Archivio Vivo) has been installed, allowing the use of 10,000 digitised photos. Floor -1 contains the teaching rooms and floor -3 houses an enormous immersive room (40 x 14 m, 17 4k projectors). The upper floor hosts the historical itinerary consisting of 41 artworks from the Group's art collections, including the important series of paintings from the ancient Oratory of the Compagnia di San Paolo (curated by Fernando Mazzocca, Alessandro Morandotti and Gelsomina Spione). From 17 May to 30 June, the number of visitors totalled almost 30,000. The Gallerie d'Italia App is a digital guide that provides an "advanced" visitor experience (1,550 downloads).

Compared to its previous venue, the new Gallerie di Napoli has tripled its spaces, accommodated in the monumental building designed by Marcello Piacentini in 1940. It offers an extensive itinerary consisting of around 680 of the Bank's artworks from antiquity to the contemporary. The first floor presents Caravaggio's *Martyrdom of St. Ursula*, a masterpiece from the collections, together with paintings and sculptures from Naples and southern Italy from the early 17th to the early 20th century (curated by Fernando Mazzocca), and houses three teaching rooms and a library. The second floor houses the entire collection of Attic and Magna Graecia vases in conjunction with relics from the National Archaeological Museum of Naples (curated by Fabrizio Paolucci) and a set of 20th and 21st century artworks (curated by Luca Massimo Barbero). The large central hall on the ground floor is used for temporary exhibitions and major cultural events. From 21 May to 30 June, the number of visitors totalled almost 60,000.

Art Assets

Intesa Sanpaolo's art collections contain around 35,000 artworks, ranging from the archaeological to contemporary. In terms of size and quality, it is considered one of the most important corporate collections in the world.
In the area of preservation, over 150 of the Bank's art assets were restored in the first half of the year. On the promotion front, 155 artworks were loaned to 34 temporary exhibitions hosted in Italian and foreign venues (including Ca' Pesaro-Galleria Nazionale d'Arte Moderna, Venice; Palazzo Reale, Milan; Fondazione Alda Fendi-Rhinoceros Gallery, Rome; Fondazione Magnani Rocca in Mamiano di Traversetolo, Parma; Mart-Museo di arte moderna e contemporanea of Trento and Rovereto; Palazzo del Governatore, Parma; Petit Palais, Paris; and the Italian Embassy, Brussels).
Significant initiatives have been implemented to promote the Bank's collections that have a particular identity-related value for the local communities, in synergy with Banca dei Territori (including exhibitions of artworks from the collections of the former Cassa di Risparmio di Pistoia e Pescia in the premises of the Pistoia Musei - Fondazione Caript).
The Galleria di Palazzo degli Alberti in Prato was inaugurated on 28 March. Intesa Sanpaolo, owner of the historic Palazzo degli Alberti, promoted and carried out the reopening of the Gallery of the same name, which houses the important collection that formerly belonged to Cariprato (now Banca Popolare di Vicenza in compulsory administrative liquidation).
The work continued in the Diogenes Project, an assessment programme involving the verification of the location, state of preservation and classification of the Bank's artworks located in its various venues.
Lastly, the monitoring and valuation of the Group's art assets continued, as part of the Art Advisory & Fair Value coordination, with the production of the usual "scenario analysis" on market trends in the first half of 2022. Art advisory services were also provided for the needs and artistic assets of Fideuram - Intesa Sanpaolo Private Banking's customers.

Historical archive

The Group Historical Archive, one of the first and most important bank archives in Europe, holds 20 kilometres of documents from 1397 to the early 2000s, and among the photographic collections it manages the Publifoto Archive.
The following continued during the first half of the year: the activities – for both the former UBI Banca archives and on other Group archives – of acquisition (documents, but also photos, museum objects and books), restoration, inventory work and cataloguing; "PAD-Progetto Archivi Digitali" (dedicated to archiving the digital documentation of the Bank's various structures) the projects "Mappa Storica" (dedicated to the history and documentary assets of the banks merged into the Group) and "Carte dell'Arte" (dedicated to documents relating to the Group's art assets); and the projects adopting the new Linked Open Data (LOD) method for data publishing ("Fondo EGELI", "Archivi che imprese!" and "Publifoto Archive").
The study rooms in Milan and Rome are also active and the activities in the half year included 120 study requests, 32 ongoing theses and 136 in-person consultation days.
On the promotion front, the materials from the Historical Archive materials were the protagonists of the exhibitions *Storie restituite* at the Teatro di Bollate and *Quando lo spazio è arte* at the Gallerie d'Italia in Milan.
The collaborations continued with archives, cultural institutions and universities, including Fondazione Einaudi in Rome, Fondazione 1563 per l'Arte e la Cultura in Turin (historical archives of the Compagnia di San Paolo) and Università La Sapienza in Rome.
With regard to the Publifoto Archive, the challenging transfer to the museum in Turin was completed. This was accompanied by the digitalisation of the photos (over 30,000 to date, of which 10,000 available on the site) and publication in LOD format. The promotion initiatives included the exhibitions *Come saremo*, *Prima della prima* and *Dalla guerra alla luna* (Gallerie d'Italia in Vicenza, Milan and Turin), *Diabolik alla Mole* (Museum of Cinema in Turin), and *Hostia*. *Pier Paolo Pasolini* (Terme di Diocleziano, Rome), together with special events during Archivissima in Turin.

Restituzioni

Intesa Sanpaolo contributes to the protection and promotion of Italy's artistic and architectural heritage through its *Restituzioni* restoration programme, which the Bank has been running since 1989 in collaboration with the Ministry of Culture.
The opening of the new Gallerie d'Italia in Naples was accompanied by the inauguration of the final exhibition of the 19^{th} edition of the project, relating to the restoration campaign carried out in 2019-2021: *La fragilità e la forza. Antonello da Messina, Bellini, Carpaccio, Giulio Romano, Boccioni, Manet. 200 capolavori restaurati.* A total of 231 items were restored, originating from all the Italian regions (in addition to two artworks from France and Brazil); involvement of 54 conservation bodies (Inspectorates, Regional Museum Departments and Autonomous Museums) and 81 owner entities (including museums, churches and archaeological sites); 80 restoration laboratories; and hundreds of art historians engaged in saving and studying the artworks. On 23 June, a presentation day was held for the exhibition, attended by representatives of the Ministry of Culture and all the professionals involved.
The restoration of Paolo Veronese's monumental painting (40 sqm) *Cena di San Gregorio Magno* (Supper of Saint Gregory the Great) was completed under the *Restituzioni* monumental restorations and presented at an official ceremony at the Santuario di Monte Berico in Vicenza (10 June).
The 20th edition of the programme was launched with the call to the public conservation bodies for the submission of restoration projects for artworks to be selected and included *Restituzioni* 2025.

Digital promotion

Progetto Cultura continues its commitment to providing digital initiatives on the web and social channels of Gallerie d'Italia and the Group to promote and share its historical-art collections, exhibitions and cultural activities, as well as providing additional content and features, in innovative and engaging ways, with impressive results in terms of views and interactions[24].

National and international partnerships

Progetto Cultura maintains collaborations with museums and institutions – in Italy and worldwide – to support their activities and for the joint production of initiatives (projects, exhibitions, festivals) centred on art, photography, music, archives, books and reading.
In the first half of 2022, these included the partnerships with Fondazione Compagnia di San Paolo, Turin (multi-year agreement covering the activities of Fondazione Museo delle Antichità Egizie, Fondazione 1563 per l'Arte e la Cultura, Polo del '900 and Filarmonica Teatro Regio); Fondazione Camera, Turin; Castello di Rivoli-Museo d'Arte contemporanea; Museo Nazionale del Cinema, Turin; Musei Reali, Turin; Pinacoteca di Brera, Milan; Museo Poldi Pezzoli, Milan; Fondazione Palazzo Strozzi, Florence; Casa Museo della Fondazione Bruschi, Arezzo (administered by Intesa Sanpaolo); Fondazione Cassa di Risparmio di Forlì-Musei di San Domenico; Museo Nazionale Romano; Museo Archeologico Nazionale di Napoli; Comune di Vicenza-Basilica Palladiana; Miart - Fiera internazionale d'arte moderna e contemporanea, Milan; Salone Internazionale del Libro, Turin (four events of the project "Un libro tante scuole" hosted at the Gallerie d'Italia); Archivissima - Il Festival e La Notte degli Archivi, Turin (14 events hosted at the Gallerie d'Italia); and Circolo dei lettori, Milan; La Grande Invasione-Festival della lettura, Ivrea; and Festival L'Arca di Noa, Arona. In addition, the presentation of the restoration project of the Pollini Conservatory in Padua with the Fondazione Cassa di Risparmio di Padova e Rovigo and the Municipality of Padua; support for the production of the planning dossier "La città illuminata" produced by the ASK Research Centre of the Bocconi University, in preparation for the sponsorship of "Bergamo Brescia Italian Capital of Culture 2023"; and support for the international study conference "Il genio universale di Canova" (in Bassano del Grappa, Possagno and Vicenza). At international level, events were held to promote the Bank's artworks at the Italian Embassy in Brussels and the Petit Palais and Italian Embassy in Paris, in collaboration with International Affairs.

As part of Edizioni Gallerie d'Italia | Skira, the volumes *Organizzazioni private dell'arte contemporanea*, *Collezionisti e valore dell'arte in Italia*, and *Fotografie*. *Due secoli di storia e immagini* and the silent book *Luna al museo* were published, in addition to the exhibition catalogues. The musical sponsorships included Orchestra Filarmonica del Teatro Regio in Turin, Associazione Alessandro Scarlatti in Naples, and the Società del Quartetto, Palazzo Marino in Musica and Festival Milano Musica in Milan.

Gallerie d'Italia Academy and Officina delle idee training programmes

Within the "Gallerie d'Italia Academy", the 2nd edition was held of the executive course "Management of artistic-cultural assets and corporate collections" for training young managers, organised with Fondazione Compagnia di San Paolo, Fondazione Cariplo, Fondazione Scuola dei beni e delle attività culturali-Ministero della Cultura, Fondazione 1563 per l'Arte e la Cultura and Intesa Sanpaolo Formazione (30 students, 8 scholarships provided by the Foundations, 60 lecturers, 5 teaching modules, and 162 hours of in-person lectures hosted in the Gallerie d'Italia venues and in webinar format).
The "Officina delle Idee" initiatives included the Euploos Project in collaboration with Gallerie degli Uffizi in Florence, which engages a multidisciplinary working group of young art historians, photographers and computer scientists in the production of the digital catalogue of the drawings from the Gabinetto dei Disegni e delle Stampe degli Uffizi (936 scientific records and 2,645 photographic images were produced in the first half of the year, in addition to the 37,000 records and 15,250 images produced in the previous 6 years of collaboration).

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[24] The most significant digital promotion initiatives during the half year included (data provided by the Communications and Corporate Image Department):
- *Inauguration of the Gallerie d'Italia in Turin and the exhibition La fragile meraviglia*: organic content + advertising on the Gallerie d'Italia and Intesa Sanpaolo social channels: 26.2 million impressions, 85.9 thousand clicks and 1.2 million interactions; Amplify (Intesa Sanpaolo): 172.7 thousand impressions; Group websites: 95.5 thousand page views; live streaming of the inauguration press conference (ANSA): 676 thousand views and 796 thousand people reached with a peak of 11.1 thousand simultaneously connected users;
- *Inauguration of the Gallerie d'Italia in Naples*: organic content + advertising on Gallerie d'Italia social channels: 20.6 million impressions, 30.1 thousand clicks and 734 thousand interactions; Amplify (Intesa Sanpaolo): 81.67 thousand impressions; Group websites: 80.4 thousand page views; live streaming of inauguration press conference (ANSA): 518 thousand views and 648 thousand people reached with a peak of 10.1 thousand users connected simultaneously;
- *Restituzioni - La fragilità e la forza exhibition*: organic content + advertising on Gallerie d'Italia social channels: 10.4 thousand impressions; Amplify (Intesa Sanpaolo): 64 thousand impressions;
- *I marmi Torlonia* exhibition: organic content + advertising on Gallerie d'Italia social channels: 12.1 million impressions, 1.8 million interactions and 154 thousand clicks; Group websites: 45 thousand page views.

Main risks and uncertainties

The main information on risks and uncertainties to which the Intesa Sanpaolo Group is exposed is described in the Half-yearly report on operations and in the Explanatory Notes to the Half-yearly condensed consolidated financial statements.
In the introduction to this chapter, as usual, a summary description is provided of the macroeconomic situation with the main risks associated with the international geopolitical scenario[25]. In line with the guidance contained in the ESMA public statement of 13 May 2022, the chapter also contains the following:

- a description of the main risk issues for the ISP Group resulting from the military conflict between Russia and Ukraine, as well as the continuation of the COVID-19 pandemic. Further information in this regard is also provided in the chapter “Risk Management” of the Explanatory Notes;
- in light of the change in the scenario in terms of interest rates and inflation following the outbreak of the Russian-Ukrainian conflict, the management assessments about the scenario and earnings forecasts used at the end of 2021 in the fairness assessment of the values of the intangible assets and goodwill, together with the management assessments of the consistency of the economic forecasts presented in the 2022-2025 Business Plan;
- information on risks at a general level, and in particular on financial risks (credit risks and market risks), operational risks and the risks of insurance companies, which, as always, are detailed in the chapter “Risk Management” of the Explanatory Notes to the Half-yearly condensed consolidated financial statements.

Lastly, with reference to capital strength, the related information is contained in the specific paragraph of the Explanatory Notes dedicated to own funds and capital ratios. Further details are as usual provided in the update of the Basel 3 Pillar 3 Disclosure.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the Company and the Group will continue in operational existence in the foreseeable future and consequently have prepared the Half-yearly Report as at 30 June 2022 on a going concern basis. The Directors have not detected any uncertainties in the consolidated balance sheet and financial structure of the Group or in the performance of operations that question the going concern assumption.

[25] Additional forward-looking indications are provided in the chapter “Forecast for the year” at the end of the Explanatory Notes.

Half-yearly condensed consolidated Financial statements

Consolidated
financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.06.2022	31.12.2021	Changes	
				amount	%
10.	Cash and cash equivalents	18,370	14,756	3,614	24.5
20.	Financial assets measured at fair value through profit or loss	53,131	52,731	400	0.8
	a) financial assets held for trading	*47,165*	*47,181*	*-16*	*-0.0*
	b) financial assets designated at fair value	*1*	*4*	*-3*	*-75.0*
	c) other financial assets mandatorily measured at fair value	*5,965*	*5,546*	*419*	*7.6*
30.	Financial assets measured at fair value through other comprehensive income	60,363	67,580	-7,217	-10.7
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	180,637	206,800	-26,163	-12.7
40.	Financial assets measured at amortised cost	657,716	668,866	-11,150	-1.7
	a) due from banks	*140,800*	*163,937*	*-23,137*	*-14.1*
	b) loans to customers	*516,916*	*504,929*	*11,987*	*2.4*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85	-5	-5.9
50.	Hedging derivatives	8,012	1,732	6,280	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-6,313	392	-6,705	
70.	Investments in associates and companies subject to joint control	1,902	1,652	250	15.1
80.	Technical insurance reserves reassured with third parties	199	208	-9	-4.3
90.	Property and equipment	10,655	10,792	-137	-1.3
100.	Intangible assets	9,310	9,342	-32	-0.3
	of which:				
	- goodwill	*3,673*	*3,574*	*99*	*2.8*
110.	Tax assets	18,745	18,808	-63	-0.3
	a) current	*3,623*	*3,555*	*68*	*1.9*
	b) deferred	*15,122*	*15,253*	*-131*	*-0.9*
120.	Non-current assets held for sale and discontinued operations	1,303	1,422	-119	-8.4
130.	Other assets	18,205	13,837	4,368	31.6
Total assets		**1,032,315**	**1,069,003**	**-36,688**	**-3.4**

Consolidated balance sheet

(millions of euro)

	Liabilities and shareholders' equity	30.06.2022	31.12.2021	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	690,781	710,055	-19,274	-2.7
	a) due to banks	*152,420*	*165,258*	*-12,838*	*-7.8*
	b) due to customers	*460,455*	*458,239*	*2,216*	*0.5*
	c) securities issued	*77,906*	*86,558*	*-8,652*	*-10.0*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,304	2,146	158	7.4
20.	Financial liabilities held for trading	55,227	56,306	-1,079	-1.9
30.	Financial liabilities designated at fair value	4,753	3,674	1,079	29.4
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,454	84,770	-10,316	-12.2
40.	Hedging derivatives	3,933	4,868	-935	-19.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-5,069	53	-5,122	
60.	Tax liabilities	2,806	2,285	521	22.8
	a) current	*301*	*363*	*-62*	*-17.1*
	b) deferred	*2,505*	*1,922*	*583*	*30.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	92	30	62	
80.	Other liabilities	28,251	15,639	12,612	80.6
90.	Employee termination indemnities	906	1,099	-193	-17.6
100.	Allowances for risks and charges	4,803	5,716	-913	-16.0
	a) commitments and guarantees given	*561*	*508*	*53*	*10.4*
	b) post-employment benefits	*168*	*290*	*-122*	*-42.1*
	c) other allowances for risks and charges	*4,074*	*4,918*	*-844*	*-17.2*
110.	Technical reserves	104,809	118,296	-13,487	-11.4
120.	Valuation reserves	-1,603	-709	894	
125.	Valuation reserves pertaining to insurance companies	-523	476	-999	
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,204	6,282	922	14.7
150.	Reserves	18,208	17,706	502	2.8
155.	Interim dividend (-)	-	-1,399	-1,399	
160.	Share premium reserve	28,056	27,286	770	2.8
170.	Share capital	10,369	10,084	285	2.8
180.	Treasury shares (-)	-48	-136	-88	-64.7
190.	Minority interests (+/-)	248	291	-43	-14.8
200.	Net income (loss) (+/-)	2,354	4,185	-1,831	-43.8
	Total liabilities and shareholders' equity	**1,032,315**	**1,069,003**	**-36,688**	**-3.4**

Consolidated income statement

(millions of euro)

		30.06.2022	30.06.2021	Changes	
				amount	%
10.	Interest and similar income	5,472	5,207	265	5.1
	of which: interest income calculated using the effective interest rate method	*5,155*	*5,073*	*82*	*1.6*
20.	Interest and similar expense	-1,389	-1,174	215	18.3
30.	**Interest margin**	**4,083**	**4,033**	**50**	**1.2**
40.	Fee and commission income	5,759	5,884	-125	-2.1
50.	Fee and commission expense	-1,360	-1,264	96	7.6
60.	**Net fee and commission income**	**4,399**	**4,620**	**-221**	**-4.8**
70.	Dividend and similar income	140	82	58	70.7
80.	Profits (Losses) on trading	193	409	-216	-52.8
90.	Fair value adjustments in hedge accounting	46	45	1	2.2
100.	Profits (Losses) on disposal or repurchase of:	78	522	-444	-85.1
	a) financial assets measured at amortised cost	*210*	*123*	*87*	*70.7*
	b) financial assets measured at fair value through other comprehensive income	*-124*	*428*	*-552*	
	c) financial liabilities	*-8*	*-29*	*-21*	*-72.4*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	551	99	452	
	a) financial assets and liabilities designated at fair value	*557*	*-31*	*588*	
	b) other financial assets mandatorily measured at fair value	*-6*	*130*	*-136*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	-122	2,362	-2,484	
120.	**Net interest and other banking income**	**9,368**	**12,172**	**-2,804**	**-23.0**
130.	Net losses/recoveries for credit risks associated with:	-1,264	-1,076	188	17.5
	a) financial assets measured at amortised cost	*-1,217*	*-1,066*	*151*	*14.2*
	b) financial assets measured at fair value through other comprehensive income	*-47*	*-10*	*37*	
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-113	-2	111	
140.	Profits (Losses) on changes in contracts without derecognition	-1	-19	-18	-94.7
150.	**Net income from banking activities**	**7,990**	**11,075**	**-3,085**	**-27.9**
160.	Net insurance premiums	4,858	4,989	-131	-2.6
170.	Other net insurance income (expense)	-3,566	-6,532	-2,966	-45.4
180.	**Net income from banking and insurance activities**	**9,282**	**9,532**	**-250**	**-2.6**
190.	Administrative expenses:	-5,488	-5,650	-162	-2.9
	a) personnel expenses	*-3,217*	*-3,362*	*-145*	*-4.3*
	b) other administrative expenses	*-2,271*	*-2,288*	*-17*	*-0.7*
200.	Net provisions for risks and charges	-106	-141	-35	-24.8
	a) commitments and guarantees given	*-74*	*60*	*-134*	
	b) other net provisions	*-32*	*-201*	*-169*	*-84.1*
210.	Net adjustments to / recoveries on property and equipment	-335	-320	15	4.7
220.	Net adjustments to / recoveries on intangible assets	-456	-410	46	11.2
230.	Other operating expenses (income)	486	475	11	2.3
240.	**Operating expenses**	**-5,899**	**-6,046**	**-147**	**-2.4**
250.	Profits (Losses) on investments in associates and companies subject to joint control	204	41	163	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-3	-4	-1	-25.0
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	14	189	-175	-92.6
290.	**Income (Loss) before tax from continuing operations**	**3,598**	**3,712**	**-114**	**-3.1**
300.	Taxes on income from continuing operations	-1,239	-725	514	70.9
310.	**Income (Loss) after tax from continuing operations**	**2,359**	**2,987**	**-628**	**-21.0**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**2,359**	**2,987**	**-628**	**-21.0**
340.	Minority interests	-5	36	-41	
350.	**Parent Company's net income (loss)**	**2,354**	**3,023**	**-669**	**-22.1**
	Basic EPS - Euro	**0.12**	**0.16**		
	Diluted EPS - Euro	**0.12**	**0.16**		

Statement of consolidated comprehensive income

(millions of euro)

		30.06.2022	30.06.2021	Changes	
				amount	%
10.	**Net income (Loss)**	**2,359**	**2,987**	**-628**	**-21.0**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**15**	**264**	**-249**	**-94.3**
20.	Equity instruments designated at fair value through other comprehensive income	-503	230	-733	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	190	9	181	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	168	-6	174	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	160	31	129	
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	**-1,928**	**-370**	**1,558**	
100.	Hedges of foreign investments	-8	-	8	
110.	Foreign exchange differences	30	79	-49	-62.0
120.	Cash flow hedges	189	97	92	94.8
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-1,092	-422	670	
145.	Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	-1,066	-142	924	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	19	18	1	5.6
170.	**Total other comprehensive income (net of tax)**	**-1,913**	**-106**	**1,807**	
180.	**Total comprehensive income (captions 10 + 170)**	**446**	**2,881**	**-2,435**	**-84.5**
190.	**Total consolidated comprehensive income pertaining to minority interests**	**-15**	**-34**	**19**	**55.9**
200.	**Total consolidated comprehensive income pertaining to the Parent Company**	**461**	**2,915**	**-2,454**	**-84.2**

Changes in consolidated shareholders' equity as at 30 June 2022

(millions of euro)

	30.06.2022													
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other									
AMOUNTS AS AT 31.12.2021	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)														
Reserves	**-**	**-**	**-**	**1,312**	**-**	**-**	**-**	**-**	**-**	**-**	**-1,312**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,399**	**-**	**-2,731**	**-1,332**	**-1,316**	**-16**
CHANGES IN THE PERIOD														
Changes in reserves	**-**	**-**	**598**	**-**	**-273**	**-**	**-**	**-**	**-**	**-**	**-**	**325**	**325**	**-**
Operations on shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	**-**		
Issue of new shares	285	-	405	-	-	-	-	-	-	89	-	779	779	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-1	-	-1	-1	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-233	-	-	-	-	-	-	-	-	-233	-233	-
Changes in equity instruments	-	-	-	-	-	-	-	922	-	-	-	922	922	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	40	-	-3	-744	-	-	-	-	-	-	-	-707	-695	-12
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-914**	**-999**	**-**	**-**	**-**	**2,359**	**446**	**461**	**-15**
SHAREHOLDERS' EQUITY AS AT 30.06.2022	**10,548**	**-**	**28,076**	**17,504**	**816**	**-1,671**	**-523**	**7,204**	**-**	**-48**	**2,359**	**64,265**	**64,017**	**248**
- Group	**10,369**	**-**	**28,056**	**17,392**	**816**	**-1,603**	**-523**	**7,204**	**-**	**-48**	**2,354**	**64,017**		
- minority interests	**179**	**-**	**20**	**112**	**-**	**-68**	**-**	**-**	**-**	**-**	**5**	**248**		

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

Changes in consolidated shareholders' equity as at 30 June 2021

(millions of euro)

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

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

Consolidated statement of cash flows

(millions of euro)

	30.06.2022	30.06.2021
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**5,246**	**4,610**
Net income (loss) (+/-)	2,359	2,987
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	-958	450
Gains/losses on financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	4,917	-1,437
Gains/losses on hedging activities (-/+)	-46	-45
Gains/losses on hedging activities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-	-
Net losses/recoveries for credit risk (+/-)	1,603	1,476
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	791	731
Net provisions for risks and charges and other costs/revenues (+/-)	106	140
Net insurance premiums to be collected (-)	-5	8
Other insurance revenues/charges to be collected (-/+)	-1,783	1,146
Taxes, duties and tax credits to be paid/collected(+/-)	1,351	662
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-3,089	-1,508
2. Cash flow from / used in financial assets	**11,164**	**-22,565**
Financial assets held for trading	-980	-1,362
Financial assets designated at fair value	-41	-8
Other financial assets mandatorily measured at fair value	-425	-734
Financial assets measured at fair value through other comprehensive income	4,974	-9,032
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	13,503	2,827
Financial assets measured at amortised cost	10,511	-14,548
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	9	313
Other assets	-16,387	-21
3. Cash flow from / used in financial liabilities (*)	**-13,394**	**21,274**
Financial liabilities measured at amortised cost	-21,244	20,888
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	157	495
Financial liabilities held for trading	110	-2,547
Financial liabilities designated at fair value	1,679	305
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-651	-527
Other liabilities	6,555	2,660
Net cash flow from (used in) operating activities	**3,016**	**3,319**
B. INVESTING ACTIVITIES		
1. Cash flow from	**170**	**85**
Sales of investments in associates and companies subject to joint control	13	-
Dividends collected on investments in associates and companies subject to joint control	77	46
Sales of property and equipment	79	39
Sales of intangible assets	1	-
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**550**	**-441**
Purchases of investments in associates and companies subject to joint control	-61	-5
Purchases of property and equipment	-153	-44
Purchases of intangible assets	-311	-40
Purchases of subsidiaries and business branches	1,075	-352
Net cash flow from (used in) investing activities	**720**	**-356**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	658	20
Share capital increases	781	-1,395
Dividend distribution and other	-1,565	-710
Disposal/acquisition of minority interests in subsidiaries	-21	-13
Net cash flow from (used in) financing activities	**-147**	**-2,098**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,589**	**865**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	14,756	13,733
Net increase (decrease) in cash and cash equivalents	3,589	865
Cash and cash equivalents: foreign exchange effect	25	30
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**18,370**	**14,628**

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 -13,394 million euro (cash flow used) and comprise -33,143 million euro in cash flows, -4,376 million euro in fair value changes and +24,125 million euro in other changes.

Explanatory notes

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2022 have been prepared in compliance with the requirements of art. 154-ter of Legislative Decree 58 of 24 February 1998. Moreover, they have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC-IC) and endorsed by the European Commission and in force as at 30 June 2022, as provided for by EU Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements are prepared in compliance with IAS 34 requirements, which regulate interim financial reporting.

The accounting standards adopted in preparation of these Half-yearly condensed consolidated financial statements, with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, have remained unchanged compared to those adopted for the Intesa Sanpaolo Group 2021 Annual Report, which should be consulted for the complete details.

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the contingent assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.
If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.
The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the fair value measurement of real estate and valuable art assets;
- the measurement of personnel funds and allowances for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves provided for in insurance regulations, in addition to the shadow reserves, and liability adequacy test provided for in IFRS 4.

With regard to the main items subject to estimates, the following should be noted in particular:
- for the quantification of the impairment losses on loans, details are provided in the chapter “The first half of 2022” of the Half-yearly report on operations and the chapter “Risk management” of the Explanatory notes;
- for the models used for the fair value measurement, details are provided in the section “Risk management” of the Explanatory notes;
- in relation to the appropriateness of the value of the intangible assets, specifically for goodwill, in the context of the Russian-Ukrainian conflict, details are provided in the chapter “The first half of 2022” of the Half-yearly report on operations;
- in relation to the collectability of deferred tax assets, no critical issues have been identified that would necessitate a redetermination of the recoverable amounts.

Starting on 1 January 2022, the provisions of Regulation no. 1080/2021 of 28 June 2021, which implements several less material amendments, published by the IASB on 14 May 2020, to the international accounting standards IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRS 3 Business Combinations are effective.

The amendments relate to:
- IAS 16 – Cost components: the amendments, which are not pertinent to the Group, introduce a prohibition on deducting from the cost of property, plant and equipment the amounts received from the sale of articles produced while the company was preparing the asset for the intended use. The company must recognise such proceeds from sales and the related costs in the income statement;
- IAS 37 – Onerous contracts: it is clarified that to assess whether a contract is onerous, all costs directly related to the contract, rather than incremental costs necessary for fulfilling the contract, must be included in the estimate. Accordingly, the assessment of whether a contract is onerous includes the incremental costs (for example, the cost of the direct materials used in processing), as well as all costs that the entity cannot avoid as a consequence of entering into the contract (for example, the portion of personnel expenses and depreciation of the machinery employed to fulfil the contract);
- IFRS 3 – References to the Conceptual Framework: several references were updated to the new version of the Conceptual Framework of 2018 which, nonetheless, do not entail changes to the pre-existing accounting methods. In addition, the prohibition on recognising in business combinations contingent assets (i.e., assets whose existence will only be confirmed by uncertain future events) was explicitly stated (previously, this prohibition was explicitly stated only in the Basis for Conclusion).

The Regulation in question also endorses the customary annual improvements - the Annual Improvements to IFRS Standards 2018-2020 Cycle - which clarify the formulation or correct errors, oversights or conflicts between the requirements of the Standards. Those minor amendments included changes to IFRS 9 Financial Instruments, providing several clarifications on the fees and commissions to be included in the 10% test for derecognising financial liabilities. In that regard, it is specified that only fees paid or collected between the parties are to be included, not fees directly attributable to third parties.
Considering the scope of the amendments in question, which introduce changes and clarifications of little significance, the Regulation does not have significant impacts on the Group.

The Half-yearly condensed consolidated financial statements of Intesa Sanpaolo, drawn up in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the consolidated Balance sheet, the consolidated Income statement, the Statement of consolidated comprehensive income for the period, the Changes in consolidated shareholders' equity, the consolidated Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant "related party transactions".
With effect from the 2018 financial statements, following the Group's decision to exercise the option of adopting the Deferral Approach, also provided for banking-led financial conglomerates, specific balance sheet and income statement captions have been added to the consolidated financial statement layouts established in Circular 262 to present the valuation of assets and liabilities pertaining to insurance companies and the related profit or loss effects measured in accordance with IAS 39.
The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.
Assets held for sale mainly include portfolios or single positions, classified as bad loans or unlikely-to-pay loans, which are soon to be sold as part of the Group's de-risking strategies. This caption also includes the equity investment in Zhong Ou Asset Management Co. Ltd., for which the sale is expected to be finalised once the authorisation process has been completed, and the assets and liabilities relating to PBZ Card's merchant acquiring business line, which will be transferred to the Nexi Group by the end of 2022. Lastly, the assets held for sale as at 30 June 2022 include the equity investment in Innolva, which will soon be sold to a leading global company specialising in credit and business information systems.
The Half-yearly condensed consolidated financial statements as at 30 June 2022 are complemented by certification of the Managing Director – CEO and the Manager responsible for preparing the Company's financial reports pursuant to Article 154 bis of the Consolidated Law on Finance and are subject to limited review by the Independent Auditors EY S.p.A.

Adoption of IFRS 9 by the Group's Insurance Companies

IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation No. 2067/2016, replaced IAS 39 in the rules for the classification and measurement of financial instruments with effect from 1 January 2018. IFRS 9 is split into three different areas of classification and measurement of financial instruments, impairment (expected credit loss) and hedge accounting.
The Intesa Sanpaolo Group, as a financial conglomerate primarily engaged in banking activities, has exercised the option of adopting the Deferral Approach (or Temporary Exemption), according to which the financial assets and liabilities of the subsidiary insurance companies continue to be recognised in accordance with the provisions of IAS 39, until the entry into force of the new international financial reporting standard on insurance contracts (IFRS 17) on 1 January 2023. The deferral of the adoption of IFRS 9 by the companies of the Insurance Division thus means that, starting from 1 January 2018, different accounting standards need to be applied for the financial assets and liabilities within the Group's consolidated financial statements.
In this context, from 1 January 2023, the Group Insurance Division will be required to apply IFRS 9 and IFRS 17 Insurance Contracts together for the first time. The implementation of IFRS 9 by the companies follows the Intesa Sanpaolo Group's choices in defining its accounting policies in order to ensure the correct and uniform application of the new standard.

Disclosure is provided below on the main areas of impact of the new accounting standard, as well as the ongoing process of implementation of IFRS 9 - Financial Instruments, in accordance with the guidance from the European Securities and Markets Authority (ESMA)[26] and in relation to the requirements of IAS 8 paragraphs 30 and 31. The subsequent paragraph provides similar disclosure on the first-time adoption of the new IFRS 17, together with details of the interplay between the two standards.
The companies of the Insurance Division have participated, through the Insurance Parent Company Intesa Sanpaolo Vita, in the Intesa Sanpaolo Group project launched in September 2015 and aimed at investigating the various areas of influence of the standard, defining its qualitative and quantitative impacts, and identifying and implementing the necessary application and organisational measures. In particular, account has been taken of the objective of pursuing the uniform adoption of the accounting standard, also in the presence of insurance operations linked in particular to the specific characteristics of products under separate management.

Classification and Measurement

In order to comply with the provisions of IFRS 9 – which introduces a model where the classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the management intent for which they are held – the methods for performing the test on the contractual cash flow characteristics (known as the SPPI Test) have been drawn up, while the definition of the "to be" business models is being finalised.
With regard to the SPPI test on financial assets, the Insurance Division will adopt the approach defined at Intesa Sanpaolo Group level and used from 2018. The analysis has also been completed currently in place of the composition of the securities and loans portfolios, to identify their correct classification at the time of first-time adoption (FTA) of the new standard.
With regard to debt securities, a detailed examination of the cash flow characteristics of instruments classified at amortised cost and in the Financial assets available for sale category according to IAS 39 has been carried out in order to identify the assets that have not passed the SPPI test and will therefore have to be measured at fair value through profit or loss in accordance with IFRS 9. According to the analyses conducted on the Insurance Division scope, only a non-material percentage of the debt securities – with respect to the portfolio as a whole – failed the SPPI test, mainly consisting of structured securities.
In addition, the investment funds (open-ended and closed-end funds) will have to be mandatorily measured at fair value through profit or loss, with a consequent future increase in the income statement volatility for these instruments, which are currently classified as Assets available for sale.
With regard to the classification of equity instruments in the scope of IFRS 9, the Insurance Division is considering not exercising the option to classify the equity instruments at fair value through other comprehensive income (FVTOCI without recycling to profit or loss).
Lastly, with regard to loans, their overall contribution to the Division's financial assets is not significant and, since they mainly consist of current accounts and other short-term technical forms, no failures of the SPPI test or particular impacts are expected upon FTA.
With regard to the second driver of classification of the financial assets (business model), i.e. the intention with which financial assets are held, the identification of "to be" business models is in the final stages. The companies of the Insurance Division are tending towards the adoption of a Hold To Collect and Sell business model, with the exception of portfolios connected to linked products and open pension funds, for which an "Other" Business Model will be adopted, with measurement of the assets at fair value through profit or loss. In this regard, for debt securities, no significant changes are expected with respect to the classification according to IAS 39, except for marginal cases relating to:

- debt securities currently classified as Assets available for sale that do not pass the SPPI test. This reclassification has no impact on the total shareholders' equity determined in accordance with IFRS 9;
- debt securities currently classified under Loans & Receivables which, depending on the result of the SPPI test, will be classified either at fair value through profit or loss or at fair value through other comprehensive income. This reclassification will have a non-material impact with respect to the current balance sheet levels.

With regard to the financial liabilities, no changes are envisaged with respect to the current methods of classification and measurement of the financial liabilities in accordance with IAS 39.

Impairment

With regard to impairment, a common approach and a process centralised within Intesa Sanpaolo's Risk Management structure have been established by the Parent Company Intesa Sanpaolo for the quantification of the expected credit loss for all the Group companies. Accordingly, for a full description of the choices adopted by the Group regarding the application of impairment in accordance with IFRS 9, see the Accounting Policies in the 2021 Annual Report and the description provided in Part E of the Notes to the financial statement concerning risk management.
Please note in this regard that, for the companies of the Insurance Division, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in the category Fair value through other comprehensive income. For loans, on the other hand, it is not significant.
The main elements underlying the approach can be considered to be the following:

- method of tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income;
- definition of the parameters for determining the significant increase in credit risk, for the purposes of the correct allocation of performing exposures to Stage 1 or Stage 2, based on the change in lifetime probability of default since the time of initial recognition of the financial instrument. With regard to the impaired exposures, on the other hand, given the alignment of the definitions of accounting and regulatory default, the current criteria for classifying exposures as "impaired" can be considered identical to the criteria for classifying exposures in Stage 3;

[26] On 13 May 2022, ESMA published the document "Public Statement - Transparency on implementation of IFRS 17 Insurance Contracts" containing the Regulator's considerations regarding the implementation of IFRS 17 Insurance Contracts, aimed at promoting the consistent and effective application of the standard by issuers, as well as the type of disclosure that issuers should provide in the stages immediately prior to the application of the new standard. ESMA also points out that issuers that will simultaneously apply both IFRS 17 and IFRS 9 will have to take into account the provisions issued in view of the first-time adoption of IFRS 9 (ESMA "Public Statement on the first-time implementation of IFRS 9").

– definition of models – including forward-looking information – for the staging (with respect to the use of lifetime PD as a relative indicator of impairment) and for the calculation of the one-year ECL (to be applied to Stage 1 exposures) and lifetime ECL (to be applied to Stage 2 and Stage 3 exposures). In order to take into account forward-looking information and the macroeconomic scenarios in which the Group may find itself operating, the "Most likely scenario + Add-on" approach has been adopted.

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

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

Hedge accounting

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

Income statement and balance sheet impacts

The main impacts expected from the adoption of the new standard for the Insurance Division will derive, firstly, from the application of the new impairment accounting model for debt securities (based on the concept of expected loss instead of the incurred loss approach, currently envisaged by IAS 39), which will lead to an increase in value adjustments, and from the application of the new rules for the transfer of exposures between the different classification stages envisaged by the standard.

Based on the analyses performed and implementations under way, it is estimated that the impact, to be recognised through other comprehensive income upon first-time adoption of the new standard, will be not significant with respect to the Group's current balance sheet and regulatory capital levels and with respect to the impact recognised upon first-time adoption of the standard for the ISP Group as at 1 January 2018.

Organisational and information system impacts

The adoption of the new standard entails organisational and information system changes.

The main organisational impacts have been identified and relate to the revision and adaptation of existing operating processes, the design and implementation of new processes, and the expansion of the skills available within the various operations, administration and control structures.

With regard to the information systems, work was carried out on the securities management applications of the insurance companies to adapt them to the requirements of the new standard, and a monthly exchange of flows has been set up between the insurance companies and the relevant Intesa Sanpaolo structures in relation to staging and expected credit losses for securities classified at fair value through other comprehensive income.

Restatement of comparative information and parallel running

With regard to the methods of presentation of the effects of first-time adoption of the standard, the Insurance Division will exercise the option established in paragraph 7.2.15 of IFRS 9, according to which – subject to the retrospective application of the new measurement and presentation rules required by the standard – there is no requirement for the compulsory restatement on a like-for-like basis of the comparative information in the financial statements of first-time adoption of the new standard. In particular, the Insurance Division will adopt the Classification Overlay in accordance with the provisions of paragraph C28A and following of IFRS 17 – as amended by the IASB on 9 December 2021 and pending endorsement by the European Commission – regarding companies adopting IFRS 9 and IFRS 17 simultaneously for the first time. The Classification Overlay allows the application of the classification and measurement requirements as envisaged by IFRS 9 for the preparation of comparative periods using reasonable and supportable information, and the application of the impairment provisions is not required.

The companies of the Insurance Division will implement the "parallel running" of the application of the new standard from the second half of 2022 following the necessary refinements of the securities management applications, which are currently being completed.

IFRS 17 Insurance Contracts

This paragraph provides disclosure on the main areas of impact of the new IFRS 17 Insurance Contracts, as well as the ongoing process of implementation, in accordance with the guidance from the European Securities and Markets Authority (ESMA), mentioned above, and in relation to the requirements of IAS 8 paragraphs 30 and 31. Disclosure is also provided on the interplay between the new IFRS 17 and IFRS 9, which the companies of the Insurance Division will apply simultaneously and for the first time from 1 January 2023.
The new IFRS 17 "Insurance Contracts" published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020, was endorsed by Regulation (EU) No. 2036/2021 of 19 November 2021 and will be mandatorily effective from 1 January 2023. The standard mandatorily requires the presentation of the comparative period, i.e. the year 2022, restated.
In this regard, the Regulation sets out the endorsement of IFRS 17 at European level and, on an optional basis, to exempt intergenerationally-mutualised and cash flow matched contracts from the application of the obligation of grouping into annual cohorts pursuant to IFRS 17.

Overview of IFRS 17

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

- initial recognition of the insurance liability: when the contract is signed with the policyholder, the insurance entity recognises a liability whose amount represents the sum of the present value of the expected contractual cash flows (Present Value Future Cash Flows – "PVFCF"), discounted and also including an appropriate Risk Adjustment ("RA") for non-financial risks and the Contractual Service Margin ("CSM"), which represents the present value of the future profits before tax;
- grouping of contracts: the application of IFRS 17 involves the identification of "portfolios" of insurance contracts (groups of contracts that are subject to similar risks and managed together). Each portfolio is further subdivided into groups consisting of contracts with similar characteristics in terms of expected profitability, thus distinguishing between profitable contracts (with a positive contractual service margin) and onerous contracts (with a negative contractual service margin);
- the measurement models envisaged by the standard: IFRS 17 envisages the measurement model known as General Model ("GM") applicable to all contracts, except for contracts with direct participation features, for which the Variable Fee Approach ("VFA") is applied, if the eligibility criteria based on the nature of the participation features are met. There is also an optional simplified model (Premium Allocation Approach – "PAA") for the valuation of the Liability for Remaining Coverage ("LFRC", similar to the reserve for unearned premiums) for contracts with a coverage period of one year or less and for all contracts where the valuation is not materially different from that resulting from the application of the General Model;
- transition: upon first-time adoption, IFRS 17 requires that all contracts in the portfolio be accounted for as if the rules introduced had always been in force, a transition approach referred to as the Full Retrospective Approach ("FRA"). Given that its application can be very complex due to the unavailability of the time series of the attributes required to manage the breadth of the target data model envisaged by IFRS 17, which enables its full application, the standard allows the possibility of using two other approaches, both of which are optional:
  - the Modified Retrospective Approach ("MRA"), which approximates the results obtained from the FRA using a retrospective approach, but includes some simplifications regarding the estimation of the CSM, the level of aggregation of the contracts, the use of annual cohorts and the discount rates to be used;
  - the Fair Value Approach ("FVA"), which is the simplest approach according to which the CSM/Loss Component (in the case of onerous contracts) is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the Fulfilment Cash Flows at the same date (consisting of the sum of the PVFCF and RA);
- subsequent measurement of the insurance liability: IFRS 17 requires the measurement at each reporting period of the above elements (cash flows and contractual service margin), to verify the consistency of the estimates with the current market conditions. The effects of any mismatches must be recorded in the financial statements at the first reporting date: in profit or loss for changes relating to events that have already occurred in the past or as a reduction of the contractual service margin (CSM) when the changes relate to future events. Solely with regard to changes in financial variables (and not the others, i.e. mainly related to policyholder behaviour), it is left to the entities to decide – for each grouping of contracts (see below) – whether to present the effects of the changes through profit or loss or through other comprehensive income (OCI option);
- measurement of the insurance revenue: IFRS 17 requires the presentation in profit or loss of the earnings "by margins" achieved during the life of the policies, i.e. when the entity provides the services to the insured, and does not therefore require the recognition of any revenue at the time of entering into the contract;
- measurement of the performance: with a view to providing disclosure that ensures better comparability of the performance of the insurance companies, a distinct and separate presentation is required of the two main components that typically contribute to making up the earnings of insurance undertakings: the first, which represents the profit from the insurance provided (the "technical margin") and the second, which brings together all the financial components (results of investments, effects of financial variables used in the valuations of the contracts, etc.). Changes in the future estimates of premiums linked to the outstanding contracts at the reporting date (cash flows to be received) and payments (cash flows to be paid) are recognised in profit or loss over the entire remaining contractual lifetime of the policies concerned.

IFRS 17 therefore introduces new criteria for determining the earnings of insurance companies, also with a view to achieving better comparability of the financial disclosure produced by the competitors in the sector. These new criteria will lead to potential impacts in the design of new insurance products, particularly with regard to pricing and new risk management approaches in relation to asset and liability management. The financial disclosure will see the introduction of new key

performance indicators based on product margins compared to the current collected premiums used as a reference at both national and international level.
Lastly, the insurance companies will need to design a new target operational model that will enable the management of the new earnings measurements established by the standard, with significant investments both in terms of internal processes and information technology.

The Implementation Project for the Insurance Division: organisational and information system impacts
Within the ISP Group, IFRS 17 is applicable to the insurance products of the Insurance Division. In the interest of completeness, please note that assessments are being conducted to identify any other cases impacted by the new standard on the rest of the Group, which are however not expected to be material, also in view of the exclusions from application envisaged by IFRS 17.
The IFRS 17 implementation project for the Insurance Division started in June 2019 and is divided into several strands that have been set up uniformly for all the companies of the Insurance Division, taking into account the specific business characteristics of each company:

- definition of the methodological framework: the key topics have been identified, corresponding to the related approaches set out in the Technical Papers, in terms of product classification, determination of future cash flows and calculation of the CSM;
- evolution of information systems: the Big Picture of this project, which includes the mapping of applications and their IT interfaces, established in December 2020, has been maintained and implemented also for the newly acquired companies and envisages the same IT structure for all the companies of the Insurance Division, taking into account their specific characteristics. In 2020, the migration to the new SAP accounting system was completed for the companies Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo Life. For Intesa Sanpaolo RBM Salute, the migration was completed in July 2021 (with an accounting effective date of 1 July 2021).
  The analysis and preparation of the business requirements have been carried out. In October 2021, the migration was implemented of the technical accounting system to the SAP DATA HUB and SAP FPSL system for the companies Intesa Sanpaolo Vita, Fideuram Vita and Intesa Sanpaolo Assicura. For Intesa Sanpaolo RBM Salute, the migration activities were completed in January 2022.
  As at 30 June 2022, the implementation had been completed aimed at including the part of the processes relating to the calculation of the forward-looking measures introduced by IFRS 17 (mainly cash flows, risk adjustment and CSM) into the accounting and financial reporting process.
  With specific regard to the actuarial engines, the related IT developments are currently being completed. With regard to the companies acquired by the Intesa Group during 2020 and 2021 (Intesa Sanpaolo RBM Salute, Cargeas and the former UBI life companies), the related integration project envisages the full adoption of the division target systems;
- development of training activities: planned for the entire duration of the project and allocated across the technical and operational areas and top management, these activities envisage specific sessions dedicated to the directors of the companies of the Insurance Division and the Parent Company;
- changes to processes and internal procedures: the target operating model has been formalised, i.e. the design and formalisation of the systems, organisational processes and the offices responsible for them, in order to control the new process for preparing the financial statements;
- transition and parallel running in 2022: in the second half of the year, the work will be completed on the quantification of the opening balances as at 1 January 2022 and will be initiated on the production of the comparative information for the quarters of 2022 for all the companies of the Insurance Division.

From an organisational perspective, in addition to the process for the preparation of the financial statements, the IFRS 17 project includes the implementation of systems and processes related to planning and control and asset and liability management, in order to ensure the Group companies' management capabilities according to the new metrics introduced by IFRS 17.
Lastly, periodic meetings are planned with the Independent Auditors EY to enable discussion of the methodological choices identified in the project.

Methodological choices of the Insurance Division
The main methodological uncertainties faced by the Insurance Division in the initial phase of the project concerned the determination of the discount curve, the quantification of cash flows in accordance with IFRS 17, and the CSM for which best practice has not yet been defined at both Italian and European market level, particularly with regard to future distribution fees.
Below are the main methodological choices that the Insurance Division is considering, which are the same for all the companies included in the scope of consolidation:

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

  Solely for the first case, the Insurance Division has adopted the choice of aggregating the contracts belonging to the Non-Life Business based on the Solvency II Line of Business ("LoB") they belong to. For the Life Business, groups of contracts are aggregated for products included in the same Separate Management, Multi-Line products linked to the same Separate Management, Unit-Linked products, products linked to Pension Funds and pure risk products (e.g. temporary death policies).
  With regard to contracts relating to Multi-Line products or linked to a Separate Management, it has been decided to exercise the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore to aggregate these types of contracts only based on the concept of similar risks managed together and belonging to the same profitability bucket.

- Discount curve: the Insurance Division has decided to use a bottom-up approach, which involves using risk-free rates with the addition of a liquidity premium, estimated based on the risk premium inherent in each company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.
- Risk adjustment: it is determined using a Value at Risk (VaR) approach that estimates the uncertainty of the non-financial risks based on the 75th percentile of the specific distribution of each risk considered.
- Variable Fee Approach (VFA): as noted above, the VFA is a mandatory model required by the standard for contracts involving significant discretionary participation features for the policyholders. To determine whether discretionary participation features are significant, both a qualitative and quantitative test is performed to verify the requirements. Within the Insurance Division's products, all the insurance Linked contracts and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.
- Premium Allocation Approach (PAA): as already mentioned, the PAA is an optional method applicable to contracts with a duration of less than one year or to contracts with a duration of more than one year for which it is demonstrated that the application of the PAA model does not lead to results that are significantly different from those that would be obtained with the general model. The Insurance Division has decided to apply this model solely to the Non-Life Business, with the general rule being to use the PAA model for insurance policies with a duration of one year or less.
- Coverage units: these are the driver used to determine the pattern of CSM release to profit or loss, taking into account the amount of service provided to the policyholders and the expected duration of the group of contracts. The coverage units are determined differently based on whether they relate to Life Business or Non-Life Business. Specifically, for the Non-Life Business, the coverage units are identified by the earned premiums for the period, while for the Life Business, they are identified by the insured capitals for the period with respect to the whole life insured capitals, which represent the company's commitment to the policyholders during the valuation period.
- Contract boundaries: the determination of the contract boundaries is used to establish whether a particular contractual option is to be included in the cash-flow projection as soon as the contract is issued or whether the exercise of that option will result in the generation of a new group of contracts.
- The IFRS 17 contract boundaries include all the contractual options that establish the conditions for exercising the option in terms of pricing, already at the time when the contracts are issued. If the exercise of the option does not have conditions predetermined upon issue and the conditions are only defined at a later date or at the time of exercise by the policyholder, they are not included in the IFRS 17 contract boundaries and are not projected in the cash flows of the host contract; the exercise of the option generates a new group of contracts different from that of the host contract.
- Transition approach: the consideration currently being studied is to use all three transition approaches envisaged by the standard based on the availability of the historical data required by the standard for determining the CSM at the FTA date. Specifically, the Full Retrospective Approach is used for the most recent generations of contracts, except for the acquired companies (ISP RBM Salute, Cargeas and former UBI), for which the Fair Value Approach is used. For multi-line life contracts and older non-life contracts the Modified Retrospective Approach is used, while for the remaining products and annuities the Fair Value Approach will be used.
- Interplay between IFRS 9 and IFRS 17 and use of the OCI option: in some cases, the interplay between IFRS 17 and IFRS 9 may generate mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI). The choice of disaggregation is made at portfolio level for the insurance contracts and must be made consistently with the valuation approach used for the assets. In particular:
  - with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
  - for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments is reclassified to other comprehensive income (mirroring). The mirroring accounting treatment envisaged by IFRS 17 is similar in purpose to the shadow accounting envisaged by IFRS 4 currently in force.

  In accordance with IFRS 9, the Insurance Division is finalising the definition of the "to be" business model: Hold To Collect and Sell for all debt financial instruments, except for those connected to linked products and open pension funds (to which the "Other" Business Model would be applied). With regard to the classification of equity instruments that come under the scope of IFRS 9, the Insurance Division is considering using their fair value measurement through profit or loss.

  For more details, see the paragraph Adoption of IFRS 9 by the Group's Insurance Companies.

  As a result, in order to reduce potential accounting mismatches, it has been decided to adopt the OCI option on all the insurance contract portfolios, except for the unit-linked policies not connected to multi-line products and open pension funds.

Main differences between the IFRS 17 framework and Solvency II

The main differences between IFRS 17 and Solvency II in relation to the valuation of insurance liabilities primarily relate to the identification of the contract boundaries, the determination of the discount curve, and the method of calculation of the Prudent Margin (respectively Risk Adjustment or Risk Margin). In particular:

- with regard to the contract boundaries, the main differences concern both the determination criteria and the frequency of the valuation. Under Solvency II, the contract boundaries are based on a risk approach for the company and are determined at each valuation date; under IFRS 17, they are based on the possibility of re-pricing by the company and are determined when the contracts are issued;
- with regard to the discount curves, the main difference concerns the approach and granularity used for the calculation of the discount curve. Specifically, for Solvency II there is a single discount curve composed of a risk-free base curve plus a liquidity premium (volatility adjustment), defined by the EIOPA on the basis of an average market benchmark portfolio. In

the IFRS 17 framework, on the other hand, the discount curves for each identified portfolio can be calculated on the basis of specific reference asset pools;
- for the Prudent Margin, the difference between Risk Margin and Risk Adjustment is due to both a different calculation approach and a different scope of identified risks. The Solvency II Risk Margin is calculated using a Cost of Capital approach, applied to the company's capital requirement assessed with a 95% percentile, considering the technical risks, credit risk and operational risk. For the IFRS 17 Risk Adjustment, the standard does not envisage a standard approach, but only its determination on the basis of specific non-financial risks.

Income statement and balance sheet impacts
The new standard envisages the introduction of new balance sheet figures and different ways of recognising the profitability of insurance products in the companies' financial statements, which could lead to both balance sheet impacts upon first-time adoption of the standard and volatility in the income statement once the standard is being implemented.
The balance sheet impact upon first-time adoption depends on the level of market rates at the transition date (a lower rate level corresponds to a higher negative balance sheet impact), as well as the transition approaches adopted.
On the other hand, the income statement result is closely related to how the CSM is released over time and how it is adjusted following revisions to the operational and financial assumptions included in the cash flow and risk adjustment.
Based on the analyses performed and implementations under way, it is estimated that the impact, to be recognised through other comprehensive income upon first-time adoption of the new standard, will be non-critical with respect to the Intesa Sanpaolo Group's current balance sheet and regulatory capital levels. In this regard, for regulatory purposes, the Intesa Sanpaolo Group, as a "financial conglomerate", has been authorised to apply the "Danish Compromise", which allows for the 370% weighting of significant investments in insurance subsidiaries instead of their deduction from CET1. The main differences to be recognised in shareholders' equity originate from the difference between the IFRS 17 insurance liabilities (including future profits – CSM) measured at fair value, compared to the IFRS 4 reserves, which factor in the reserves quantified based on local supervisory authority rules, in addition to the shadow reserve and liability adequacy test, which are not fully representative of fair value.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Half-yearly Report includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since they are of limited absolute amount, or since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, and does not have access to management policies and may exercise limited governance rights to safeguard its economic interest.
Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of Financial assets measured at fair value through profit or loss.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

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

With respect to 31 December 2021, the changes in the line-by-line consolidation area involved the entry of:
- Newco TPA S.p.A., a newly-incorporated company in the Insurance Group, 100%-owned by ISP Vita;
- Compagnie de Banque Privée Quilvest (CBPQ), 100%-owned by Fideuram Bank (Luxembourg) S.A.;
- VUB Operating Leasing A.S., previously consolidated using the equity method;

and the exit of:
- Intesa Sanpaolo Private Bank (Suisse) Morval, merged by incorporation into Reyl & Cie;
- VUB Leasing, which was discontinued following its demerger into Vseobecna Uverova Banka for finance leasing and into VUB Operating Leasing (mentioned above) for operating leasing;
- UBI Leasing, merged by incorporation into Intesa Sanpaolo;
- PBZ Stambena Stedionica, merged by incorporation into PBZ – Privredna Banka Zagreb;
- Intesa Sanpaolo (Qingdao) Service Company Limited, which is now consolidated using the equity method in view of the fact that its balance sheet contains small amounts.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2021 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Half-yearly condensed consolidated financial statements as at 30 June 2022 refer to the same date.
In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
In particular, with regard to the Ukrainian subsidiary Pravex Bank, considering the limited impact on the consolidated financial statements of its balance sheet and income statement balances, and the clear logistical and execution difficulties by the related administrative structures, also with regard to the information channels available, the Group decided (as it had already done as at 31 March 2022) to consolidate the Ukrainian subsidiary on a line-by-line basis, maintaining in the accounts the balance sheet balances as at 31 December 2021 (valued at the exchange rate on 30 June 2022) and making central adjustments in connection with the valuation of the bank's assets. This choice was also supported by the balance sheet "management" data as at 30 June, which did not show any significant differences on those as at 31 December 2021.
With regard to the subsidiary Banca Intesa Russia, in view of the low materiality of the investee and the possible IT security risks, it was decided to adopt the line-by-line consolidation, maintaining the balance sheet and income statement figures as at 31 March 2022 (valued at the exchange rate as at 30 June 2022) and making central adjustments in connection with the valuation of the bank's assets, in same way as already indicated for Pravex Bank.
Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

The following table lists the fully-owned subsidiaries included in the scope of consolidation as at 30 June 2022.

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
1	Acantus S.p.A. (h)	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 600,000						
2	Anti Financial Crime Digital HUB (h)	Torino	Torino	1	Intesa Sanpaolo Innovation Center S.p.A.	10.00	
	Capital Eur 100,000				Intesa Sanpaolo	60.00	
						70.00	
3	Asteria Investment Managers S.A.	Geneva	Geneva	1	REYL & Cie S.A.	64.00	
	Capital Chf 14,000,000						
4	Banca 5 S.p.A.	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 30,000,000						
5	Banca Comerciala Eximbank S.A.	Chișinău	Chișinău	1	Intesa Sanpaolo	100.00	
	Capital Mdl 1,250,000,000						
6	Banca Intesa AD Beograd	Novi Beograd	Beograd	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Rsd 21,315,900,000						
7	Bank of Alexandria S.A.E.	Cairo	Cairo	1	Intesa Sanpaolo	80.00	
	Capital Egp 5,000,000,000						
8	Banka Intesa Sanpaolo d.d. (d)	Koper	Koper	1	Intesa Sanpaolo	48.13	
	Capital Eur 22,173,218				Privredna Banka Zagreb d.d.	51.00	
						99.13	
9	Cargeas Assicurazioni S.p.A.	Milano	Milano	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 32,812,000						
10	CBP Quilvest PE Fund GP S.a r.l. (h)	Luxembourg	Luxembourg	1	Compagnie de Banque Privée Quilvest S.A.	100.00	
	Capital Usd 20,000						
11	CIB Bank Ltd.	Budapest	Budapest	1	Intesa Sanpaolo	100.00	
	Capital Huf 50,000,000,003						
12	CIB Insurance Broker Ltd.	Budapest	Budapest	1	CIB Bank Ltd.	100.00	
	Capital Huf 10,000,000						
13	CIB Leasing Ltd.	Budapest	Budapest	1	CIB Bank Ltd.	100.00	
	Capital Huf 53,000,000						
14	CIB Rent Operative Leasing Ltd.	Budapest	Budapest	1	CIB Bank Ltd.	100.00	
	Capital Huf 5,000,000						
15	Colline e oltre S.p.A. (h)	Pavia	Pavia	1	Intesa Sanpaolo	51.00	
	Capital Eur 50,000						
16	Compagnia Italiana Finanziaria - CIF S.r.l.	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	61.45	
	Capital Eur 10,000						
17	Compagnie de Banque Privée Quilvest S.A.	Luxembourg	Luxembourg	1	Fideuram Bank Luxembourg S.A.	100.00	
	Capital Usd 32,537,000						
18	Consorzio Studi e ricerche fiscali Gruppo Intesa Sanpaolo (h)	Roma	Roma	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	7.50	
	Capital Eur 258,228				Eurizon Capital SGR S.p.A.	5.00	
					Intesa Sanpaolo Vita S.p.A.	7.50	
					Intesa Sanpaolo	80.00	
						100.00	
19	Dagobah Leaseco S.r.l. (h)	Conegliano	Conegliano	1	Intesa Sanpaolo	100.00	
	Capital Eur 10,000						
20	Duomo Funding Plc (e)	Dublin	Dublin	2	Intesa Sanpaolo	-	
21	Epsilon SGR S.p.A.	Milano	Milano	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Eur 5,200,000						
22	Etoile François Premier S.a.r.l. (c)	Zagreb	Zagreb	1	Risanamento Europa S.r.l.	100.00	
	Capital Eur 5,000						
23	Eurizon Asset Management Croatia d.o.o.	Zagreb	Zagreb	1	Eurizon asset Management Slovakia Sprav. Spol. A.S.	100.00	
	Capital Hrk 5,000,000						
24	Eurizon Asset Management Hungary Ltd.	Budapest	Budapest	1	Eurizon asset Management Slovakia Sprav. Spol. A.S.	100.00	
	Capital Huf 600,000,000						
25	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	Bratislava	Bratislava	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Eur 4,093,560						

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
26	Eurizon Capital Asia Limited (formerly Eurizon Capital (HK) limited) (h)	Hong Kong	West Kowloon	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Hkd 78,000,000						
27	Eurizon Capital Real Asset SGR S.p.A.(h)	Milano	Milano	1	Eurizon Capital SGR S.p.A.	19.98	51.00
	Capital Eur 4,166,667				Intesa Sanpaolo Vita S.p.A.	40.01	24.50
						59.99	75.50
28	Eurizon Capital S.A.	Luxembourg	Luxembourg	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Eur 7,974,600						
29	Eurizon Capital SGR S.p.A.	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 99,000,000						
30	Eurizon Slj Capital Ltd.	London	London	1	Eurizon Capital SGR S.p.A.	65.00	
	Capital GBP 1,001,000						
31	Exelia S.r.l. (h)	Brasov	Brasov	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Ron 8,252,600						
32	Exetra S.p.A.	Milano	Milano	1	Intesa Sanpaolo	85.00	
	Capital Eur 158,000						
33	Fideuram Intesa Sanpaolo Private Banking S.p.A.	Torino	Torino	1	Intesa Sanpaolo	100.00	
	Capital Eur 300,000,000						
34	Fideuram Asset Management (Ireland) Dac (formerly Fideuram Asset Management (Ireland) Ltd.)	Dublin	Dublin	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 1,000,000						
35	Fideuram Asset Management SGR	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	99.52	
	Capital Eur 25,870,000						
36	Fideuram Asset Management UK Ltd. (h)	London	London	1	Fideuram Asset Management (Ireland) Dac	100.00	
	Capital Gbp 100,000						
37	Fideuram Bank (Luxembourg) S.A.	Luxembourg	Luxembourg	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 40,000,000						
38	Fideuram Vita S.p.A.	Roma	Roma	1	Intesa Sanpaolo	80.01	
	Capital Eur 357,446,836				Fideuram Intesa Sanpaolo Private Banking S.p.A.	19.99	
						100.00	
39	Gap Manco Sarl (h)	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
	Capital Eur 12,500						
40	Iberia Distressed Assets Manager Sarl (h)	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
	Capital Eur 12,500						
41	IIF SME Manager Ltd. (h)	George Town	George Town	1	Asteria Investment Managers S.A.	100.00	
	Capital Usd 1,000						
42	IMI Capital Market USA Corp.	New York	New York	1	IMI Investments S.A.	100.00	
	Capital Usd 5,000						
43	IMI Finance Luxemburg S.A. (h)	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 100,000						
44	IMI Investments S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
	Capital Eur 21,660,000						
45	IMMIT - Immobili Italiani S.r.l.	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
	Capital Eur 185,680,000						
46	Immobiliare Cascina Rubina S.r.l. (c)	Milano	Milano	1	Risanamento S.p.A.	100.00	
	Capital Eur 10,000						
47	IN.FRA - Investire nelle Infrastrutture S.r.l.	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 10,000						
48	Iniziative Logistiche S.r.l.	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	60.02	
	Capital Eur 10,000						
49	Intesa Invest A.D. Beograd (h)	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
	Capital Rsd 236,975,800						
50	Intesa Leasing (Closed Joint-Stock Company)	Moscow	Moscow	1	Joint-Stock Company Banca Intesa	100.00	
	Capital Rub 3,000,000						
51	Intesa Leasing d.o.o. Beograd	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
	Capital Rsd 960,374,301						
52	Intesa Sanpaolo (Qingdao) Service Company Limited (h)	Qingdao	Qingdao	1	Intesa Sanpaolo	100.00	
	Capital Cny 80,000,000						

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
53	Intesa Sanpaolo Agents4you S.p.A. (h)	Torino	Torino	1	Intesa Sanpaolo	100.00	
	Capital Eur 120,000						
54	Intesa Sanpaolo Assicura S.p.A.	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 27,912,258						
55	Intesa Sanpaolo Albania Sh.A.	Tirana	Tirana	1	Intesa Sanpaolo	100.00	
	Capital All 5,562,517,674						
56	Intesa Sanpaolo Bank Ireland Plc	Dublin	Dublin	1	Intesa Sanpaolo	100.00	
	Capital Eur 400,500,000						
57	Intesa Sanpaolo Bank Luxembourg S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 1,389,370,555						
58	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina	Sarajevo	Sarajevo	1	Privredna Banka Zagreb d.d.	99.99	100.00
	Capital Bam 44,782,000						
59	Intesa Sanpaolo Brasil S.A. - Banco Multiplo	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo	99.90	
	Capital Brl 945,428,281				Intesa Sanpaolo Holding International S.A.	0.10	
						100.00	
60	Intesa Sanpaolo Casa S.p.A. (h)	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 1,000,000						
61	Intesa Sanpaolo Expo Institutional Contact S.r.l. (h)	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 50,000						
62	Intesa Sanpaolo Funding LLC (formerly Intesa Funding LLC)	New York	Wilmington	1	Intesa Sanpaolo	100.00	
	Capital Usd 25,000						
63	Intesa Sanpaolo Harbourmaster III S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 5,500,000						
64	Intesa Sanpaolo Highline S.r.l. (h)	Torino	Torino	1	Intesa Sanpaolo	100.00	
	Capital Eur 500,000						
65	Intesa Sanpaolo Holding International S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
	Capital Eur 2,157,957,270						
66	Intesa Sanpaolo House Luxemburg S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 24,990,317						
67	Intesa Sanpaolo Imi Securities Corp.	New York	New York	1	IMI Capital Markets USA Corp.	100.00	
	Capital Usd 44,500,000						
68	Intesa Sanpaolo Innovation Center S.p.A.	Torino	Torino	1	Intesa Sanpaolo	99.99	
	Capital Eur 9,254,940				Intesa Sanpaolo Vita S.p.A.	0.01	
						100.00	
69	Intesa Sanpaolo Insurance Agency S.p.A.	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 500,000						
70	Intesa Sanpaolo International Value Services Ltd.	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Hrk 100,000						
71	Intesa Sanpaolo Life Designed activity company (formerly Intesa Sanpaolo Life Ltd.)	Dublin	Dublin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 625,000						
72	Intesa Sanpaolo Private Argentina S.A. (h)	Buenos Aires	Buenos Aires	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	4.97	
	Capital Ars 13,404,506				REYL & Cie S.A.	95.03	
						100.00	
73	Intesa Sanpaolo Private Banking S.p.A.	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 117,497,424						
74	Intesa Sanpaolo Provis S.p.A.	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 6,725,000						
75	Intesa Sanpaolo RBM Salute S.p.A. (g)	Venezia	Venezia	1	Intesa Sanpaolo Vita S.p.A.	73.79	
	Capital Eur 305,208,000						
76	Intesa Sanpaolo RE.O.CO. S.p.A.	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 13,000,000						
77	Intesa Sanpaolo Rent FORYOU S.p.A.	Torino	Torino	1	Intesa Sanpaolo	100.00	
	Capital Eur 630,000						

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
78	Intesa Sanpaolo Romania S.A. Commercial Bank	Bucharest	Bucharest	1	Intesa Sanpaolo	99.73	
	Capital Ron 1,156,639,410				Intesa Sanpaolo Holding International S.A.	0.27	
						100.00	
79	Intesa Sanpaolo Servicos e emprendimentos Ltda. em Liquidacao (h)	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo	100.00	
	Capital Brl 3,283,320						
80	Intesa Sanpaolo Servitia S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 1,500,000						
81	Intesa Sanpaolo Smart Care S.r.l.	Torino	Torino	1	Intesa Sanpaolo	51.01	
	Capital Eur 1,633,000				Intesa Sanpaolo Vita S.p.A.	48.99	
						100.00	
82	Intesa Sanpaolo Vita S.p.A.	Torino	Torino	1	Intesa Sanpaolo	99.99	
	Capital Eur 320,422,509						
83	Inveniam S.A. (h)	Zurich	Zurich	1	REYL Private Office Luxemburg Sarl	100.00	
	Capital Chf 50,000						
84	ISP CB Ipotecario S.r.l. (h)	Milano	Milano	1	Intesa Sanpaolo	60.00	
	Capital Eur 120,000						
85	ISP CB Pubblico S.r.l. (h)	Milano	Milano	1	Intesa Sanpaolo	60.00	
	Capital Eur 120,000						
86	ISP OBG S.r.l. (h)	Milano	Milano	1	Intesa Sanpaolo	60.00	
	Capital Eur 42,038						
87	IW Private Investments SIM S.p.A.	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 67,950,000						
88	Joint-Stock Company Banca Intesa	Moscow	Moscow	1	Intesa Sanpaolo Holding International S.A.	53.02	
	Capital Rub 10,820,180,800				Intesa Sanpaolo	46.98	
						100.00	
89	Lux Gest Asset Management S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg S.A.	100.00	
	Capital Eur 200,000						
90	Mecenate S.r.l in liquidazione (h)	Arezzo	Arezzo	1	Intesa Sanpaolo	95.00	
	Capital Eur 10,000						
91	Milano Santa Giulia S.p.A. (c)	Milano	Milano	1	Risanamento S.p.A.	100.00	
	Capital Eur 139,041						
92	Morval Bank & Trust Cayman Ltd. (h)	Cayman Islands	Cayman Islands	1	REYL & Cie S.A.	100.00	
	Capital Usd 7,850,000						
93	MSG Comparto Quarto S.r.l. (c)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 20,000						
94	MSG Comparto Secondo S.r.l. (c)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 50,000						
95	MSG Comparto Terzo S.r.l. (c)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 20,000						
96	Neva S.G.R S.p.A. (formerly Imi Fondi Chiusi S.p.A.) (h)	Torino	Torino	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
	Capital Eur 2,000,000						
97	NewcoTPA S.p.A.	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 500,000						
98	Obviam AG S.A. (h)	Bern	Bern	1	Asteria Investment Managers S.A.	100.00	
	Capital Chf 500,000						
99	OOO Intesa Realty Russia (h)	Moscow	Moscow	1	Intesa Sanpaolo	100.00	
	Capital Rub 10,000						
100	Oro Italia Trading S.p.A. in liquidazione (h)	Arezzo	Arezzo	1	Intesa Sanpaolo	100.00	
	Capital Eur 500,000						
101	PBZ Card d.o.o.	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
	Capital Hrk 43,422,200						
102	PBZ Leasing d.o.o.	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
	Capital Hrk 15,000,000						
103	Porta Nuova Gioia	Milano	Milano	1	Intesa Sanpaolo	100.00	
	Capital Eur 6,585,050						
104	Portugal Real Estate Opportunities Manager Sarl (h)	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
	Capital Eur 12,500						

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
105	Pravex Bank Joint-Stock Company Capital Uah 979,089,724	Kiev	Kiev	1	Intesa Sanpaolo	100.00	
106	Prestitalia S.p.A. Capital Eur 205,722,715	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
107	Private Equity International S.A. (f) Capital Eur 107,000,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	94.39	100.00
108	Privredna Banka Zagreb d.d. Capital Hrk 1,876,574,700	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
109	Qingdao Yicai Fund Distribution Co. Ltd. Capital Cny 491,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo	100.00	
110	RB Participations S.A. Capital Chf 100,000	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
111	Recovery Property Utilisation and Services Zrt. Capital Huf 20,000,000	Budapest	Budapest	1	CIB Bank Ltd.	100.00	
112	REYL & Cie (Malta) Holding Ltd. (h) Capital Eur 730,000	Valletta	Valletta	1	REYL & Cie S.A.	100.00	
113	REYL & Cie (Malta) Ltd. (h) Capital Eur 730,000	Valletta	Valletta	1	REYL & Cie (Malta) Holding Ltd.	100.00	
114	REYL & Cie S.A. (i) Capital Chf 31,500,001	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A. RB Participations S.A.	39.00 30.00 69.00	
115	REYL & CO (UK) Llp. (h) Capital Gbp 2,500,000	London	London	1	REYL & CO Holdings Ltd.	100.00	
116	REYL & CO Holdings Ltd. (h) Capital Gbp 2,400,000	London	London	1	REYL & Cie S.A.	100.00	
117	REYL Finance (MEA) Ltd. (h) Capital Usd 2,875,000	Dubai	Dubai	1	REYL & Cie S.A.	100.00	
118	REYL Overseas AG (h) Capital Chf 500,000	Zurich	Zurich	1	REYL & Cie S.A.	100.00	
119	REYL Prime Solution S.A. en Liquidation (h) Capital Chf 100,000	Geneva	Geneva	1	REYL & Cie S.A.	100.00	
120	REYL Private Office Luxemburg Sarl (h) Capital Eur 50,000	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
121	REYL Singapore Holding Pte. Ltd. (h) Capital Sgd 1,201	Singapore	Singapore	1	REYL & Cie S.A.	75.00	
122	REYL Singapore Pte. Ltd. (h) Capital Sgd 500,000	Singapore	Singapore	1	REYL & Cie S.A. REYL Singapore Holding Pte. Ltd.	76.00 24.00 100.00	
123	Ri. Rental S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento S.p.A.	100.00	
124	Risanamento Europa S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento S.p.A.	100.00	
125	Risanamento S.p.A. (c) Capital Eur 197,951,784	Milano	Milano	1	Intesa Sanpaolo	48.88	
126	Romulus Funding Corporation (e)	New York	New York	2	Intesa Sanpaolo	-	
127	Sanpaolo Invest SIM S.p.A. Capital Eur 15,264,760	Torino	Torino	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
128	Società Benefit Cimarosa 1 S.p.A. (h) Capital Eur 100,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
129	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Eur 2,600,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
130	SRM Studi e Ricerche per il Mezzogiorno (h) Capital Eur 90,000	Napoli	Napoli	1	Intesa Sanpaolo	60.00	20.00
131	Sviluppo Comparto 3 S.r.l. (c) Capital Eur 50,000	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
132	Tatooine Leaseco S.r.l. (h) Capital Eur 10,000	Conegliano	Conegliano	1	Intesa Sanpaolo	100.00	
133	UBI Finance S.r.l. (h) Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	60.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
134	UBI Trustee S.A. (h) Capital Eur 250,000	Luxembourg	Luxembourg	1	Fideuram Bank Luxembourg S.A.	100.00	
135	Vseobecna Uverova Banka A.S. Capital Eur 430,819,064	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International S.A.	100.00	
136	VUB Operating Leasing A.S. Capital Eur 25,000	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	100.00	

(a) Type of relationship:

1 - majority of voting rights at Ordinary Shareholders' Meeting;

2 - other forms of control.

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

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

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

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

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

(g) Please note that there are put and call option agreements on 26.21% of share capital held by minority shareholders.

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

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

Subsequent events

In the interest of completeness, listed below are the main events occurring after the end of the half year, which are described in greater detail in the first part of this Report. Specifically:

- on 4 July, the share buyback programme was initiated, which had been approved by the Board of Directors on 24 June, on the basis of the authorisation received from the Shareholders' Meeting of 29 April 2022 and from the European Central Bank. In the period from 4 July to 22 July 2022, Intesa Sanpaolo purchased a total of 237,965,083 shares, equal to 1.19% of its share capital, at an average purchase price per share of 1.6863 euro, for a total countervalue of 401,278,748.01 euro;
- on 14 July 2022, Intesa Sanpaolo, through Banca 5 S.p.A., and Enel, through its wholly-owned subsidiary Enel X S.r.l., completed the acquisition from Schumann Investments S.A., a company controlled by the international private equity fund CVC Capital Partners Fund VI, of 70% of the share capital of Mooney Group S.p.A., a fintech company operating in proximity banking and payments services. Specifically, after having obtained the required administrative authorisations, Enel X acquired 50% of Mooney's share capital, whereas Banca 5, which previously owned a 30% stake, increased its investment to 50%, placing Mooney under the joint control of both parties.
- on 19 July 2022, the agreement was announced through which Intesa Sanpaolo Vita and Reale Group entered into a partnership that envisages the transfer of a business line of Blue Assistance – Reale Group's service company specialising in healthcare assistance – to the new company InSalute Servizi. The latter, which will be 65% owned by Intesa Sanpaolo Vita and 35% by Blue Assistance, will operate within Intesa Sanpaolo's Insurance Division and will be dedicated to the management of claims and the development of a network of affiliated healthcare facilities in support of Intesa Sanpaolo RBM Salute's insurance offer. The closing of the transaction is scheduled for the first half of 2023, subject to obtaining the necessary authorisations.

Economic results

General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. The figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation.
This uniformity is achieved through "restated" figures, which include/exclude the values of the companies that entered or left the scope of consolidation. In 2021, as a result of the acquisition of the UBI Banca Group, the restated figures have also been accompanied by the "redetermined" figures in order to align/supplement them through management figures.
In particular, the restatement on a like-for-like basis of the comparative figures – lacking new restatements during the first half of 2022[27] – was in line with the 2021 Financial Statements. In detail, the figures for the first quarter of 2021 have been restated to incorporate the line-by-line income statement results of Reyl & Cie S.A., RB Participations S.A. e Asteria Investment Managers S.A. (Reyl Group), which entered the line-by-line scope of consolidation in the second quarter of 2021 following the acquisition by Fideuram Intesa Sanpaolo Private Banking of control of RB Participations S.A. and Reyl & Cie S.A., which in turn controls Asteria Investment Managers S.A.
In addition, as already disclosed in the 2021 Annual Report, for the first three quarters of 2021, to ensure an appropriate commentary on the performances of the items affected, administrative and personnel expenses were restated for an immaterial amount to reflect the inhousing in 2021 of activities previously outsourced by the UBI Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services.
Furthermore, for all four quarters of 2021 and the first quarter of 2022, the costs of several incentive systems for employees of the Group's distribution networks were restated from personnel expenses to fee and commission expense (the systems in question are funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues at issue). With effect from the second quarter of 2022, these costs have been reclassified from personnel expenses to fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors.
With regard to the acquisition of the UBI Banca Group and the related corporate transactions, with effect from the Interim Statement as at 31 March 2021, in order to provide a uniform comparison of the income statement figures, including with regard to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata correlated to the acquisition of the UBI Group undertaken in the first quarter of 2021 and those planned (and subsequently sold) in the second quarter of that year, use was also made of management figures, in relation to the nature of the necessary restatements. Accordingly, to present the figures "redetermined" on the basis of accounting and management records, schedules were produced in addition to those determined on the basis of stated figures at the end of the various periods, restated where necessary, and the related detail tables have been expanded upon or duplicated with separate indication of the "Redetermined figures".
The second quarter of 2021 saw the finalisation of the acquisition by Intesa Sanpaolo Vita of 100% of the share capital of Cargeas, Assicurazioni Vita[28] (formerly Aviva Vita) and Lombarda Vita[29], with which UBI had started multi-year partnerships and which were previously consolidated using the equity method as a function of the equity interests held. The income components of these insurance companies were also affected by the sale of the UBI branches to BPER, which resulted in the loss of the margins on the policies sold to customers of those branches. Accordingly, in other to provide a representation, on a like-for-like basis, of the comparative figures for income results, line by line, relating to the insurance companies acquired in the second half of 2021, it was needed to make use, including for the case in question, of management figures to quantify the effects of the aforementioned business associated with customers of the branches sold to BPER.
Due to the foregoing, and in order to adequately support the comments on performance in this Half-yearly Report with comparative data on a like-for-like basis, the "redetermination" of the 2021 values used in the relevant Financial Statements is maintained. In detail, it concerned:

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

[27] The inclusion in the scope of consolidation of the Luxembourg private bank Compagnie de Banque Privée Quilvest (Fideuram Group) did not necessitate restatements of the income statement figures for the previous quarters as it was finalised on 30 June 2022.

[28] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

[29] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

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

There were no redeterminations of the figures for the third and fourth quarters of 2021 and the first and second quarters of 2022.
All comments below therefore refer to the "redetermined" values in order to permit uniform comparisons.
Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned "redeterminations" – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.
The reclassifications and aggregations of the consolidated income statement refer to:

- dividends relating to shares or units in portfolio and dividends collected or paid within the framework of securities lending, which have been reallocated to the caption Profits (losses) on financial assets and liabilities designated at fair value;
- Profits (losses) on financial assets and liabilities pertaining to insurance companies (measured pursuant to IAS 39, by virtue of the Group's exercise of the option to defer application of IFRS 9), which include the shares of Net interest income, Dividends and Income from financial assets and liabilities relating to insurance business, have been reclassified, along with net premiums and the balance of income and expenses from insurance business, to the specific caption Income from insurance business, to which the effect of the adjustment of the technical reserve has also been attributed, in respect of the component borne by the insured parties, relating to the impairment of the securities held in the portfolios of the Group's insurance companies. The claims paid, net of the premiums issued to cover them, which correspond to the drawdown of the provisions made in 2021 in relation to the financial imbalances which were also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown, have been included in the caption Other net provisions and net impairment losses on other assets;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, which have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as interest income, inasmuch as they cover the financing cost incurred by the Bank;
- profits (losses) on trading, fair value adjustments in hedge accounting, profits (losses) on financial assets and liabilities measured at fair value through profit or loss, profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (Losses) on assets and liabilities designated at fair value to Net fee and commission income;
- the return components of the insurance policies taken out to cover contractual indemnities and retention plans for financial advisors, which are deducted directly from Profits (Losses) on financial assets and liabilities designated at fair value, in accordance with the valuation effect of the assets in question, rather than being presented – as attributable to the advisors – among Other net provisions and net impairment losses on other assets (for valuation effects) or among Net fee and commission income or Other operating income (expenses), depending on the type of insurance policy used (for effects from realisation);
- the operating income of entities operating in sectors entirely distinct from banking and finance, reallocated to Other operating income (expenses), including that of the entities not subject to management and coordination within the framework of the Group (Risanamento and its subsidiaries);
- the 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;
- the costs of a one-off contribution to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, to mitigate the impact of inflation, which were reclassified from personnel expenses to other income (expenses);
- the administrative expenses relative to recoveries of expenses, taxes and duties, which are deducted from the caption instead of being included among Other income (expenses), and, with regard to the CIB Group, the expenses associated with the "bank tax" paid quarterly to the Hungarian treasury, along with the new extraordinary windfall tax, levied by Hungary on bank profits which - given their nature - are accounted for as taxes on income;
- profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which has been included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
- Net losses for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, also those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on

other assets, which consequently include – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;

- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments, which have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Other administrative expenses and other captions of the income statement to a separate caption;
- the purely accounting Effects of purchase price allocation, net of the tax effect, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are measured at fair value as provided for by IFRS 3;
- levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
- Goodwill impairment and impairment losses on other intangible assets, which – where present – are shown, as stated above, net of tax.

Reclassified income statement

(millions of euro)

	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	4,047	4,013	34	0.8
Net fee and commission income	4,529	4,764	-235	-4.9
Income from insurance business	867	811	56	6.9
Profits (Losses) on financial assets and liabilities designated at fair value	1,323	1,140	183	16.1
Other operating income (expenses)	-10	65	-75	
Operating income	**10,756**	**10,793**	**-37**	**-0.3**
Personnel expenses	-3,181	-3,324	-143	-4.3
Administrative expenses	-1,307	-1,354	-47	-3.5
Adjustments to property, equipment and intangible assets	-623	-606	17	2.8
Operating costs	**-5,111**	**-5,284**	**-173**	**-3.3**
Operating margin	**5,645**	**5,509**	**136**	**2.5**
Net adjustments to loans	-1,432	-1,007	425	42.2
Other net provisions and net impairment losses on other assets	-123	-351	-228	-65.0
Other income (expenses)	143	191	-48	-25.1
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**4,233**	**4,342**	**-109**	**-2.5**
Taxes on income	-1,456	-921	535	58.1
Charges (net of tax) for integration and exit incentives	-39	-107	-68	-63.6
Effect of purchase price allocation (net of tax)	-101	-34	67	
Levies and other charges concerning the banking industry (net of tax)	-278	-292	-14	-4.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-5	35	-40	
Net income (loss)	**2,354**	**3,023**	**-669**	**-22.1**

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

Reclassified income statement – Redetermined figures

(millions of euro)

	30.06.2022	30.06.2021 Redetermined figures	Changes amount	Changes %
Net interest income	4,047	3,947	100	2.5
Net fee and commission income	4,529	4,670	-141	-3.0
Income from insurance business	867	854	13	1.5
Profits (Losses) on financial assets and liabilities designated at fair value	1,323	1,139	184	16.2
Other operating income (expenses)	-10	51	-61	
Operating income	**10,756**	**10,661**	**95**	**0.9**
Personnel expenses	-3,181	-3,273	-92	-2.8
Administrative expenses	-1,307	-1,361	-54	-4.0
Adjustments to property, equipment and intangible assets	-623	-608	15	2.5
Operating costs	**-5,111**	**-5,242**	**-131**	**-2.5**
Operating margin	**5,645**	**5,419**	**226**	**4.2**
Net adjustments to loans	-1,432	-1,001	431	43.1
Other net provisions and net impairment losses on other assets	-123	-354	-231	-65.3
Other income (expenses)	143	191	-48	-25.1
Income (Loss) from discontinued operations	-	58	-58	
Gross income (loss)	**4,233**	**4,313**	**-80**	**-1.9**
Taxes on income	-1,456	-922	534	57.9
Charges (net of tax) for integration and exit incentives	-39	-107	-68	-63.6
Effect of purchase price allocation (net of tax)	-101	-34	67	
Levies and other charges concerning the banking industry (net of tax)	-278	-279	-1	-0.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-5	52	-57	
Net income (loss)	**2,354**	**3,023**	**-669**	**-22.1**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2022		2021			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,091	1,956	1,954	1,999	2,000	2,013
Net fee and commission income	2,248	2,281	2,508	2,315	2,373	2,391
Income from insurance business	465	402	410	365	438	373
Profits (Losses) on financial assets and liabilities designated at fair value	556	767	108	378	344	796
Other operating income (expenses)	-13	3	16	25	16	49
Operating income	**5,347**	**5,409**	**4,996**	**5,082**	**5,171**	**5,622**
Personnel expenses	-1,609	-1,572	-1,820	-1,633	-1,650	-1,674
Administrative expenses	-695	-612	-845	-693	-706	-648
Adjustments to property, equipment and intangible assets	-308	-315	-338	-302	-300	-306
Operating costs	**-2,612**	**-2,499**	**-3,003**	**-2,628**	**-2,656**	**-2,628**
Operating margin	**2,735**	**2,910**	**1,993**	**2,454**	**2,515**	**2,994**
Net adjustments to loans	-730	-702	-1,222	-543	-599	-408
Other net provisions and net impairment losses on other assets	-63	-60	-415	-82	-218	-133
Other income (expenses)	147	-4	78	63	-7	198
Income (Loss) from discontinued operations	-	-	-	-	-	-
Gross income (loss)	**2,089**	**2,144**	**434**	**1,892**	**1,691**	**2,651**
Taxes on income	-675	-781	-82	-619	-82	-839
Charges (net of tax) for integration and exit incentives	-23	-16	-291	-41	-55	-52
Effect of purchase price allocation (net of tax)	-47	-54	46	-51	-18	-16
Levies and other charges concerning the banking industry (net of tax)	-12	-266	-22	-210	-83	-209
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-2	-3	94	12	54	-19
Net income (loss)	**1,330**	**1,024**	**179**	**983**	**1,507**	**1,516**

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

Quarterly development of the reclassified income statement – Redetermined figures

(millions of euro)

	2022		2021			
	Second quarter	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter Redetermined figures**	**First quarter Redetermined figures**
Net interest income	2,091	1,956	1,954	1,999	1,995	1,952
Net fee and commission income	2,248	2,281	2,508	2,315	2,361	2,309
Income from insurance business	465	402	410	365	456	398
Profits (Losses) on financial assets and liabilities designated at fair value	556	767	108	378	344	795
Other operating income (expenses)	-13	3	16	25	19	32
Operating income	**5,347**	**5,409**	**4,996**	**5,082**	**5,175**	**5,486**
Personnel expenses	-1,609	-1,572	-1,820	-1,633	-1,648	-1,625
Administrative expenses	-695	-612	-845	-693	-710	-651
Adjustments to property, equipment and intangible assets	-308	-315	-338	-302	-301	-307
Operating costs	**-2,612**	**-2,499**	**-3,003**	**-2,628**	**-2,659**	**-2,583**
Operating margin	**2,735**	**2,910**	**1,993**	**2,454**	**2,516**	**2,903**
Net adjustments to loans	-730	-702	-1,222	-543	-599	-402
Other net provisions and net impairment losses on other assets	-63	-60	-415	-82	-220	-134
Other income (expenses)	147	-4	78	63	-7	198
Income (Loss) from discontinued operations	-	-	-	-	10	48
Gross income (loss)	**2,089**	**2,144**	**434**	**1,892**	**1,700**	**2,613**
Taxes on income	-675	-781	-82	-619	-85	-837
Charges (net of tax) for integration and exit incentives	-23	-16	-291	-41	-55	-52
Effect of purchase price allocation (net of tax)	-47	-54	46	-51	-18	-16
Levies and other charges concerning the banking industry (net of tax)	-12	-266	-22	-210	-83	-196
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Minority interests	-2	-3	94	12	48	4
Net income (loss)	**1,330**	**1,024**	**179**	**983**	**1,507**	**1,516**

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

Operating income

In the first half of 2022, the Intesa Sanpaolo Group achieved a solid operating performance against the backdrop of a complex, challenging scenario. The Intesa Sanpaolo Group's operating income amounted to 10,756 million euro, up slightly (+0.9%) from 10,661 million euro in the same period of 2021. This result was driven by the increase in profits (losses) on financial assets and liabilities designated at fair value, net interest income and, to a lesser extent, income deriving from insurance business, which more than offset the decline in net fee and commission income and other net operating income.

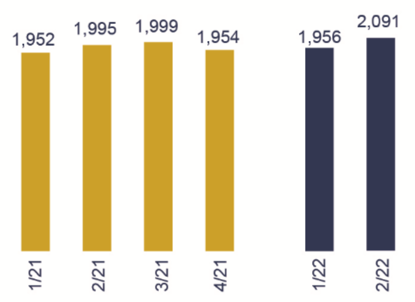
Net interest income

(millions of euro)

	30.06.2022	30.06.2021	Adjustments	30.06.2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Relations with customers	3,893	3,969	-72	3,897	-4	-0.1
Securities issued	-857	-835	-	-835	22	2.6
Customer dealing	**3,036**	**3,134**	**-72**	**3,062**	**-26**	**-0.8**
Instruments measured at amortised cost which do not constitute loans	297	278	-	278	19	6.8
Other financial assets and liabilities designated at fair value through profit or loss	-88	-7	-	-7	81	
Other financial assets designated at fair value through other comprehensive income	390	310	-	310	80	25.8
Financial assets and liabilities	**599**	**581**	**-**	**581**	**18**	**3.1**
Relations with banks	**381**	**326**	**-**	**326**	**55**	**16.9**
Differentials on hedging derivatives	**-240**	**-312**	**-**	**-312**	**-72**	**-23.1**
Other net interest income	**271**	**284**	**6**	**290**	**-19**	**-6.6**
Net interest income	**4,047**	**4,013**	**-66**	**3,947**	**100**	**2.5**

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

Quarterly development
Net interest income
(millions of euro)



1/21 and 2/21: Redetermined figures

Net interest income was 4,047 million euro, up (+2.5%) on the first half of 2021. In particular, there was a greater contribution by financial assets (+3.1%, or +18 million euro), due to the increase in other financial assets measured at fair value through other comprehensive income and securities measured at amortised cost, partly offset by the decline in other financial liabilities measured at fair value through profit or loss. Conversely, customer dealing was down moderately (-0.8%, or -26 million euro), mainly due to the increase in interest expense on securities issued. Among the other components, there were positive contributions by net interest income on business with banks (+16.9%), due to the greater impact on the income statement of TLTROs with the ECB, and interest on the hedging of core deposits, included in the differentials on hedging derivatives, improved by 23.1%. Finally, other net interest income, which includes interest on non-performing assets of 232 million euro, declined by 19 million euro (-6.6%) due to the deleveraging actions taken.

(millions of euro)

	2022		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	1,998	1,895	103	5.4
Securities issued	-436	-421	15	3.6
Customer dealing	**1,562**	**1,474**	**88**	**6.0**
Instruments measured at amortised cost which do not constitute loans	150	147	3	2.0
Other financial assets and liabilities designated at fair value through profit or loss	-35	-53	-18	-34.0
Other financial assets designated at fair value through other comprehensive income	209	181	28	15.5
Financial assets and liabilities	**324**	**275**	**49**	**17.8**
Relations with banks	**173**	**208**	**-35**	**-16.8**
Differentials on hedging derivatives	**-115**	**-125**	**-10**	**-8.0**
Other net interest income	**147**	**124**	**23**	**18.5**
Net interest income	**2,091**	**1,956**	**135**	**6.9**

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

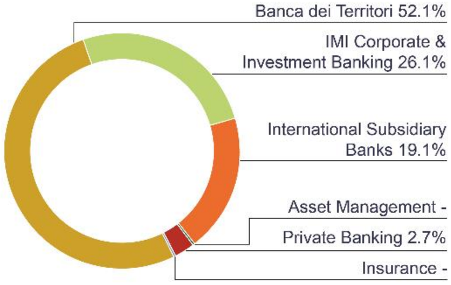
The flow of net interest income recorded in the second quarter of 2022 accelerated significantly compared to the first quarter due to the greater contribution of interest on business with customers and financial assets.

(millions of euro)

	30.06.2022	30.06.2021	Changes	
		Redetermined figures	amount	%
Banca dei Territori	1,938	1,964	-26	-1.3
IMI Corporate & Investment Banking	968	1,104	-136	-12.3
International Subsidiary Banks	708	649	59	9.1
Private Banking	99	106	-7	-6.6
Asset Management	-	-	-	-
Insurance	-	-	-	-
Total business areas	**3,713**	**3,823**	**-110**	**-2.9**
Corporate Centre	334	124	210	
Intesa Sanpaolo Group	**4,047**	**3,947**	**100**	**2.5**

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

Business areas
Net interest income



The Banca dei Territori Division, which accounts for approximately 52% of operating business area results, recorded net interest income of 1,938 million euro, down on the first six months of 2021 (-1.3%, or -26 million euro), mainly due to the lower interest in non-performing assets due to de-risking transactions. The net interest income of IMI Corporate & Investment Banking also declined (-12.3%, or -136 million euro), due to the lower contribution of customer dealing and the lesser impact of the securities portfolio in the global market context. On the other hand, there was an increase in the net interest income of the International Subsidiary Banks (+9.1%, or +59 million euro), due to the favourable performance of the subsidiary in Hungary. The Private Banking Division, which in relative terms has a lesser impact on the consolidated accounts, reduced its contribution to net interest income by 7 million euro (-6.6%).
The positive performance of the Corporate Centre's net interest income was due to the benefits on differentials collected on the hedging of core deposits, the new TLTRO draw-downs of 2021 and the higher volumes of the Treasury securities portfolio.

Net fee and commission income

(millions of euro)

	30.06.2022			30.06.2021			Changes	
	Income	Expense	Net	Income	Expense	Net	amount	%
Guarantees given / received	215	-114	101	198	-103	95	6	6.3
Collection and payment services	376	-73	303	362	-81	281	22	7.8
Current accounts	693	-	693	725	-	725	-32	-4.4
Credit and debit cards	405	-214	191	358	-185	173	18	10.4
Commercial banking activities	**1,689**	**-401**	**1,288**	**1,643**	**-369**	**1,274**	**14**	**1.1**
Dealing and placement of securities	539	-162	377	729	-130	599	-222	-37.1
Currency dealing	8	-3	5	11	-1	10	-5	-50.0
Portfolio management	1,856	-482	1,374	1,934	-431	1,503	-129	-8.6
Distribution of insurance products	824	-	824	804	-	804	20	2.5
Other	214	-88	126	191	-81	110	16	14.5
Management, dealing and consultancy activities	**3,441**	**-735**	**2,706**	**3,669**	**-643**	**3,026**	**-320**	**-10.6**
Other net fee and commission income	**668**	**-133**	**535**	**582**	**-118**	**464**	**71**	**15.3**
Net fee and commission income	**5,798**	**-1,269**	**4,529**	**5,894**	**-1,130**	**4,764**	**-235**	**-4.9**

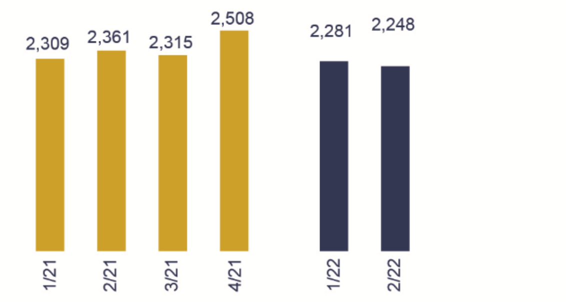
Figures restated, where necessary and material, considering the changes in the scope of consolidation.

(millions of euro)

	30.06.2022	30.06.2021			Changes (Redetermined figures)	
	Net fee and commission income	Net fee and commission income	Adjustments	Redetermined figures	amount	%
Guarantees given / received	101	95	-2	93	8	8.6
Collection and payment services	303	281	-5	276	27	9.8
Current accounts	693	725	-29	696	-3	-0.4
Credit and debit cards	191	173	-6	167	24	14.4
Commercial banking activities	**1,288**	**1,274**	**-42**	**1,232**	**56**	**4.5**
Dealing and placement of securities	377	599	-26	573	-196	-34.2
Currency dealing	5	10	-4	6	-1	-16.7
Portfolio management	1,374	1,503	-2	1,501	-127	-8.5
Distribution of insurance products	824	804	-15	789	35	4.4
Other	126	110	-2	108	18	16.7
Management, dealing and consultancy activities	**2,706**	**3,026**	**-49**	**2,977**	**-271**	**-9.1**
Other net fee and commission income	**535**	**464**	**-3**	**461**	**74**	**16.1**
Net fee and commission income	**4,529**	**4,764**	**-94**	**4,670**	**-141**	**-3.0**

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

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



1/21 and 2/21: Redetermined figures

The net fee and commission income earned in the first six months of 2022 amounted to 4,529 million euro, down (-3%) from the 4,670 million euro recorded in the same period of 2021.
This result was due to the reduction in fees and commissions on management, dealing and consultancy activities (-9.1%, or -271 million euro), which was penalised by the downtrend in financial markets. In detail, there was a decrease in the contribution relating to securities dealing and placement (-34.2%, or -196 million euro) and portfolio management schemes (-8.5%, or -127 million euro). Conversely, there were increases in the distribution of insurance products (+4.4%, or +35 million euro) and other management and dealing commissions (+16.7%, or +18 million euro). Commercial banking activities recorded an increase (+4.5% or +56 million euro), due above all to increases on collection and payment services (+27 million euro) and on debit and credit card service (+24 million euro). A positive contribution was also made by other net fee and commission income (+16.1%, or +74 million euro), markedly that relating to loans granted to businesses and other banking services.

(millions of euro)

	2022		Changes	
	Second quarter	First quarter	amount	%
Guarantees given / received	54	47	7	14.9
Collection and payment services	164	139	25	18.0
Current accounts	348	345	3	0.9
Credit and debit cards	108	83	25	30.1
Commercial banking activities	**674**	**614**	**60**	**9.8**
Dealing and placement of securities	152	225	-73	-32.4
Currency dealing	3	2	1	50.0
Portfolio management	673	701	-28	-4.0
Distribution of insurance products	421	403	18	4.5
Other	53	73	-20	-27.4
Management, dealing and consultancy activities	**1,302**	**1,404**	**-102**	**-7.3**
Other net fee and commission income	**272**	**263**	**9**	**3.4**
Net fee and commission income	**2,248**	**2,281**	**-33**	**-1.4**

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

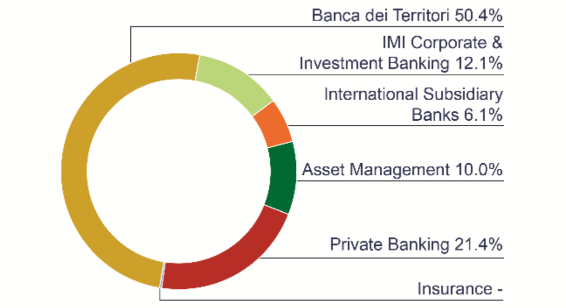
In the second quarter of 2022 the caption was lower than in the first quarter due to the decline in management, dealing and consultancy activities, mainly attributable to securities and portfolio management schemes, only partly offset by the positive performance of commercial banking activities.

(millions of euro)

	30.06.2022	30.06.2021 Redetermined figures	Changes amount	%
Banca dei Territori	2,377	2,388	-11	-0.5
IMI Corporate & Investment Banking	569	556	13	2.3
International Subsidiary Banks	290	263	27	10.3
Private Banking	1,009	1,030	-21	-2.0
Asset Management	472	595	-123	-20.7
Insurance	1	1	-	-
Total business areas	**4,718**	**4,833**	**-115**	**-2.4**
Corporate Centre	-189	-163	26	16.0
Intesa Sanpaolo Group	**4,529**	**4,670**	**-141**	**-3.0**

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

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for approximately half the fee and commission income of the business units, recorded a slight decrease (-0.5%, or -11 million euro), specifically fee and commission income deriving from asset management and bancassurance, conditioned by the unfavourable market context. A decline in fee and commission income was also reported by Asset Management (-20.7%, or -123 million euro), penalised by the unfavourable tone of the financial markets, and Private Banking (-2%, or -21 million euro). Conversely, increases were reported by IMI Corporate & Investment Banking (+2.3%, or +13 million euro), due to the performance recorded in the commercial banking and structured finance segments, as well as by the International Subsidiary Banks (+10.3%, or +27 million euro), essentially attributable to the subsidiaries operating in Slovakia, Serbia and Croatia.

In application of IFRS 15, which requires a breakdown of revenues from contracts with customers (except for revenues from lease contracts, insurance contracts and financial instruments), a breakdown of fee and commission income and expense by business area is provided below.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (a)	Total 30.06.2022	Total 30.06.2021 Redetermined figures	Changes amount	Changes %
Guarantees given	48	143	23	1	-	-	-	215	196	19	9.7
Collection and payment services	213	56	97	3	-	-	7	376	357	19	5.3
Current accounts	596	19	73	5	-	-	-	693	696	-3	-0.4
Credit and debit cards	271	1	121	8	-	-	4	405	352	53	15.1
Commercial banking activities	**1,128**	**219**	**314**	**17**	**-**	**-**	**11**	**1,689**	**1,601**	**88**	**5.5**
Dealing and placement of securities	651	119	9	144	222	-	-606	539	703	-164	-23.3
Currency dealing	2	-	2	1	-	-	3	8	7	1	14.3
Portfolio management	55	1	13	939	993	-	-145	1,856	1,932	-76	-3.9
Distribution of insurance products	459	-	16	349	-	1	-1	824	789	35	4.4
Other	100	18	6	92	-	-	-2	214	189	25	13.2
Management, dealing and consultancy activities	**1,267**	**138**	**46**	**1,525**	**1,215**	**1**	**-751**	**3,441**	**3,620**	**-179**	**-4.9**
Other net fee and commission income	**171**	**316**	**51**	**9**	**91**	**-**	**30**	**668**	**579**	**89**	**15.4**
Fee and commission income	**2,566**	**673**	**411**	**1,551**	**1,306**	**1**	**-710**	**5,798**	**5,800**	**-2**	**-**
Fee and commission expense	**-189**	**-104**	**-121**	**-542**	**-834**	**-**	**521**	**-1,269**	**-1,130**	**139**	**12.3**
Net fee and commission income	**2,377**	**569**	**290**	**1,009**	**472**	**1**	**-189**	**4,529**	**4,670**	**-141**	**-3.0**

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

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

Income from insurance business

(millions of euro)

Captions (a)	30.06.2022			30.06.2021			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**76**	**221**	**297**	**100**	**171**	**271**	**26**	**9.6**
Net insurance premiums (b)	4,209	552	4,761	4,461	586	5,047	-286	-5.7
Net charges for insurance claims and surrenders (c)	-5,030	-205	-5,235	-5,013	-307	-5,320	-85	-1.6
Net charges for changes in technical reserves (d)	1,447	7	1,454	-376	-1	-377	1,831	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	-490	-	-490	984	-	984	-1,474	
Net fees on investment contracts (f)	189	-1	188	186	-1	185	3	1.6
Commission expenses on insurance contracts (g)	-292	-102	-394	-237	-85	-322	72	22.4
Other technical income and expense (h)	43	-30	13	95	-21	74	-61	-82.4
Net investment result	**533**	**3**	**536**	**499**	**11**	**510**	**26**	**5.1**
Operating income from investments	-9,911	3	-9,908	5,203	11	5,214	-15,122	
Net interest income	*1,125*	*1*	*1,126*	*910*	*1*	*911*	*215*	*23.6*
Dividends	*243*	*3*	*246*	*165*	*2*	*167*	*79*	*47.3*
Gains/losses on disposal	*-894*	*-1*	*-895*	*1,166*	*8*	*1,174*	*-2,069*	
Valuation gains/losses	*-10,340*	-	*-10,340*	*3,006*	-	*3,006*	*-13,346*	
Portfolio management fees paid (i)	*-45*	-	*-45*	*-44*	-	*-44*	*1*	*2.3*
Gains (losses) on investments pertaining to insured parties	10,444	-	10,444	-4,704	-	-4,704	15,148	
Insurance products (j)	*518*	-	*518*	*-970*	-	*-970*	*1,488*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*49*	-	*49*	*-39*	-	*-39*	*88*	
Investment products (l)	*9,877*	-	*9,877*	*-3,695*	-	*-3,695*	*13,572*	
Income from insurance business gross of consolidation effects	**609**	**224**	**833**	**599**	**182**	**781**	**52**	**6.7**
Consolidation effects	34	-	34	30	-	30	4	13.3
Income from insurance business	**643**	**224**	**867**	**629**	**182**	**811**	**56**	**6.9**

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

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

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

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

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

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

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

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

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

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

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

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

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

(millions of euro)

Captions (a)	30.06.2022			30.06.2021 Redetermined figures			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**76**	**221**	**297**	**64**	**214**	**278**	**19**	**6.8**
Net insurance premiums (b)	4,209	552	4,761	4,867	677	5,544	-783	-14.1
Net charges for insurance claims and surrenders (c)	-5,030	-205	-5,235	-5,756	-334	-6,090	-855	-14.0
Net charges for changes in technical reserves (d)	1,447	7	1,454	-149	3	-146	1,600	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	-490	-	-490	1,088	-	1,088	-1,578	
Net fees on investment contracts (f)	189	-1	188	199	-1	198	-10	-5.1
Commission expenses on insurance contracts (g)	-292	-102	-394	-280	-105	-385	9	2.3
Other technical income and expense (h)	43	-30	13	95	-26	69	-56	-81.2
Net investment result	**533**	**3**	**536**	**528**	**18**	**546**	**-10**	**-1.8**
Operating income from investments	-9,911	3	-9,908	5,093	18	5,111	-15,019	
Net interest income	*1,125*	*1*	*1,126*	*1,012*	*4*	*1,016*	*110*	*10.8*
Dividends	*243*	*3*	*246*	*177*	*2*	*179*	*67*	*37.4*
Gains/losses on disposal	*-894*	*-1*	*-895*	*1,071*	*8*	*1,079*	*-1,974*	
Valuation gains/losses	*-10,340*	-	*-10,340*	*2,877*	*5*	*2,882*	*-13,222*	
Portfolio management fees paid (i)	*-45*	-	*-45*	*-44*	*-1*	*-45*	-	-
Gains (losses) on investments pertaining to insured parties	10,444	-	10,444	-4,565	-	-4,565	15,009	
Insurance products (j)	*518*	-	*518*	*-1,074*	-	*-1,074*	*1,592*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*49*	-	*49*	*-39*	-	*-39*	*88*	
Investment products (l)	*9,877*	-	*9,877*	*-3,452*	-	*-3,452*	*13,329*	
Income from insurance business gross of consolidation effects	**609**	**224**	**833**	**592**	**232**	**824**	**9**	**1.1**
Consolidation effects	34	-	34	30	-	30	4	13.3
Income from insurance business	**643**	**224**	**867**	**622**	**232**	**854**	**13**	**1.5**

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

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

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

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

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

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

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

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

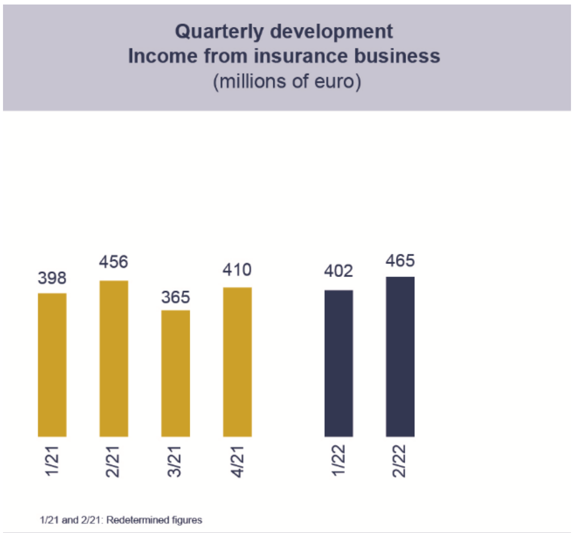
(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

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

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

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

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



Income from insurance business includes the cost and revenue captions of the insurance business of the Group's life and non-life companies. In the first half of 2022, it was 867 million euro, up by 1.5% on the same period in 2021 (854 million euro). The dynamic was attributable to the increase in the technical margin (+6.8%, or +19 million euro), due to various components, including the decrease in costs relating to surrenders that exceeded the decline in net premiums. Conversely, the net investment result, consisting of the operating income from investments, net of retrocession to policyholders, was down moderately (-1.8%, or -10 million euro).

(millions of euro)

Captions (a)	2022		Changes	
	Second quarter	First quarter	amount	%
Technical margin	**155**	**142**	**13**	**9.2**
Net insurance premiums (b)	2,220	2,541	-321	-12.6
Net charges for insurance claims and surrenders (c)	-2,576	-2,659	-83	-3.1
Net charges for changes in technical reserves (d)	917	537	380	70.8
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	-328	-162	166	
Net fees on investment contracts (f)	77	111	-34	-30.6
Commission expenses on insurance contracts (g)	-179	-215	-36	-16.7
Other technical income and expense (h)	24	-11	35	
Net investment result	**290**	**246**	**44**	**17.9**
Operating income from investments	-6,126	-3,782	2,344	62.0
Net interest income	*635*	*491*	*144*	*29.3*
Dividends	*172*	*74*	*98*	
Gains/losses on disposal	*-753*	*-142*	*611*	
Valuation gains/losses	*-6,157*	*-4,183*	*1,974*	*47.2*
Portfolio management fees paid (i)	*-23*	*-22*	*1*	*4.5*
Gains (losses) on investments pertaining to insured parties	6,416	4,028	2,388	59.3
Insurance products (j)	*369*	*149*	*220*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*8*	*41*	*-33*	*-80.5*
Investment products (l)	*6,039*	*3,838*	*2,201*	*57.3*
Income from insurance business gross of consolidation effects	**445**	**388**	**57**	**14.7**
Consolidation effects	20	14	6	42.9
Income from insurance business	**465**	**402**	**63**	**15.7**

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

For notes, see the previous tables.

In the second quarter of 2022, income from insurance business, including both the life and non-life businesses, was higher than in the first quarter, reflecting the improvement of the net investment result and, to a lesser extent, the technical margin.

(millions of euro)

Business	30.06.2022 Periodic premiums	Single premiums	Total	*of which new business*	30.06.2021 Total	Adjustments	Total Redetermined figures
Life insurance business	**182**	**4,031**	**4,213**	***4,030***	**4,464**	**410**	**4,874**
Premiums issued on traditional products	85	2,716	2,801	*2,715*	2,660	371	3,031
Premiums issued on unit-linked products	95	1,009	1,104	*1,009*	1,477	33	1,510
Premiums issued on capitalisation products	2	2	4	*2*	8	2	10
Premiums issued on pension funds	-	304	304	*304*	319	4	323
Non-life insurance business	**616**	**118**	**734**	*216*	**684**	**63**	**747**
Premiums issued	616	118	734	*216*	684	63	747
Premiums ceded to reinsurers	**-61**	**-15**	**-76**	***-16***	**-80**	**-8**	**-88**
Net premiums issued from insurance products	**737**	**4,134**	**4,871**	***4,230***	**5,068**	**465**	**5,533**
Business on index-linked contracts	-	-	-	-	-	-	-
Business on unit-linked contracts	39	4,032	4,071	*4,036*	4,288	111	4,399
Total business from investment contracts	**39**	**4,032**	**4,071**	***4,036***	**4,288**	**111**	**4,399**
Total business	**776**	**8,166**	**8,942**	***8,266***	**9,356**	**576**	**9,932**

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

In the first six months of 2022, business in the insurance segment amounted to 8.9 billion euro, down on the business recorded in the same period of the previous year (+9.9 billion euro). The decline is mainly due to unit-linked policies, both class III policies of a primarily financial nature (-328 million euro) and those of a primarily insurance nature (-406 million euro). There was also a decrease in the non-life and health business, albeit of a lesser extent. New business totalled 8.3 billion euro, accounting for over 90% of the total premium inflows of the Group's insurance companies, coming mainly from new single-premium contracts.

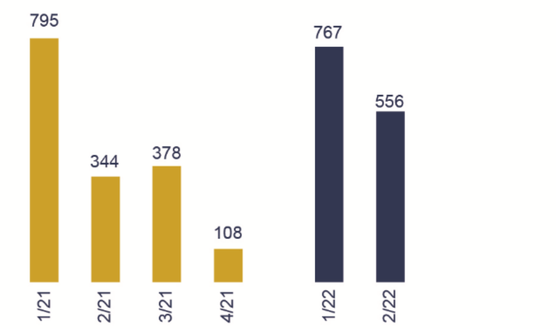
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	30.06.2022	30.06.2021	Adjustments	30.06.2021 Redetermined figures	Changes (Redetermined figures) amount	%
Profits (losses) on trading and on financial instruments under fair value option	526	410	-	410	116	28.3
Profits (losses) on hedges under hedge accounting	46	45	-	45	1	2.2
Profits (losses) on assets mandatorily measured at fair value through profit or loss	115	138	-1	137	-22	-16.1
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	646	593	-	593	53	8.9
Profits (losses) on the buyback of financial liabilities	-10	-46	-	-46	-36	-78.3
Profits (Losses) on financial assets and liabilities designated at fair value	**1,323**	**1,140**	**-1**	**1,139**	**184**	**16.2**

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

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



1/21 and 2/21: Redetermined figures

In the first half of 2022, profits on financial assets and liabilities designated at fair value, amounting to 1,323 million euro, increased on the same period in 2021.
The increase, which came to 16.2%, is mainly due to profits (losses) on trading and financial instruments under fair value option (+28.3%, or +116 million euro), attributable to the greater income associated with the trading securities portfolio and certificates business, inclusive of the positive impact of the debt value adjustment (DVA). Positive contributions were also made by the net income from dividends and the sale of assets measured at fair value through other comprehensive income (+8.9%, or +53 million euro), as well as by the net loss on the repurchase of financial liabilities, which declined to -10 million euro, compared to -46 million euro in the first six months of 2021. Negative contributions also included the net loss on assets measured at fair value through profit or loss (-16.1%, or -22 million euro), whereas profits on hedges under hedge accounting were essentially stable (+1 million euro).

(millions of euro)

	2022		Changes	
	Second quarter	First quarter	amount	%
Profits (losses) on trading and on financial instruments under fair value option	222	304	-82	-27.0
Profits (losses) on hedges under hedge accounting	44	2	42	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	49	66	-17	-25.8
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	243	403	-160	-39.7
Profits (losses) on the buyback of financial liabilities	-2	-8	-6	-75.0
Profits (Losses) on financial assets and liabilities designated at fair value	**556**	**767**	**-211**	**-27.5**

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

The result for the second quarter of 2022 was below that of the first quarter, essentially as a result of the lower contribution of profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost and profits (losses) on trading and financial instruments under fair value option.

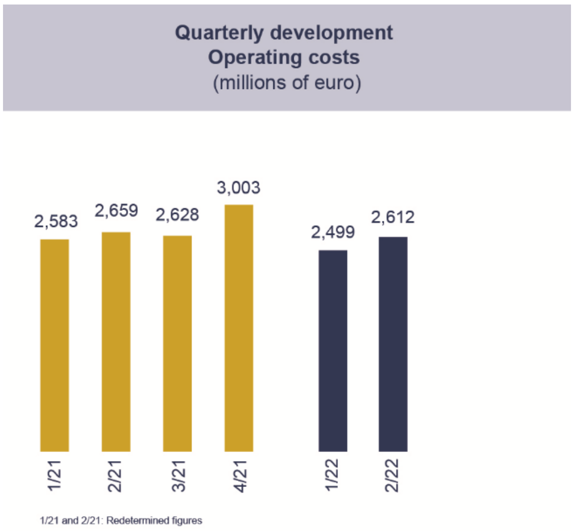
Other operating income (expenses)
In the first half of 2022, other net operating expenses came to 10 million euro, compared to 51 million euro of net operating income in the same period of 2021. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The decrease was due to both other operating expenses of 30 million euro compared to 2 million euro of income recorded in the first half of 2021 and the decrease in dividends and profits on investments carried at equity, which in the first six months of 2022 amounted to 20 million euro (49 million euro in the same period of the previous year).

Operating costs

(millions of euro)

	30.06.2022	30.06.2021	Adjustments	30.06.2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Wages and salaries	2,252	2,299	-40	2,259	-7	-0.3
Social security charges	573	601	-11	590	-17	-2.9
Other	356	424	-	424	-68	-16.0
Personnel expenses	**3,181**	**3,324**	**-51**	**3,273**	**-92**	**-2.8**
Information technology expenses	402	420	6	426	-24	-5.6
Management of real estate assets expenses	145	169	-1	168	-23	-13.7
General structure costs	201	196	-1	195	6	3.1
Professional and legal expenses	137	147	7	154	-17	-11.0
Advertising and promotional expenses	52	49	-	49	3	6.1
Indirect personnel costs	33	22	-	22	11	50.0
Other costs	256	270	-3	267	-11	-4.1
Indirect taxes and duties	96	98	-1	97	-1	-1.0
Recovery of expenses and charges	-15	-17	-	-17	-2	-11.8
Administrative expenses	**1,307**	**1,354**	**7**	**1,361**	**-54**	**-4.0**
Property and equipment	282	291	-	291	-9	-3.1
Intangible assets	341	315	2	317	24	7.6
Adjustments	**623**	**606**	**2**	**608**	**15**	**2.5**
Operating costs	**5,111**	**5,284**	**-42**	**5,242**	**-131**	**-2.5**

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



Operating costs amounted to 5,111 million euro in the first six months of 2022, a decrease of 2.5% on the first half of 2021.
Personnel expenses of 3,181 million euro were down by 2.8%, mainly due to the effect of savings on negotiated exits.
Administrative expenses amounted to 1,307 million euro, down by 4%. There were widespread savings, in particular in terms of property management expenses, IT service expenses, legal and professional fees and other expenses. Depreciation and amortisation of property and equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+2.5%) on the first half of 2021, due to the intangible assets.
The cost/income ratio for the first half of 2022 came to 47.5%, an improvement compared to 49.2% in the same period of 2021.

(millions of euro)

	2022		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	1,159	1,093	66	6.0
Social security charges	288	285	3	1.1
Other	162	194	-32	-16.5
Personnel expenses	**1,609**	**1,572**	**37**	**2.4**
Information technology expenses	212	190	22	11.6
Management of real estate assets expenses	73	72	1	1.4
General structure costs	105	96	9	9.4
Professional and legal expenses	72	65	7	10.8
Advertising and promotional expenses	34	18	16	88.9
Indirect personnel costs	20	13	7	53.8
Other costs	135	121	14	11.6
Indirect taxes and duties	50	46	4	8.7
Recovery of expenses and charges	-6	-9	-3	-33.3
Administrative expenses	**695**	**612**	**83**	**13.6**
Property and equipment	139	143	-4	-2.8
Intangible assets	169	172	-3	-1.7
Adjustments	**308**	**315**	**-7**	**-2.2**
Operating costs	**2,612**	**2,499**	**113**	**4.5**

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

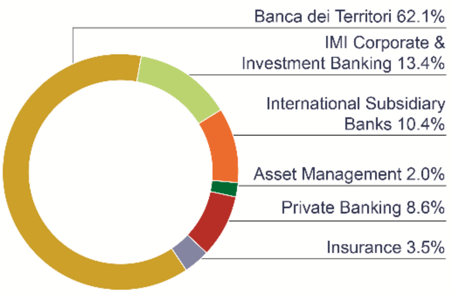
Operating costs in the second quarter of 2022 rose over the first quarter, due to the trend in administrative and personnel expenses.

(millions of euro)

	30.06.2022	30.06.2021	Changes	
		Redetermined figures	amount	%
Banca dei Territori	3,078	3,182	-104	-3.3
IMI Corporate & Investment Banking	665	648	17	2.6
International Subsidiary Banks	518	506	12	2.4
Private Banking	427	421	6	1.4
Asset Management	100	105	-5	-4.8
Insurance	176	190	-14	-7.4
Total business areas	**4,964**	**5,052**	**-88**	**-1.7**
Corporate Centre	147	190	-43	-22.6
Intesa Sanpaolo Group	**5,111**	**5,242**	**-131**	**-2.5**

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

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for approximately 62% of all costs for the business areas, reported considerable savings compared to the first half of 2021 (-3.3%, or -104 million euro) thanks to lower personnel expenses, in relation to negotiated exits and administrative expenses, mainly discretionary and real-estate service expenses. There were also declines, albeit of a minor extent, in Asset Management (-4.8%, or -5 million euro), attributable to the containment of administrative expenses and personnel expenses, and in Insurance (-7.4%, or -14 million euro). By contrast, there were moderate cost increases in IMI Corporate & Investment Banking (+2.6%, or +17 million euro) and International Subsidiary Banks (+2.4%, or +12 million euro) in relation to greater administrative expenses, and in Private Banking (+1.4%, or +6 million euro), due to administrative expenses and, to a lesser extent, depreciation and amortisation. Finally, the Corporate Centre reported a decline in costs of 22.6%, or -43 million euro, due to synergies at the level of administrative expenses and savings on personnel expenses.

Operating margin

The operating margin in the period under review amounted to 5,645 million euro, up (+4.2%) on the first half of 2021, thanks to the increase in revenues and the reduction in operating costs.

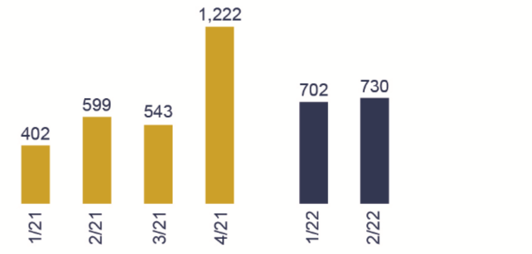
Net adjustments to loans

(millions of euro)

	30.06.2022	30.06.2021	Adjustments	30.06.2021 Redetermined figures	Changes (Redetermined figures) amount	%
Bad loans	-105	-548	6	-542	-437	-80.6
Unlikely to pay	-624	-319	-	-319	305	95.6
Past due loans	-125	-85	-	-85	40	47.1
Stage 3 loans	**-854**	**-952**	**6**	**-946**	**-92**	**-9.7**
of which debt securities	-	-	-	-	-	-
Stage 2 loans	**-402**	**-103**	**-**	**-103**	**299**	
of which debt securities	*-9*	*-1*	-	*-1*	*8*	
Stage 1 loans	**-101**	**5**	**-**	**5**	**-106**	
of which debt securities	*2*	*9*	-	*9*	*-7*	*-77.8*
Net losses/recoveries on impairment of loans	**-1,357**	**-1,050**	**6**	**-1,044**	**313**	**30.0**
Profits/losses from changes in contracts without derecognition	**-1**	**-18**	**-**	**-18**	**-17**	**-94.4**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-74**	**61**	**-**	**61**	**-135**	
Net adjustments to loans	**-1,432**	**-1,007**	**6**	**-1,001**	**431**	**43.1**

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

Quarterly development
Net adjustments to loans
(millions of euro)



1/21 and 2/21: Redetermined figures

Net adjustments to loans amounted to 1,432 million euro, up sharply from the 1,001 million euro recorded in the first half of 2021. The growth was due to the greater adjustments to loans in Stage 2 (+299 million euro), Stage 1 (+106 million euro) and provisions for commitments and guarantees given of 74 million euro, compared to writebacks of 61 million euro recorded in this caption in the first half of 2021.
Non-performing loans in Stage 3 declined (-92 million euro), as a result of a reduction in adjustments to bad loans (-437 million euro), only partly offset by increases on unlikely-to-pay exposures (+305 million euro) and past-due loans (+40 million euro). In June 2022, the ratio of gross non-performing loans to total loans was 2.3%, down compared to the March 2022 figure (3%) and December 2021 figure (3.2%), due in part to the sale of approximately 4 billion euro in non-performing loans in the second quarter.
The aggregates were significantly affected by the adjustments made to Russian and Ukrainian counterparties of 1,093 million euro.
The annualised cost of credit, expressed as the ratio of net adjustments to net loans, amounted to 61 basis points in the first half of 2022 (27 basis points when excluding the adjustments for the Russia-Ukraine exposure, net of partial release of generic provisions set aside in 2020 for future COVID-19 impacts), slightly higher than the level recorded in 2021 (59 basis points; 25 basis points when excluding the additional provisions to accelerate the reduction in non-performing loans).
The coverage of non-performing loans in June 2022 amounted to 44.8%. In detail, bad loans required net adjustments of 105 million euro – compared with 542 million euro in the same period of 2021 – with a coverage ratio of 63.9%. The modest value of adjustments to bad loans is due to both the limited inflows and deleveraging of non-performing exposures. Net impairment losses on unlikely-to-pay loans, totalling 624 million euro, were up sharply from 319 million euro recorded in the first half of 2021, due in part to the reclassification of two Russian counterparties to this category, with a coverage ratio of 37.8%. Net impairment losses on past due loans amounted to 125 million euro (85 million euro in the first six months of 2021), with a coverage ratio of 21.3%. The coverage ratio for forborne positions within the non-performing loans category was 37.3%. Finally, the coverage of performing loans was 0.6% and incorporates the physiological risk inherent in the loan portfolio, including the provisions during the half-year for the Russia-Ukraine conflict (on this subject, see the specific paragraph).

(millions of euro)

	2022		Changes	
	Second quarter	First quarter	amount	%
Bad loans	-95	-10	85	
Unlikely to pay	-422	-202	220	
Past due loans	-91	-34	57	
Stage 3 loans	**-608**	**-246**	**362**	
of which debt securities	*-*	*-*	*-*	*-*
Stage 2 loans	**-137**	**-265**	**-128**	**-48.3**
of which debt securities	*-4*	*-5*	*-1*	*-20.0*
Stage 1 loans	**13**	**-114**	**127**	
of which debt securities	*2*	*-*	*2*	*-*
Net losses/recoveries on impairment of loans	**-732**	**-625**	**107**	**17.1**
Profits/losses from changes in contracts without derecognition	**2**	**-3**	**5**	
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-**	**-74**	**-74**	
Net adjustments to loans	**-730**	**-702**	**28**	**4.0**

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

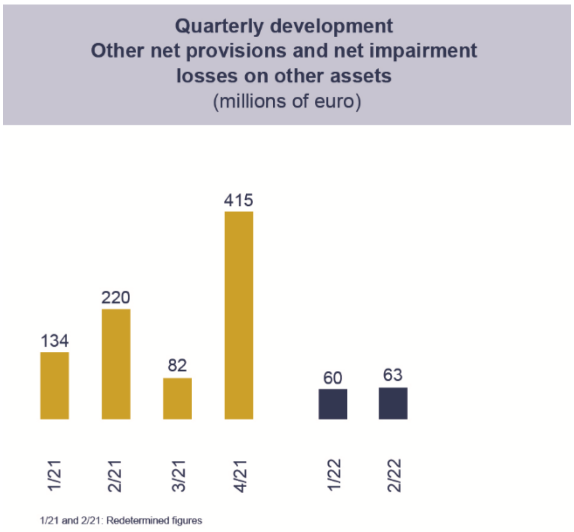
At the quarterly level, the second quarter of 2022 presents adjustments to loans slightly above those of the first quarter of the current year, mainly attributable to greater provisions for unlikely-to-pay loans.

Other net provisions and net impairment losses on other assets

(millions of euro)

	30.06.2022	30.06.2021	Adjustments	30.06.2021 Redetermined figures	Changes (Redetermined figures) amount	%
Other net provisions	-36	-317	-2	-319	-283	-88.7
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-65	-2	-	-2	63	
Net impairment losses on other assets	-13	-32	-	-32	-19	-59.4
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-9	-	-1	-1	8	
Other net provisions and net impairment losses on other assets	**-123**	**-351**	**-3**	**-354**	**-231**	**-65.3**

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



Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In the first six months of 2022, other net provisions and net impairment losses on other assets amounted to 123 million euro, down sharply from 354 million euro in the same period of the previous year, which included the provision of 126 million euro in the insurance context, representing the amount by which claims exceeded the premiums accrued in the period ended 30 June 2021 and the estimate of prospective costs. With reference to the figure recorded in the first half of the current year, the main component (65 million euro) relates to the adjustments to securities measured at amortised cost and fair value.

(millions of euro)

	2022 Second quarter	2022 First quarter	Changes amount	%
Other net provisions	-27	-9	18	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-31	-34	-3	-8.8
Net impairment losses on other assets	-4	-9	-5	-55.6
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-1	-8	-7	-87.5
Other net provisions and net impairment losses on other assets	**-63**	**-60**	**3**	**5.0**

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

The value of the second quarter of 2022 is essentially in line with that of the first quarter.

Other income (expenses)
In this caption of the reclassified income statement, the "profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments" are aggregated together with other income and expenses not strictly linked to operations.
In the first half of 2022, other income amounted to 143 million euro, including a capital gain of 194 million euro from the disposal of Intesa Sanpaolo Formazione and a one-off contribution of 48 million euro to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, to mitigate the impact of inflation. The figure was lower than the 191 million euro recorded in the first half of 2021, which included the capital gain recorded with the sale of the custodian bank business unit of Fideuram Bank Luxembourg (194 million euro).

Income (Loss) from discontinued operations
In the first half of 2022, there were no income or losses from discontinued operations, whereas income from discontinued operations in the corresponding period of 2021 amounted to 58 million euro, due to the contribution of the branches object of disposal.

Gross income (loss)
In the first six months of 2022, income before tax from continuing operations came to 4,233 million euro, down by 1.9% compared with the same period in 2021.

Taxes on income
Current and deferred taxes came to 1,456 million euro, for an effective tax rate of 34.4%, higher than in the first half of 2021 (21.4%), which had benefited to a greater extent from the realignment of the tax values of intangible assets.

Charges (net of tax) for integration and exit incentives
The caption declined to 39 million euro from 107 million euro in the first six months of 2021, mainly due to the release of the discounting effect of allowances relating to charges for integration and exit incentives for personnel.

Effect of purchase price allocation (net of tax)
This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. In the first half of 2022, this caption recorded costs of 101 million euro, compared to the 34 million euro recorded in the same period of the previous year.

Levies and other charges concerning the banking industry (net of tax)
The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. In the first half of 2022, these charges came to 278 million euro, compared to the 279 million euro recorded in the same period of the previous year.
The charges recognised during the reporting period may be broken down as follows: 248 million euro attributable to resolution funds, 14 million euro to deposit guarantee funds, 10 million euro to levies recognised by international subsidiary banks, 5 million to the Atlante Fund and 1 million euro to the Voluntary Scheme of the Deposit Protection Fund.

Minority interests
In the first six months of 2022, the caption included, with a negative sign, 5 million euro of net profits attributable to minority interests relating to companies within the scope of line-by-line consolidation, compared to a positive value of 52 million euro (net losses attributable to minority interests) relating to the first half of 2021.

Net income (loss)
Despite the sudden changes of scenario, the Intesa Sanpaolo Group closed the first half of 2022 with a net income of 2,354 million euro, which confirms its diversified and resilient business model. Excluding value adjustments for the events relating to Russia and Ukraine, net income would have amounted to around 3.3 billion euro, an increase of 8.4% on the first half of 2021 rather than a decline of 22.1%, thanks to the stability of revenues and careful management of operating costs.

Balance sheet aggregates

General aspects

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

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

Compared to the end of 2021, a restatement has been applied – for all four quarters of 2021 and the first quarter of 2022 – following the inclusion in the scope of consolidation at the end of June 2022[30] of the Luxembourg private bank Compagnie de Banque Privée Quilvest (Fideuram Group).

However, the balance sheet figures for 2021 were restated in the 2021 financial statements in regard to quarterly performance in view of:

- the inclusion on a line-by-line basis of the balance sheet figures of Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered into the scope of consolidation in the second quarter of 2021;
- the inclusion on a line-by-line basis of the balance sheet figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita)[31], Lombarda Vita[32] and Cargeas, consolidated with effect from the second quarter of 2021.

In the case of the balance sheet as well, in order to obtain easily comparable quarterly figures with regard to the acquisition of the UBI Banca Group and the related corporate transactions, in 2021 balance sheet figures concerning the UBI and ISP branches sold during the first and second quarter of 2021 had already been excluded line by line. In the reclassified balance sheet, those figures were by convention allocated to the caption Non-current assets held for sale and discontinued operations. That restatement was carried out based on the accounting records.

As regards the inclusion of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were restated as illustrated above, please note that it was not deemed necessary to "redetermine" the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability.

As a result of the above, since the restatements of the balance sheet data were - as normally happens - based on accounting records, no reclassified "redetermined" balance sheet schedules were prepared.

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

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

- the separate presentation of financial assets constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the separate presentation of financial assets and liabilities pertaining to the insurance business, measured pursuant to IAS 39, in application of the deferral approach, by the Group's insurance companies;
- the aggregation in one single caption of Property, 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/liabilities;
- the inclusion of the Technical insurance reserves reassured with third parties under Other assets;
- the separate presentation of Due to banks at amortised cost;
- the aggregation of Due to customers at amortised cost and Securities issued into one caption;
- the aggregation into one caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities, Allowances for risks and charges, Allowances for commitments and financial guarantees given);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any treasury shares.

[30] Since it was included in the scope of consolidation at the end of June 2022, without contributing to the Group's income statement figures, the consolidation – and hence the restatement – affected balance sheet figures only.

[31] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

[32] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

In addition, as already occurred in December 2021, the following should be noted:

- in view of the payment of the 2021 interim dividend by the Parent Company, a specific caption was added to the reclassified balance sheet, within the captions of shareholders' equity, for consistency with the corresponding accounting schedule;
- following the update to Bank of Italy Circular 262, which provides that the caption “Cash and cash equivalents” include all “demand” loans, in the technical forms of current accounts and deposits, to banks and central banks (with the exception of the reserve requirement), the specific caption Cash and cash equivalents, previously included in Other assets, was opened accordingly in the reclassified balance sheet.

Reclassified balance sheet

(millions of euro)

Assets	30.06.2022	31.12.2021	Changes	
			amount	%
Cash and cash equivalents	18,370	15,693	2,677	17.1
Due from banks	138,555	162,139	-23,584	-14.5
Loans to customers	471,649	465,871	5,778	1.2
Loans to customers measured at amortised cost	*469,338*	*464,075*	*5,263*	*1.1*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,311*	*1,796*	*515*	*28.7*
Financial assets measured at amortised cost which do not constitute loans	49,850	43,325	6,525	15.1
Financial assets at fair value through profit or loss	51,943	51,638	305	0.6
Financial assets at fair value through other comprehensive income	59,213	67,058	-7,845	-11.7
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	180,637	206,800	-26,163	-12.7
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85	-5	-5.9
Investments in associates and companies subject to joint control	1,902	1,652	250	15.1
Property, equipment and intangible assets	19,965	20,141	-176	-0.9
Assets owned	*18,389*	*18,616*	*-227*	*-1.2*
Rights of use acquired under leases	*1,576*	*1,525*	*51*	*3.3*
Tax assets	18,745	18,808	-63	-0.3
Non-current assets held for sale and discontinued operations	1,303	1,422	-119	-8.4
Other assets	20,103	16,184	3,919	24.2
Total Assets	**1,032,315**	**1,070,816**	**-38,501**	**-3.6**

Liabilities	30.06.2022	31.12.2021	Changes	
			amount	%
Due to banks at amortised cost	152,413	165,262	-12,849	-7.8
Due to customers at amortised cost and securities issued	536,958	545,101	-8,143	-1.5
Financial liabilities held for trading	55,227	56,308	-1,081	-1.9
Financial liabilities designated at fair value	4,753	3,674	1,079	29.4
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,297	2,139	158	7.4
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,454	84,770	-10,316	-12.2
Tax liabilities	2,806	2,292	514	22.4
Liabilities associated with non-current assets held for sale and discontinued operations	92	30	62	
Other liabilities	28,532	21,974	6,558	29.8
of which lease payables	*1,417*	*1,398*	*19*	*1.4*
Technical reserves	104,809	118,296	-13,487	-11.4
Allowances for risks and charges	5,709	6,816	-1,107	-16.2
of which allowances for commitments and financial guarantees given	*561*	*508*	*53*	*10.4*
Share capital	10,369	10,084	285	2.8
Reserves	46,216	44,856	1,360	3.0
Valuation reserves	-1,603	-709	894	
Valuation reserves pertaining to insurance companies	-523	476	-999	
Interim dividend	-	-1,399	-1,399	
Equity instruments	7,204	6,282	922	14.7
Minority interests	248	379	-131	-34.6
Net income (loss)	2,354	4,185	-1,831	-43.8
Total liabilities and shareholders' equity	**1,032,315**	**1,070,816**	**-38,501**	**-3.6**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2022		2021			
	30/6	31/3	31/12	30/9	30/6	31/3
Cash and cash equivalents	18,370	18,666	15,693	16,250	15,623	14,652
Due from banks	138,555	158,521	162,139	164,909	148,223	128,207
Loans to customers	471,649	468,995	465,871	463,917	463,904	465,231
Loans to customers measured at amortised cost	*469,338*	*466,416*	*464,075*	*461,525*	*461,955*	*463,699*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,311*	*2,579*	*1,796*	*2,392*	*1,949*	*1,532*
Financial assets measured at amortised cost which do not constitute loans	49,850	56,111	43,325	41,286	42,615	44,857
Financial assets at fair value through profit or loss	51,943	52,875	51,638	59,926	59,827	55,458
Financial assets at fair value through other comprehensive income	59,213	65,016	67,058	63,806	66,660	61,039
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	180,637	196,949	206,800	205,631	206,138	206,388
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	81	85	82	80	79
Investments in associates and companies subject to joint control	1,902	1,633	1,652	1,738	1,707	1,708
Property, equipment and intangible assets	19,965	19,891	20,141	19,415	19,459	18,916
Assets owned	*18,389*	*18,345*	*18,616*	*17,803*	*17,819*	*17,161*
Rights of use acquired under leases	*1,576*	*1,546*	*1,525*	*1,612*	*1,640*	*1,755*
Tax assets	18,745	18,610	18,808	18,805	19,014	19,582
Non-current assets held for sale and discontinued operations	1,303	1,556	1,422	3,181	1,566	3,173
Other assets	20,103	16,461	16,184	14,482	14,675	14,514
Total Assets	**1,032,315**	**1,075,365**	**1,070,816**	**1,073,428**	**1,059,491**	**1,033,804**

Liabilities	2022		2021			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks at amortised cost	152,413	180,234	165,262	179,552	164,875	151,787
Due to customers at amortised cost and securities issued	536,958	539,278	545,101	525,546	520,960	513,930
Financial liabilities held for trading	55,227	58,729	56,308	57,535	57,336	53,547
Financial liabilities designated at fair value	4,753	3,848	3,674	3,266	3,361	3,116
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,297	2,280	2,139	2,563	2,518	2,414
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,454	80,086	84,770	83,093	83,010	82,040
Tax liabilities	2,806	2,296	2,292	2,627	2,497	3,310
Liabilities associated with non-current assets held for sale and discontinued operations	92	37	30	1,404	78	3,585
Other liabilities	28,532	23,553	21,974	24,984	31,700	26,301
of which lease payables	*1,417*	*1,389*	*1,398*	*1,523*	*1,574*	*1,713*
Technical reserves	104,809	113,471	118,296	118,616	119,475	119,943
Allowances for risks and charges	5,709	6,481	6,816	6,873	7,042	7,437
of which allowances for commitments and financial guarantees given	*561*	*562*	*508*	*534*	*548*	*576*
Share capital	10,369	10,084	10,084	10,084	10,084	10,084
Reserves	46,216	48,995	44,856	46,508	46,671	47,529
Valuation reserves	-1,603	-1,320	-709	-569	-476	-738
Valuation reserves pertaining to insurance companies	-523	120	476	677	661	777
Interim dividend	-	-1,399	-1,399	-	-	-
Equity instruments	7,204	7,220	6,282	6,279	6,269	6,202
Minority interests	248	348	379	384	407	1,024
Net income (loss)	2,354	1,024	4,185	4,006	3,023	1,516
Total Liabilities and Shareholders' Equity	**1,032,315**	**1,075,365**	**1,070,816**	**1,073,428**	**1,059,491**	**1,033,804**

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

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

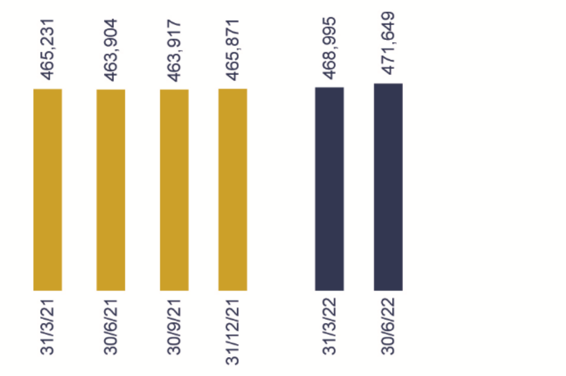
(millions of euro)

	30.06.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	23,407	5.0	21,768	4.7	1,639	7.5
Mortgages	247,587	52.5	250,941	53.9	-3,354	-1.3
Advances and other loans	167,740	35.5	161,449	34.6	6,291	3.9
Commercial banking loans	**438,734**	**93.0**	**434,158**	**93.2**	**4,576**	**1.1**
Repurchase agreements	**19,836**	**4.2**	**17,621**	**3.8**	**2,215**	**12.6**
Loans represented by securities	**6,924**	**1.5**	**7,015**	**1.5**	**-91**	**-1.3**
Non-performing loans	**6,155**	**1.3**	**7,077**	**1.5**	**-922**	**-13.0**
Loans to customers	**471,649**	**100.0**	**465,871**	**100.0**	**5,778**	**1.2**

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

The Group's loans to customers came to approximately 472 billion euro as at 30 June 2022, marking a year-to-date increase of +1.2%. This performance was due above all to trade receivables (+1.1%, or +4.6 billion euro), in particular advances and other loans (+3.9% or +6.3 billion euro), supported by factoring transactions, and current accounts (+7.5%, or +1.6 billion euro), which more than offset the decline in mortgage loans (-1.3%, or -3.4 billion euro). In addition, repurchase agreements increased (+12.6%, or +2.2 billion euro), whereas non-performing loans declined further to 6.2 billion euro, due in part to the sale concluded in April (0.9 billion euro of net non-performing loans). Finally, loans represented by securities declined slightly, by 1.3%.

Quarterly development
Loans to customers
(millions of euro)



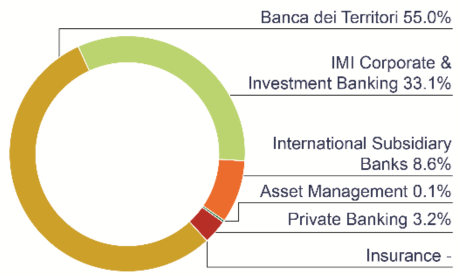
In the domestic medium-/long-term loan market, disbursements to households in the first six months of 2022 (including the small business accounts having similar needs to family businesses) amounted to approximately 12.5 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 9.9 billion euro. Loans granted by the new Agribusiness department amounted to 1.2 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 8.3 billion euro, excluding the international portion. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and through the former UBI Leasing and Prestitalia reached 32.4 billion euro. If the activities of the international subsidiary banks and the international part of IMI C&IB are included, the Group's medium/long-term disbursements totalled 42.2 billion euro.
As at 30 June 2022, the Intesa Sanpaolo Group's share of the Italian domestic market was estimated at 20% for total loans to customers. This estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figures for the end of June are not yet available.

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Banca dei Territori	254,916	250,592	4,324	1.7
IMI Corporate & Investment Banking	153,210	152,543	667	0.4
International Subsidiary Banks	39,820	38,970	850	2.2
Private Banking	14,607	14,450	157	1.1
Asset Management	308	783	-475	-60.7
Insurance	-	-	-	-
Total business areas	**462,861**	**457,338**	**5,523**	**1.2**
Corporate Centre	8,788	8,533	255	3.0
Intesa Sanpaolo Group	**471,649**	**465,871**	**5,778**	**1.2**

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

Business areas
Loans to customers



In the analysis by business area, the Banca dei Territori Division, which accounts for 55% of the aggregate of the Group's business areas, recorded an increase year-to-date (+1.7%, or +43 billion euro), attributable to the positive trend in loans to retail customers and, to a lesser extent, SMEs. The IMI Corporate & Investment Banking Division recorded a slight increase (+0.4%), mainly due to an increase in business with global corporate and financial institutions customers. The loans of the International Subsidiary Banks Division also grew (+2.2%), due specifically to the greater contribution of the subsidiaries operating in Serbia, Croatia and Slovakia. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, the loans of the Private Banking Division increased (+1.1%), in the current account component, whereas those of the Asset Management Division declined sharply (-60.7%).
Loans on central assets of the Corporate Centre increased (+3%) in relation to repurchase agreements.

Loans to customers: credit quality

(millions of euro)

	30.06.2022		31.12.2021		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	1,237	0.3	2,130	0.5	-893
Unlikely to pay	4,377	0.9	4,325	0.9	52
Past due loans	541	0.1	622	0.1	-81
Non-Performing Loans	**6,155**	**1.3**	**7,077**	**1.5**	**-922**
Non-performing loans in Stage 3 (subject to impairment)	*6,124*	*1.3*	*7,038*	*1.5*	*-914*
Non-performing loans measured at fair value through profit or loss	*31*	*-*	*39*	*-*	*-8*
Performing loans	**458,485**	**97.2**	**451,760**	**97.0**	**6,725**
Stage 2	*52,878*	*11.2*	*54,389*	*11.7*	*-1,511*
Stage 1	*404,562*	*85.8*	*396,372*	*85.1*	*8,190*
Performing loans measured at fair value through profit or loss	*1,045*	*0.2*	*999*	*0.2*	*46*
Performing loans represented by securities	**6,924**	**1.5**	**7,015**	**1.5**	**-91**
Stage 2	*1,048*	*0.2*	*865*	*0.2*	*183*
Stage 1	*5,876*	*1.3*	*6,150*	*1.3*	*-274*
Loans held for trading	**85**	**-**	**19**	**-**	**66**
Total loans to customers	**471,649**	**100.0**	**465,871**	**100.0**	**5,778**
of which forborne performing	***7,980***		***8,103***		***-123***
of which forborne non-performing	***2,420***		***2,644***		***-224***
Loans to customers classified as non-current assets held for sale (*)	**1,023**		**1,206**		**-183**

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

(*) As at 30 June 2022 and 31 December 2021, this item related to the portfolios, or single name exposures, of loans classified as bad loans and unlikely to pay to be sold.

As at 30 June 2022, the Group's net non-performing loans amounted to 6.2 billion euro, an all-time low, due in part to the above-mentioned sale. The reduction from the beginning of the year (-13%) confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 1.3% (1% according to the EBA definition), a low proportion and further improving compared to December 2021 (1.5%, 1.2% according to the EBA definition), with a coverage ratio for non-performing loans of 44.8%.

In further detail, at the end of June 2022, bad loans came to 1.2 billion euro (-41.9%), net of adjustments, and represented 0.3% of total net loans. As at that same date, the coverage ratio came to 63.9%. Loans included in the unlikely-to-pay category amounted to 4.4 billion euro, up by 1.2%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 37.8%. Past due loans amounted to 541 million euro (-13%), with a coverage ratio of 21.3%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2.4 billion euro, with a coverage ratio of 37.3%, while forborne exposures in the performing loans category amounted to 8 billion euro.

The coverage ratio of performing loans rose to 0.59% (0.54% in December), also in relation to the provision allocated during the half-year for the Russia-Ukraine conflict (on this issue, see that set out in the specific section).

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets designated at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
Debt securities issued by Governments					
30.06.2022	13,831	43,056	29,830	**86,717**	X
31.12.2021	20,361	49,575	24,845	**94,781**	X
Changes amount	-6,530	-6,519	4,985	**-8,064**	X
Changes %	-32.1	-13.1	20.1	**-8.5**	X
Other debt securities					
30.06.2022	3,787	13,993	20,020	**37,800**	X
31.12.2021	3,020	14,210	18,480	**35,710**	X
Changes amount	767	-217	1,540	**2,090**	X
Changes %	25.4	-1.5	8.3	**5.9**	X
Equities					
30.06.2022	1,392	2,164	X	**3,556**	X
31.12.2021	1,192	3,273	X	**4,465**	X
Changes amount	200	-1,109	X	**-909**	X
Changes %	16.8	-33.9	X	**-20.4**	X
Quotas of UCI					
30.06.2022	4,425	X	X	**4,425**	X
31.12.2021	3,943	X	X	**3,943**	X
Changes amount	482	X	X	**482**	X
Changes %	12.2	X	X	**12.2**	X
Due to banks and to customers					
30.06.2022	X	X	X	**X**	-16,425
31.12.2021	X	X	X	**X**	-22,262
Changes amount	X	X	X	**X**	-5,837
Changes %	X	X	X	**X**	-26.22
Financial derivatives					
30.06.2022	26,325	X	X	**26,325**	-28,980
31.12.2021	20,897	X	X	**20,897**	-23,241
Changes amount	5,428	X	X	**5,428**	5,739
Changes %	26.0	X	X	**26.0**	24.7
Credit derivatives					
30.06.2022	2,183	X	X	**2,183**	-2,173
31.12.2021	2,225	X	X	**2,225**	-2,332
Changes amount	-42	X	X	**-42**	-159
Changes %	-1.9	X	X	**-1.9**	-6.8
TOTAL 30.06.2022	**51,943**	**59,213**	**49,850**	**161,006**	**-47,578**
TOTAL 31.12.2021	**51,638**	**67,058**	**43,325**	**162,021**	**-47,835**
Changes amount	**305**	**-7,845**	**6,525**	**-1,015**	**-257**
Changes %	**0.6**	**-11.7**	**15.1**	**-0.6**	**-0.5**

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

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

The table above shows the breakdown of other financial assets and liabilities, excluding insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.
The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to 161 billion euro, down slightly, by 1 billion euro, compared to the beginning of the year (-0.6%). Financial liabilities held for trading also declined slightly (-0.5%) to nearly 48 billion euro.

The performance of total financial assets is mainly attributable to the performance of debt securities (-8.1 billion euro), largely offset by the increase in financial derivatives (+5.4 billion euro) and other debt securities (+2.1 billion euro). The decline in financial liabilities held for trading was the result of the opposing performances of amounts due to banks and customers, which declined by 5.8 billion euro, and derivatives, which rose by 5.6 billion euro.

Financial assets measured at fair value through profit or loss amounted to approximately 51.9 billion euro, recording an increase (+0.6%, or +0.3 billion euro), essentially due to the development of financial and credit derivatives and, to a lesser extent, quotas of UCI, equity instruments and other debt securities, against the significant decline in government bonds.
Instruments measured at amortised cost which do not constitute loans amounted to 49.9 billion euro, marking a sharp net increase (+15.1%), fully due to debt securities as a result, on one hand, of the creation of a fixed-rate government bond portfolio with limited credit risk to hedge interest rate risk on demand deposits and, on the other, of several disposals as part of a portfolio recomposition towards more liquidable securities issued by counterparties with higher credit standing. HTC debt securities have primarily been classified to Stage 1 (92%).
Conversely, financial assets measured at fair value through other comprehensive income amounted to 59 billion euro, down by 11.7% compared to the beginning of the year, owing to both debt securities and equity instruments. HTCS debt securities have been classified almost exclusively to Stage 1 (99.3%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
30.06.2022	56,628	45,947	**102,575**
31.12.2021	63,584	39,467	**103,051**
Changes amount	-6,956	6,480	**-476**
Changes %	-10.9	16.4	**-0.5**
Stage 2			
30.06.2022	421	3,894	**4,315**
31.12.2021	201	3,844	**4,045**
Changes amount	220	50	**270**
Changes %		1.3	**6.7**
Stage 3			
30.06.2022	-	9	**9**
31.12.2021	-	14	**14**
Changes amount	-	-5	**-5**
Changes %	-	-35.7	**-35.7**
TOTAL 30.06.2022	**57,049**	**49,850**	**106,899**
TOTAL 31.12.2021	**63,785**	**43,325**	**107,110**
Changes amount	**-6,736**	**6,525**	**-211**
Changes %	**-10.6**	**15.1**	**-0.2**

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

Customer financial assets

(millions of euro)

	30.06.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	549,360	45.3	557,248	43.4	-7,888	-1.4
Direct deposits from insurance business and technical reserves	180,788	14.9	204,479	15.9	-23,691	-11.6
Indirect customer deposits	662,784	54.6	725,137	56.5	-62,353	-8.6
Netting (a)	-179,137	-14.8	-202,963	-15.8	-23,826	-11.7
Customer financial assets	**1,213,795**	**100.0**	**1,283,901**	**100.0**	**-70,106**	**-5.5**

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

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

As at 30 June 2022, customer financial assets, after netting, amounted to 1,214 billion euro, down year to date (-5.5%, or -70.1 billion euro), due to indirect customer deposits (-8.6%, or -62.4 billion euro), and, to a lesser extent, direct deposits from insurance and banking business (-4.1%, or -31.6 billion euro).

Direct deposits from banking business

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

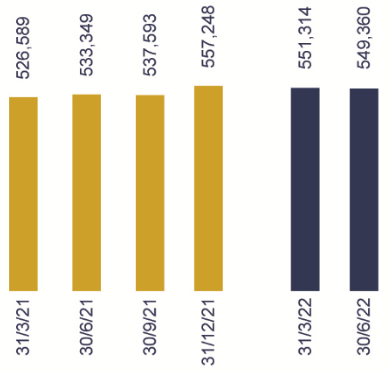
(millions of euro)

	30.06.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	439,546	80.0	444,203	79.7	-4,657	-1.0
Repurchase agreements and securities lending	2,226	0.4	2,691	0.5	-465	-17.3
Bonds	54,897	10.0	62,452	11.2	-7,555	-12.1
Certificates of deposit	2,807	0.5	2,931	0.5	-124	-4.2
Subordinated liabilities	12,440	2.3	12,599	2.3	-159	-1.3
Other deposits	37,444	6.8	32,372	5.8	5,072	15.7
of which designated at fair value (*)	*12,402*	*2.3*	*12,147*	*2.2*	*255*	*2.1*
Direct deposits from banking business	**549,360**	**100.0**	**557,248**	**100.0**	**-7,888**	**-1.4**

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

(*) Figures relating to investment certificates and other forms of funding included in the Balance sheet under “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. Specifically:
- as at 30 June 2022, this caption consisted of 7,649 million euro of certificates classified under “Financial liabilities held for trading” and 4,753 million euro of certificates (4,749 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- as at 31 December 2021, this caption consisted of 8,473 million euro of certificates classified under “Financial liabilities held for trading” and 3,674 million euro of certificates (3,670 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”.

Quarterly development
Direct deposits from banking business
(millions of euro)



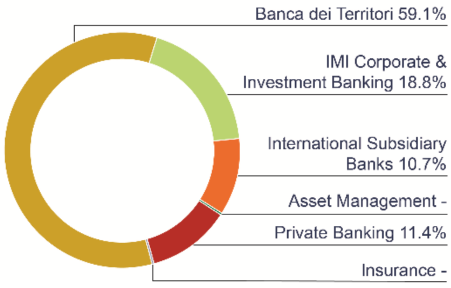
The Group's direct deposits from banking business came to over 549 billion euro, down year to date (-1.4%, or -7.9 billion euro).
The trend is mainly attributable to the reduction in bond funding (-7.6 billion euro) and savings certificates (-3.9 billion euro), which constitute a component of deposits. Against the decline in these more costly forms of funding, liquidity in deposits and other deposits was abundant. Other deposits benefited from margins from customers trading in derivatives, the values of which rose as a result of the rise in interest rates.
As at 30 June 2022, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented an estimated share of the domestic market of 22.2%. As described above with reference to loans, this estimate is based on the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Banca dei Territori	290,507	291,697	-1,190	-0.4
IMI Corporate & Investment Banking	92,522	94,844	-2,322	-2.4
International Subsidiary Banks	52,465	51,529	936	1.8
Private Banking	55,926	55,895	31	0.1
Asset Management	17	21	-4	-19.0
Insurance	-	-	-	-
Total business areas	**491,437**	**493,986**	**-2,549**	**-0.5**
Corporate Centre	57,923	63,262	-5,339	-8.4
Intesa Sanpaolo Group	**549,360**	**557,248**	**-7,888**	**-1.4**

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

Business areas
Direct deposits from banking business



In the analysis of funding by sector, the Banca dei Territori Division, which accounts for approximately 59% of the aggregate attributable to the Group's operating companies, came in slightly below the levels of the beginning of the year (-0.4%, or -1.2 billion euro), in view of the trend in securities issued and amounts due to businesses. The IMI Corporate & Investment Banking Division recorded a decline (-2.4%, or -2.3 billion euro), due mainly to the decrease in amounts due to international customers and financial institutions and the securities issued of the International Department. Conversely, International Subsidiary Banks recorded growth (+1.8%, or +0.9 billion euro), primarily due to the subsidiaries operating in Croatia, Slovenia and Slovakia. Private banking funding remained stable.
The decrease in Corporate Centre funding is attributable to the mass maturity of wholesale securities.

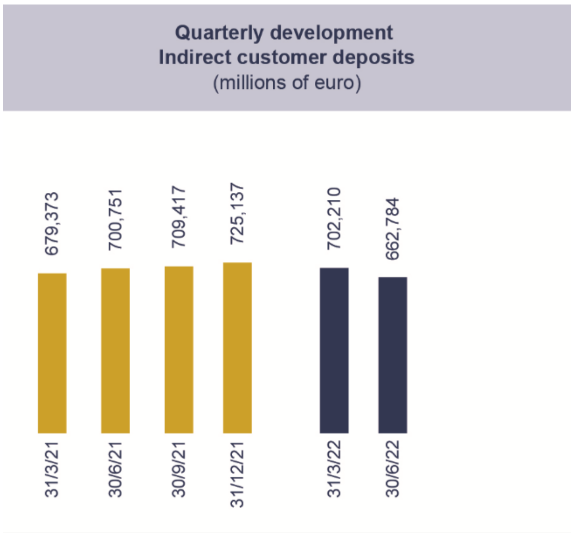
Indirect customer deposits

(millions of euro)

	30.06.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (a)	155,310	23.5	176,313	24.3	-21,003	-11.9
Open-ended pension funds and individual pension plans	11,653	1.8	12,585	1.8	-932	-7.4
Portfolio management	73,639	11.1	81,911	11.3	-8,272	-10.1
Technical reserves and financial liabilities of the insurance business	174,529	26.3	186,343	25.7	-11,814	-6.3
Relations with institutional customers	21,362	3.2	20,378	2.8	984	4.8
Assets under management	**436,493**	**65.9**	**477,530**	**65.9**	**-41,037**	**-8.6**
Assets under administration and in custody	**226,291**	**34.1**	**247,607**	**34.1**	**-21,316**	**-8.6**
Indirect customer deposits	**662,784**	**100.0**	**725,137**	**100.0**	**-62,353**	**-8.6**

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

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



As at 30 June 2022, indirect customer deposits amounted to around 663 billion euro, down by 8.6% year to date. This trend, conditioned by the negative financial market performance in the half-year, equally affected assets under management and assets under administration.
Assets under management, which at 436.5 billion euro accounted for two-thirds of the total aggregate, were down (-8.6% or -41 billion euro), over half of which was attributable to mutual funds (-21 billion euro), technical reserves and financial liabilities of the insurance business (-11.8 billion euro), portfolio management schemes (-8.3 billion euro), open pension funds and individual pension policies (-0.9 billion euro). Relations with institutional customers grew (+1 billion euro). In the first half of 2022, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 8.1 billion euro. Assets under administration decreased (-8.6%, or -21.3 billion euro), concentrated in securities and third-party products in custody.

Net interbank position

As at 30 June 2022, net interbank position came to a negative balance of 13.9 billion euro, higher than the approximately 3 billion euro recorded at the beginning of the year. The change reflects a significant reduction in due from banks (-14.5%), exceeding the decline in due to banks (-7.8%), influenced by the repayment of 17 billion euro made in June, which reduced the debt to the ECB for TLTRO operations to 115 billion euro.

INSURANCE BUSINESS

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

(millions of euro)

Type of financial instruments	Financial assets measured at fair value through profit or loss			Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39 (*)
	Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale			
Debt securities issued by Governments						
30.06.2022	110	3,552	59,920	-	**63,582**	X
31.12.2021	123	3,772	71,782	-	**75,677**	X
Changes amount	-13	-220	-11,862	-	**-12,095**	X
Changes %	-10.6	-5.8	-16.5	-	**-16.0**	X
Other debt securities						
30.06.2022	564	984	15,967	-	**17,515**	X
31.12.2021	668	1,021	16,758	-	**18,447**	X
Changes amount	-104	-37	-791		**-932**	X
Changes %	-15.6	-3.6	-4.7		**-5.1**	X
Equities						
30.06.2022	-	2,897	1,957	-	**4,854**	X
31.12.2021	-	3,510	2,262	-	**5,772**	X
Changes amount	-	-613	-305	-	**-918**	X
Changes %	-	-17.5	-13.5	-	**-15.9**	X
Quotas of UCI						
30.06.2022	141	80,171	13,122	-	**93,434**	X
31.12.2021	171	92,017	13,621	-	**105,809**	X
Changes amount	-30	-11,846	-499	-	**-12,375**	X
Changes %	-17.5	-12.9	-3.7	-	**-11.7**	X
Due from banks and loans to customers						
30.06.2022	-	1,054	-	80	**1,134**	X
31.12.2021	-	739	-	85	**824**	X
Changes amount	-	315	-	-5	**310**	X
Changes %	-	42.6	-	-5.9	**37.6**	X
Due to banks						
30.06.2022	X	X	X	X	**X**	-646 (**)
31.12.2021	X	X	X	X	**X**	-623 (**)
Changes amount	X	X	X	X	**X**	23
Changes %	X	X	X	X	**X**	3.7
Financial derivatives						
30.06.2022	198	-	-	-	**198**	-126 (***)
31.12.2021	356	-	-	-	**356**	-103 (***)
Changes amount	-158	-	-	-	**-158**	23
Changes %	-44.4	-	-	-	**-44.4**	22.3
Credit derivatives						
30.06.2022	-	-	-	-	**-**	- (***)
31.12.2021	-	-	-	-	**-**	- (***)
Changes amount	-	-	-	-	**-**	-
Changes %	-	-	-	-	**-**	-
TOTAL 30.06.2022	**1,013**	**88,658**	**90,966**	**80**	**180,717**	**-772**
TOTAL 31.12.2021	**1,318**	**101,059**	**104,423**	**85**	**206,885**	**-726**
Changes amount	**-305**	**-12,401**	**-13,457**	**-5**	**-26,168**	**46**
Changes %	**-23.1**	**-12.3**	**-12.9**	**-5.9**	**-12.6**	**6.3**

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

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

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

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

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39, summarised in the table above, amounted to 181 billion euro and 772 million euro, respectively. Financial assets decreased year-to-date (-12.6%, or -26.2 billion euro) as a result of the downtrend in financial assets available for sale (-12.9%, or -13.5 billion euro), markedly government debt securities, and in financial assets designated at fair value (-12.3%, or -12.4 billion euro), particularly quotas of UCI. Financial assets held for trading and hedging derivatives also declined, although the contribution was modest in extent (-23.1%).

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.06.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**74,328**	**41.1**	**84,667**	**41.4**	**-10,339**	**-12.2**
Index-linked products	*-*	*-*	*-*	*-*	*-*	*-*
Unit-linked products	*74,328*	*41.1*	*84,667*	*41.4*	*-10,339*	*-12.2*
Technical reserves	**104,809**	**58.0**	**118,296**	**57.8**	**-13,487**	**-11.4**
Life business	103,090	57.0	116,540	56.9	-13,450	-11.5
Mathematical reserves	*97,597*	*54.0*	*99,110*	*48.5*	*-1,513*	*-1.5*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*8,490*	*4.7*	*9,217*	*4.5*	*-727*	*-7.9*
Other reserves	*-2,997*	*-1.7*	*8,213*	*3.9*	*-11,210*	
Non-life business	1,719	1.0	1,756	0.9	-37	-2.1
Other insurance deposits (***)	**1,651**	**0.9**	**1,516**	**0.8**	**135**	**8.9**
Direct deposits from insurance business and technical reserves	**180,788**	**100.0**	**204,479**	**100.0**	**-23,691**	**-11.6**

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

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

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

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

Quarterly development
Direct deposits from insurance business and technical reserves
(millions of euro)

Direct deposits from insurance business were approximately 181 billion euro as at 30 June 2022, down (-11.6%, or -23.7 billion euro) compared to December 2021. The trend is attributable to both the decline in financial liabilities designated at fair value, consisting of unit-linked products (-12.2%, or -10.3 billion euro), and the decrease in technical reserves (-11.4%, or -13.5 billion euro), which represent amounts due to customers who have taken out traditional policies or policies with significant insurance risk, attributable to the life business, which make up almost all reserves. There was an increase in other insurance funding (+8.9%), which includes subordinated liabilities.

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 30 June 2022, assets held for sale amounted to 1.3 billion euro and the associated liabilities to 92 million euro. Assets held for sale at 30 June 2022 include the non-performing loan portfolios and single-name exposures of Intesa Sanpaolo, which will be sold as part of the Group's de-risking strategies in 2022. Overall, non-performing loans allocated to assets held for sale amounted to 1 billion euro net of adjustments.

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

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

(millions of euro)

	DEBT SECURITIES				LOANS
	BANKING GROUP			TOTAL (1)	
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss		
EU Countries	**30,639**	**33,928**	**-2,145**	**62,422**	**11,164**
Austria	685	321	40	1,046	-
Belgium	1,907	1,573	198	3,678	-
Bulgaria	-	-	-1	-1	-
Croatia	152	1,180	84	1,416	1,436
Cyprus	-	-	-	-	-
Czech Republic	-	-	-	-	-
Denmark	-	-	-4	-4	-
Estonia	-	-	-	-	-
Finland	279	-	-9	270	-
France	6,265	2,242	-375	8,132	33
Germany	367	824	50	1,241	-
Greece	-	180	54	234	-
Hungary	162	1,078	33	1,273	117
Ireland	586	373	-19	940	-
Italy	14,680	18,631	-2,450	30,861	9,140
Latvia	-	-	-	-	23
Lithuania	-	-	-	-	-
Luxembourg	462	704	247	1,413	-
Malta	-	-	-	-	-
The Netherlands	861	60	86	1,007	-
Poland	25	64	-	89	-
Portugal	389	977	-76	1,290	-
Romania	53	329	7	389	4
Slovakia	-	542	2	544	170
Slovenia	-	280	2	282	195
Spain	3,766	4,564	-14	8,316	46
Sweden	-	6	-	6	-
Non-EU Countries					
Albania	115	474	1	590	1
Egypt	228	1,528	-	1,756	467
Japan	-	2,346	-	2,346	-
Russia	-	55	-	55	-
Serbia	7	545	-	552	97
United Kingdom	-	126	10	136	-
U.S.A.	1,079	5,475	175	6,729	-

Management accounts

(1) Debt securities from insurance business (excluding securities in which gathered amounts are invested from insurance policies where the total risk is borne by the policyholders) relating to Italy amounted to 49,387 million euro.

As illustrated in the table, the Banking Group's exposure to Italian government securities at the end of the first half of 2022 totalled approximately 31 billion euro (31 billion euro at 31 December 2021), in addition to another 9 billion euro represented by loans, also largely unchanged compared to the end of 2021.

SHAREHOLDERS' EQUITY

As at 30 June 2022, the Group's shareholders' equity, including the net income for the period, came to 64,017 million euro, compared to the 63,775 million euro at the beginning of the year. The increase is to be attributed to equity instruments (+0.9 billion euro). The aggregate includes 2,354 million euro of net income accrued in the first half of the current year and reflects the cash payment of dividends in May.

Valuation reserves

(millions of euro)

	Reserve 31.12.2021	Change of the period	Reserve 30.06.2022
Financial assets designated at fair value through other comprehensive income (debt instruments)	-332	-1,089	-1,421
Financial assets designated at fair value through other comprehensive income (equities)	-147	-501	-648
Property and equipment	1,598	168	1,766
Foreign investment hedges	-	-8	-8
Cash flow hedges	-607	122	-485
Foreign exchange differences	-1,088	43	-1,045
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-77	190	113
Actuarial profits (losses) on defined benefit pension plans	-417	159	-258
Portion of the valuation reserves connected with investments carried at equity	53	19	72
Legally-required revaluations	308	3	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-709**	**-894**	**-1,603**
Valuation reserves pertaining to insurance companies	**476**	**-999**	**-523**

Bank valuation reserves were negative (-1,603 million euro) and worsening on 31 December 2021 (-709 million euro), primarily due to reserves on debt securities (-1,089 million euro) and reserves on equity instruments (-501 million euro). The valuation reserves of the insurance companies amounted to a negative 523 million euro, compared with a positive 476 million euro at the end of 2021.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	30.06.2022		31.12.2021
	IFRS 9 "Fully loaded"	IFRS 9 "Transitional"	IFRS 9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	40,566	41,321	47,247
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,207	7,207	6,264
TIER 1 CAPITAL	**47,773**	**48,528**	**53,511**
Tier 2 capital net of regulatory adjustments	9,064	8,317	8,941
TOTAL OWN FUNDS	**56,837**	**56,845**	**62,452**
Risk-weighted assets			
Credit and counterparty risks	285,109	284,714	288,691
Market and settlement risk	14,197	14,197	12,792
Operational risks	26,335	26,335	25,305
Other specific risks (a)	95	95	115
RISK-WEIGHTED ASSETS	**325,736**	**325,341**	**326,903**
% Capital ratios			
Common Equity Tier 1 capital ratio	12.5%	12.7%	14.5%
Tier 1 capital ratio	14.7%	14.9%	16.4%
Total capital ratio	17.4%	17.5%	19.1%

(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own Funds, risk-weighted assets and the capital ratios as at 30 June 2022 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.
The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is “fully loaded” only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.
Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to comply with, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.

Own funds

As at 30 June 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 56,845 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 56,837 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a “fully-loaded” basis) take account of the provisions of the 2019 Budget Act calling for the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs have been considered at 75% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.
In addition, the Group has not yet adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category, both introduced by the European Commission in Regulation (EU) 2020/873 of 24 June 2020.
Own funds also take into account the applicable amount, subject to deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 2019/630 of 17 April 2019.
As at 30 June 2022, own funds take account of the deduction following the authorisation from the ECB to purchase own shares for cancellation (buyback), as approved by the Shareholders' Meeting on 29 April 2022, for the amount of 3.4 billion euro.

For the purposes of calculating own funds as at 30 June 2022 the net income for the first half of the year was considered, less the related dividend - calculated considering a payout ratio of 70%, equal to that envisaged in the 2022-2025 Business Plan - and other foreseeable charges.

Risk-weighted assets

As at 30 June 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 325,341 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, risk-weighted assets stood at 325,736 million euro.

Common Equity Tier 1 Capital and risk-weighted assets as at 30 June 2022 take account of the impact of the application of the “Danish Compromise” (Art. 49.1 of Regulation (EU) 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios

On the basis of the foregoing, solvency ratios as at 30 June 2022, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 12.7%, a Tier 1 ratio of 14.9% and a total capital ratio of 17.5%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 30 June 2022 were as follows: a Common Equity ratio of 12.5%, a Tier 1 ratio of 14.7% and a Total capital ratio of 17.4%.

Finally, on 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB’s final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.91%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[33] requirements.

[33] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 30 June 2022 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first nine months of 2022).

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	30.06.2022	31.12.2021
Group Shareholders' equity	64,017	63,775
Minority interests	248	291
Shareholders' equity as per the Balance Sheet	**64,265**	**64,066**
Interim dividend (a)	-	1,399
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,207	-6,263
- Minority interests eligible for inclusion in AT1	-	-1
- Minority interests eligible for inclusion in T2	-	-1
- Ineligible minority interests on full phase-in	-248	-286
- Ineligible net income for the period (b)	-1,748	-3,031
- Treasury shares included under regulatory adjustments (c)	3,552	266
- Buyback of own shares (d)	-3,400	-
- Other ineligible components on full phase-in	-151	-194
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**55,063**	**55,955**
Regulatory adjustments (including transitional adjustments) (e)	**-13,742**	**-8,708**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**41,321**	**47,247**

(a) The Shareholders' Equity as per the Balance Sheet does not include the interim dividend paid on 24 November 2021 of 1,399 million euro (net of the amount not distributed in respect of own shares held at the record date, of around 2 million euro).

(b) Common Equity Tier 1 capital as at 30 June 2022 includes the net income for the first half of 2022, less the related dividend, calculated considering a payout of 70%, equal to that envisaged in the 2022-2025 Business Plan and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects).

(c) The amount as at 30 June 2022 includes, in addition to the book value of own shares, also the amounts for which the Group received authorisation for buyback.

(d) The amount as at 30 June 2022 refers to the sterilisation of the amount of the buyback of own shares, as per ECB authorisation of 24 June 2022.

(e) Adjustments for the transitional period as at 30 June 2022 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (25% in 2022) set to decrease progressively until 2022.

Breakdown of consolidated results by business area and geographical area

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

The Intesa Sanpaolo Group

Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (*)

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

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

Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary and if they are material. In particular, the restatement – as well as the allocation to the divisions, in the single Divisions of ISP, UBI Banca and the other entities of the former UBI Group, starting in the Half-yearly Report as at 30 June 2021 – regarded:

- Based on the "redetermined" figures approach described for the consolidated data, the exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated to the caption Income (loss) from discontinued operations of the Corporate Centre;
- the inclusion in the Insurance Division of the income statement (based on the "redetermined" figures approach described for the consolidated data) and balance sheet results of Assicurazioni Vita[34] (formerly Aviva Vita), Lombarda Vita[35] and Cargeas (net of the effects attributable to the branches object of disposal, as indicated in the comments on the consolidated income statement results), which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of 100% of the capital;
- the inclusion in the Private Banking Division, of the income statement and balance sheet results of the Reyl Group, which entered the line-by-line scope of consolidation in the second quarter of 2021 due to the finalisation of the acquisition of the majority shareholding by Fideuram Intesa Sanpaolo Private Banking, as well as the balance sheet results of the Luxembourg private bank Compagnie de Banque Privée Quilvest, which entered the scope of consolidation at the end of June 2022;
- the allocation of the income statement and balance sheet results of UBI Leasing to the divisions, following the merger by incorporation into the Parent Company in the second quarter of 2022;
- the reclassification from the caption Personnel expenses to the caption Net fee and commission income, of the charges relating to several incentive systems for employees of the Banca dei Territori Division and the Private Banking Division, where funded through fee and commission income generated based on deterministic quantification criteria correlated with that income, in line with the accounting treatment envisaged for the incentive systems for non-employee financial advisors.

[34] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.
[35] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2022 compared to the like-for-like comparison data, based on the "redetermined" figures approach described for the consolidated data.

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

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.06.2022	4,380	2,563	1,045	1,135	495	824	314	10,756
30.06.2021 (Redetermined figures)	4,408	2,501	967	1,182	633	821	149	10,661
% change	-0.6	2.5	8.1	-4.0	-21.8	0.4		0.9
Operating costs								
30.06.2022	-3,078	-665	-518	-427	-100	-176	-147	-5,111
30.06.2021 (Redetermined figures)	-3,182	-648	-506	-421	-105	-190	-190	-5,242
% change	-3.3	2.6	2.4	1.4	-4.8	-7.4	-22.6	-2.5
Operating margin								
30.06.2022	1,302	1,898	527	708	395	648	167	5,645
30.06.2021 (Redetermined figures)	1,226	1,853	461	761	528	631	-41	5,419
% change	6.2	2.4	14.3	-7.0	-25.2	2.7		4.2
Net income (loss)								
30.06.2022	656	404	166	514	302	437	-125	2,354
30.06.2021	326	1,247	251	631	376	439	-247	3,023
% change		-67.6	-33.9	-18.5	-19.7	-0.5	-49.4	-22.1

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.06.2022	254,916	153,210	39,820	14,607	308	-	8,788	471,649
31.12.2021	250,592	152,543	38,970	14,450	783	-	8,533	465,871
% change	1.7	0.4	2.2	1.1	-60.7	-	3.0	1.2
Direct deposits from banking business								
30.06.2022	290,507	92,522	52,465	55,926	17	-	57,923	549,360
31.12.2021	291,697	94,844	51,529	55,895	21	-	63,262	557,248
% change	-0.4	-2.4	1.8	0.1	-19.0	-	-8.4	-1.4
Risk-weighted assets								
30.06.2022	88,709	118,466	34,607	13,068	1,850	-	68,641	325,341
31.12.2021	93,821	112,719	34,403	11,617	1,836	-	72,507	326,903
% change	-5.4	5.1	0.6	12.5	0.8	-	-5.3	-0.5
Absorbed capital								
30.06.2022	7,620	10,202	3,681	1,148	188	4,439	4,143	31,421
31.12.2021	8,059	9,704	3,648	1,014	196	4,137	4,012	30,770
% change	-5.4	5.1	0.9	13.2	-4.1	7.3	3.3	2.1

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

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	1,938	1,964	-26	-1.3
Net fee and commission income	2,377	2,388	-11	-0.5
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	59	51	8	15.7
Other operating income (expenses)	6	5	1	20.0
Operating income	**4,380**	**4,408**	**-28**	**-0.6**
Personnel expenses	-1,672	-1,736	-64	-3.7
Other administrative expenses	-1,405	-1,443	-38	-2.6
Adjustments to property, equipment and intangible assets	-1	-3	-2	-66.7
Operating costs	**-3,078**	**-3,182**	**-104**	**-3.3**
Operating margin	**1,302**	**1,226**	**76**	**6.2**
Net adjustments to loans	-259	-666	-407	-61.1
Other net provisions and net impairment losses on other assets	-38	-24	14	58.3
Other income (expenses)	11	-	11	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,016**	**536**	**480**	**89.6**
Taxes on income	-333	-178	155	87.1
Charges (net of tax) for integration and exit incentives	-7	-16	-9	-56.3
Effect of purchase price allocation (net of tax)	-18	-15	3	20.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-2	-1	1	
Net income (loss)	**656**	**326**	**330**	

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Loans to customers	254,916	250,592	4,324	1.7
Direct deposits from banking business	290,507	291,697	-1,190	-0.4
Risk-weighted assets	88,709	93,821	-5,112	-5.4
Absorbed capital	7,620	8,059	-439	-5.4

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

Banca dei Territori's operating income was 4,380 million euro in the first half of 2022, amounting to around 41% of the Group's consolidated operating income, showing a slight decrease (-0.6%) on the same period of the previous year.
In detail, net interest income decreased by 1.3%, mainly due to the de-risking activities, which considerably reduced the stock of non-performing assets. Net fee and commission income was down slightly (-0.5%), specifically those deriving from the assets under management and bancassurance segments, impacted by the unfavourable market context, which exceeded the increase in fees on placements of certificates, as well as those of the component of collection and payment services of commercial banking, including electronic services, and loans and guarantees. Among the other revenue components, which also provide a marginal contribution to the Division's income, there was an increase both in profits (losses) on financial assets and liabilities designated at fair value (+8 million euro) and in other operating income (+1 million euro). Operating costs, equal to 3,078 million euro, were down by 3.3%, thanks to savings on personnel expenses, mainly attributable to the reduction of the workforce following negotiated exits and the containment of administrative expenses, mainly discretionary and relating to service costs in the real estate sector. As a result of the foregoing, the operating margin amounted to 1,302 million euro, up 6.2% on the same period of the previous year. Gross income rose to 1,016 million euro, compared to 536 million euro in the first half of 2021, benefiting from the release of general adjustments made in 2020 for future COVID-19 impacts, mainly on performing positions subject to moratoria. Lastly, after allocation to the Division of taxes of 333 million euro, charges for

integration of 7 million euro, the effects of purchase price allocation for 18 million euro and minority interests of 2 million euro, net income came to 656 million euro, a figure that doubled on 326 million euro in the same period of 2021.
In quarterly terms, the operating margin decreased on the first quarter of 2022, attributable to the increase in operating expenses, which more than offset the growth in revenues. Gross income and net income in the second quarter were also penalised by the elimination of the significant recoveries on loans of the previous quarter.

The balance sheet figures at the end of June 2022 showed slight growth in total intermediated volumes of loans and deposits from the beginning of the year (+0.6%). In detail, loans to customers, amounting to 254,916 million euro, reported an increase (+1.7%, equal to +4.3 billion euro), attributable to the positive trend in loans to individuals, mainly medium/long-term, and, to a lesser extent, businesses, including those operating in the agricultural and food sector. Direct deposits from banking business, equal to 290,507 million euro, amounted to levels slightly down from the beginning of the year (-0.4%, equal to -1.2 billion euro) in relation to the trend in securities issued as well as amounts due to businesses. The downturn in the latter was partly offset by the growth in deposits from individuals.

Business

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

Mission

To serve Retail, Exclusive, and Small and Medium Enterprise customers, including Agribusiness and non-profits, creating value through:
- widespread local coverage;
- focus on the characteristics of local markets, and the needs of customer segments serviced;
- development of service levels to customers using different channels in order to improve the efficiency of the commercial offering;
- development and management of products and services for the target customers, as well as of leasing, factoring and subsidised finance products for the Group in Italy;
- the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres and branches as points of reference for the Group at local level.

Organisational structure

Wealth Management & Protection Sales & Marketing; Digital Retail Sales & Marketing and SME Sales & Marketing Departments	Overseeing the Retail sector, which consists of the segments Individuals, Affluent and Retail Companies, the Exclusive sector (retail customers with high asset and wealth standing and complex financial needs) and the SME area (small businesses, businesses and top businesses with high complexity and potential for growth).
Agribusiness Department	Serving agriculture and agribusiness.
Impact Department	Aimed at developing the initiatives of Impact Bank and serving non-profit organisations.
Product companies	Banca 5: dedicated to proximity services through Mooney points of sale located throughout the country. Prestitalia: a financial intermediary operating in the Italian market of consumer credit, specialising in the salary-backed loans segment.

Distribution structure

Over 3,400 branches, including Retail and Business branches, distributed broadly throughout Italy, the Agribusiness branches dedicated to companies operating in agribusiness, and Impact branches dedicated to the non-profit sector. The territorial structure is divided into 14 Governance Centres: Agribusiness, Impact and 12 Regional Governance Centres. In the latter, (to favour the commercial focus and guarantee a better control of the service level) there are three Commercial Managers, specialised for "commercial territory" (Retail, Exclusive and SME), which report directly to the Regional Director and that coordinate around 300 commercial areas. In April the Isybank Department was established, as part of the strategic initiatives to develop the new Digital Bank, set out in the Business Plan, and the Digital Branch Department, to oversee commercial relations with customers via the telephone channel and other related channels (chat, video calls) and the remote offering.

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

Investment and Pension Funds

The advanced advisory paid service "Valore Insieme", launched in 2017, proposes an innovative global advisory model over all of the customer's assets, including real estate, also assisting customers in planning the transfer of wealth to their loved ones. In the first half of 2022, the range of the offering dedicated to customers benefiting from "Valore Insieme" was expanded, adding new external insurance funds from third parties and Eurizon to the "Patrimonio Pro$_{\text{Insurance}}$" policy and the new multimanager portfolio management "GP Multimanager Exclusive".
With the goal of assisting customers in transforming from savers to investors, products were conceived to meet the needs of customers interested in reducing their excess liquidity on current accounts, also by gradually entering the markets, always with a view to increased diversification of customers' portfolios. In that area, the Target Service was created on "Eurizon Next" funds, which allows for the automatic transfer of units initially invested in a highly conservative entry fund to one or more funds in the range with greater diversification, to allow for a gradual entry in the markets. The offering of assets under management was expanded with the funds "Eurizon Step 50 Futuro Sostenibile ESG", "Epsilon STEP 30 Megatrend ESG", "Eurizon Step 70 PIR Italia", "Epsilon Difesa 100 Azioni ESG", "Eurizon Equity Circular Economy" and "Imprese Difesa 100 ESG", a fund dedicated to SMEs. Among insurance-based investment products, the innovative internal fund aimed at containing volatility "Crescita Guidata" of the "Valore Pro$_{\text{Insurance}}$" policy was proposed, as well as the internal fund with gradual entry in the markets "Sviluppo nel Tempo 40" of the "Prospettiva Sostenibile" policy. The multi-line policy "Patrimonio Stabilità$_{\text{Insurance}}$" was also created, which allows customers to choose the combination most in line with their financial profiles, due to a Class I guarantee component and a selection of 9 Class III internal funds. The placement of certificates also continued, with a range differentiated in terms of type of structure, protection, time horizon and currency.
For the purpose of improving the efficiency and quality of advice on investments for individuals, the network can use the new Robo4Advisor to generate investment advice to support the advisors' consulting activities on an initial range of products (funds, financial policies and certificates).

Mortgages

Following the sharp increase in market rates (IRS), with the resulting effects on the rates of Domus Mortgage loans, which are primarily fixed-rate, Intesa Sanpaolo offered a valid, competitive alternative: floating-rate mortgages with caps. This solution is particularly suited to customers who intend to benefit from the current favourable value of the Euribor, availing of a floating rate that is lower than the current levels of fixed rates, while protecting themselves from any future increases in the benchmark due to the presence of a capped rate set on disbursement of the mortgage. The floating-rate mortgage with cap envisages that for the selected period – half or the entire duration of the plan - the interest rate can never exceed the maximum set by contract. The offering of loans in the "Green" range also continued, with dedicated interest rate conditions for those purchasing properties with high energy efficiency (class ≥ B) or renovating properties in order to increase their energy efficiency.

Protection and Welfare

"XME Protezione" is a flexible multi-guarantee solution that allows customers to purchase insurance coverage (modules) in the areas they need, relating to the home and family. In May, the health offering "XME Protezione" was enriched with a new module dedicated to dental health, which provides the insured, in the event of illness or injury, with the direct payment of benefits or the payment of an indemnity for dental, implant, prosthetic or orthodontic treatment. In the area of developing insurance coverage for the business world, the promotion "Speciale Infortuni" was activated, dedicated to the Polizza Collettiva Infortuni for business customers, which provides for a 20% discount on the first year of the total policy premium.

Young people

Intesa Sanpaolo continues to bring young people closer to the banking world through personalised, free solutions, such as "XME Conto UP!", a current account for children under the age of 18, and "XME Conto under 35". As regards mortgages, in order to strengthen its positioning in relation to young people, in accordance with the purposes of Law Decree no. 73/2021 ("Sostegni Bis"), extended to December 2022, the Bank further decreased the costs of its "Mutuo Giovani", raising the maximum age to 35 years and 11 months, with the Bank bearing the substitute tax also for customers with ISEE (Equivalent Financial Situation Index) higher than 40,000 euro. For the offering of mortgages guaranteed by the Primary Residence Guarantee Fund, the Bank eliminated the preliminary and instalment collection fees, and provided highly competitive interest rates including, from the end of June, floating rates with a cap. The "Giovani e Lavoro" project continued. This project supports the employment of young people aged 18 to 29, offering targeted training, free of charge, both for young people and for the participating businesses, favouring the effective matching of labour demand and supply. With the "Generation4Universities" project, the focus moves to young university students, providing a training course at partner companies, which, when completed, offer internship opportunities to the participants. Intesa Sanpaolo is a partner of the Carta Giovani Nazionale (Italian Youth Card), the initiative promoted by the Presidency of the Council of Ministers - Youth Policy and Universal Civil Service Department, which is targeted to Italian and European young people resident in Italy, aged 18 to 35, reserving special conditions on its products and services.

Transactional products and digital payments

To support the increased use of cards and digital payments, the promotional initiatives dedicated to transactional products continued, such as the option for "Valore Insieme" customers who signed up for the "Exclusive Package" to receive the no-fee "Exclusive Credit Card". In addition to being a payment instrument, the "Exclusive Credit Card" can be used to access a wide range of exclusive services and benefits, travel and pet insurance coverage free of charge, and preferential treatment at Hub branches and online. Intesa Sanpaolo is the first bank in Europe that activated Huawei Pay for PagoBancomat cards, through the Huawei Wallet App, in July, thus expanding the offering for retail customers and supporting the plan to develop the national network.

Also for Business customers, promotions on POS continued. Since 30 June 2022 these became mandatory for all merchants and independent professionals, in addition to enabling the Instant Issuing service also for commercial cards, which allows the digital card to be used immediately after its purchase, thus without having to wait for the physical card.

Multichannel Project

In the first half of 2022, the development of multi-channel and digital banking continued, with the introduction of new multi-channel customer journeys and the expansion of those available, to improve the offering and the customer experience, increasing the remote usability of the services offered by the digital channels. Almost all the products in the retail catalogue, including current accounts, credit, debit and prepaid cards, including customised cards, personal loans, the "ViaggiaConMe" policy and non-banking products, such as smartphones, tablets and PCs, can be purchased via Internet Banking and/or the App.
On 28 February the option was activated for users to open an administered deposit or update their MIFID Questionnaire fully autonomously, using the Intesa Sanpaolo Mobile App or Internet Banking. The US research company Forrester Research judged the Intesa Sanpaolo Mobile App as the "Overall Digital Experience Leader", the absolute leader among all banking apps assessed in Europe, the Middle East and Africa, with the best functionalities and customer experience. The development of digitisation of business customers continued with the new version of the Inbiz App, which allows for the mobile signature of digital contracts and the execution of new types of payment. Specifically, postal payment slips - both blank and pre-filled, and CBILL/PagoPA slips for payments to the public administration can be launched. For the latter, the details can be filled out simply by scanning the QR-code printed on the bill. A new digital platform, "Incent Now", fruit of the partnership with Deloitte, is available free of charge for corporate and public entity customers, as well as for the sales network, to use the funds of Italy's National Recovery and Resilience Plan (NRRP). In April the Digital Branch Department was created, to oversee commercial relations with customers via the telephone channel and other related channels (chat, video calls) and the remote offering.

Agreements

At the beginning of 2022, in combination with the 500 million euro allocated to the Bonus Turismo of the NRRP (due to Law Decree no. 152 of 2021), Intesa Sanpaolo raised the funds for the tourism sector to 1.2 billion euro, through specific solutions aimed at maximising the effectiveness of public incentives: assignment of tax credits and short- and long-term financing. This is the backdrop for the agreement reached with the trade associations Confindustria Alberghi, Federalberghi and Federterme to boost investment in the sector. The agreement with Confcommercio was also renewed, and the "Rimborso commissioni micropagamenti" (refund of fees on micro-payments) was extended also to 2022, which ensures no fees on transactions of up to 10 euro carried out on fixed and mobile POS using Visa, Mastercard, PagoBancomat and Maestro cards. Moreover, the agreements with the Confindustria member associations UCIMU and SMI - Sistema Moda Italia were renewed and expanded. These agreements aim to facilitate access to the financial and advisory instruments of Motore Italia, the strategic programme with a ceiling of 50 billion euro activated in 2021 to allow small and medium-sized enterprises to relaunch through development projects and new credit, and to achieve the targets of the NRRP. Following the local agreements signed in 2021 to establish the ESG Workshops of Brescia and Padua, in 2022 the Venice agreement was signed (ISP, ISPIC, Fondazione di Venezia, Autorità di Sistema Portuale del Mare Adriatico, Fondazione Friuli, Fondazione Cassa di Risparmio di Gorizia and Fondazione Cini).

Loans

During the first half, the initiatives linked to the afore-mentioned Motore Italia programme continued, offering solutions for liquidity and investment in the sustainable digital transition, in line with the targets of the NRRP. To favour the technological and digital transformation of companies, the Ministry of Economic Development allocated the "Investimenti Sostenibili 4.0" incentive for 678 million euro and Intesa Sanpaolo introduced support solutions such as loans to advance non-repayable contributions and MLT financing.
Intesa Sanpaolo's commitment to promote gender equality and the role of women comprises a series of initiatives to expand the offering to support women entrepreneurs by offering dedicated financial solutions such as "S-Loan Diversity", to support businesses in promoting women in the socio-economic context and the "Finanziamento Business Gemma", to aid in ensuring a work-life balance. With reference to the tax bonuses for construction, significant process simplifications and digital innovations were introduced to guarantee a more efficient, intuitive and timely service in the process of certification and assignment of the receivable. In line with the Business Plan, which focuses on a considerable commitment in ESG, the innovating S-Loan offering was renewed. This provides a beneficial interest rate on the loan, based on the company's commitment to generate a positive impact on the environment, society or good governance: since March 2022 a discount has been granted immediately on signing up for the loan, and a second discount at the time of verification of the ESG KPIs to which the company has committed. This change applies to all five lines of S-Loans: ESG, Diversity, Climate Change, Tourism and Agribusiness. Moreover, due to the energy crisis, Intesa Sanpaolo implemented various initiatives to assist companies in dealing with this new emergency: the initiative of working capital for energy costs was created, to allow companies to spread the cost of energy bills for the first half of 2022 over 18 months, paying the first deferred instalment at 6 months and the remaining 11 on a monthly basis, thus deferring by 6 months the start of payment, with and without guarantees from the Guarantee Fund for SMEs. Moreover, new immediate financial measures were provided to support energy-intensive SMEs and those with turnover mostly deriving from exports, especially to Russia and Ukraine.

Sviluppo Filiere

The "Programma Filiere", an innovative form of credit launched by Intesa Sanpaolo to favour access to credit for suppliers by taking advantage of their role in the production chain, was enriched with new commercial offerings targeted to lead companies belonging to the Agribusiness, Logistics/Transport and Healthcare System sectors. As part of the Sviluppo Filiere Programme, the Bank decided to develop offerings dedicated to the sectors that felt the greatest impact of the NRRP, containing products and services to support the specific characteristics of the various businesses, also with regard to ESG and digitalisation.

Agribusiness Department

The Agribusiness Department, Intesa Sanpaolo Group’s centre of excellence for agriculture and agrifood sectors, aims to promote the link with local areas and tap the potential of one of Italy’s most important production sectors: in agrifood, Italy is in third place in terms of added value among large European countries. The Department avails of 223 branches located throughout Italy, containing specialists, concentrated in the most agricultural areas of the country, at the service of around 80 thousand customers. The Agribusiness Department positions itself as the main qualified interlocutor to assist operators in all phases of development, and to support investments to promote new business projects, with specific attention to the criteria of sustainability and the circular economy. The work of the Department contributed to defining important agreements: in March, Intesa Sanpaolo and the Federazione Nazionale Agroalimentare (Agrocepi) signed a memorandum of understanding to offer all of the members support solutions for the recovery and growth of the agrifood sector. In June the agreement with Coldiretti was renewed, and a significant limit of 3 billion euro in loans was provided to member companies to assist them in the process of transforming into the future of Italian agriculture, in line with the public initiatives and, specifically, the first tenders under the NRRP dedicated to the agricultural sector. Moreover, a new agreement was signed with the Consorzio Tutela del Grana Padano DOP to increase access to credit for companies in the dairy supply chain. Due to the success of the revolving pledge, several changes were introduced, ranging from expanding the loans that may be backed by this guarantee to expanding the family of agrifood products that can be pledged.

Impact Department

The Impact Department is dedicated to managing non-profit customers and coordinating the activation and management of the Fund for Impact, with a value of 300 million euro, which disburses loans of up to 1.5 billion euro to those with a good plan for life and for work who cannot access ordinary credit. The initiatives supported by the fund will also be assessed in terms of social impact generated. To acquire new customers, various initiatives were activated, with joint “Conto-POS” Welcome Packs offered various solutions, alternative to each other, based on the customers’ operating requirements. Moreover, the RIM (Impact Detector) is active from this year. It is a digital qualitative and quantitative questionnaire that Impact managers will route to their lay and religious non-profit customers to measure the social impact and positive effects generated by the loans granted by the branches dedicated to the economy of the common good. Thanks to RIM, it will be possible to process the “social impact outputs” that the organisation presumes it will generate due to the loan obtained. Lastly, the sixth annual national tender for start-ups with social purposes - “Welfare, che impresa!” - began in mid-March, promoted by Intesa Sanpaolo, as well as by Fondazione Italiana Accenture, Fondazione Bracco, Fondazione Snam and Fondazione Vismara. The tender rewards the best business projects for community welfare promoted by non-profit organisations capable of producing benefits in terms of local development, especially in the sectors of community welfare, regeneration of assets and landscape, improvement of internal areas, environmental sustainability and circular economy, as well as social agriculture. The Impact Department offers the winning organisations a loan with favourable terms (subject to the bank’s assessment of creditworthiness) of up to 50,000 euro and a current account at favourable conditions for 36 months, which includes a debit card with no monthly fee.

Product companies

In 2019, **Banca 5** and SisalPay set up a newco, named Mooney, with the objective of offering banking products and payment and transactional services at over 40,000 merchants located throughout the entire country. The network, which has been fully operational since the beginning of 2020, adds to the offering of products and services of Banca 5 and SisalPay. At the end of 2021, through its subsidiary Banca 5, Intesa Sanpaolo and Enel, through its subsidiary Enel X, signed an agreement to acquire 70% of the share capital of Mooney Group from CVC Capital Partners. During the first half of 2022, the activities continued to prepare for the finalisation of the operation, which occurred in mid-July. Specifically, as indicated in the opening chapter of this Report, after obtaining the required authorisations, Enel X acquired 50% of the capital of Mooney, while Banca 5, which already held 30%, increased its investment to 50%. Thanks to the partnership between Intesa Sanpaolo and Enel, Mooney will accelerate its growth and development in the sector of proximity services, digital payments, mobility and energy services.
As at 30 June 2022, Mooney had around 45,800 points of sale throughout Italy, of which around 40,000 licensed to offer banking services, including withdrawals and credit transfers (reserved to customers of Intesa Sanpaolo).

Prestitalia is the “product company" of the Intesa Sanpaolo Group for salary-backed loans and advances on employee termination indemnities. A financial company that operates in the consumer credit market, highly specialised in salary-backed loans, it is one of the leading operators in the sector, with an average stock of around 2 billion euro. As at 30 June, it disbursed loans totalling almost 400 million euro through over 19,100 applications finalised.
The range of products includes” XME Prestito Pensionati INPS”, “XME Anticipo TFS” (a product reserved to former government employees interested in using all or part of their severance indemnity without waiting the long time periods typical of the public authorities) and “XME Prestito Cessione del Quinto”, which offers a solution for government employees as well as one reserved for private sector employees.
During the first half of 2022, the process of streamlining the Network of Agents began, with the voluntary integration within Prestitalia of workers from Agents4You (85 operational to date). The objective of synergy, as well as developing business linked to the salary-backed loans product, is to expand the commercial offering, expanding the catalogue to include certain products such as protection and payment services, and to favour the acquisition of new customers.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	968	1,104	-136	-12.3
Net fee and commission income	569	556	13	2.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	1,027	840	187	22.3
Other operating income (expenses)	-1	1	-2	
Operating income	**2,563**	**2,501**	**62**	**2.5**
Personnel expenses	-235	-234	1	0.4
Other administrative expenses	-421	-403	18	4.5
Adjustments to property, equipment and intangible assets	-9	-11	-2	-18.2
Operating costs	**-665**	**-648**	**17**	**2.6**
Operating margin	**1,898**	**1,853**	**45**	**2.4**
Net adjustments to loans	-1,072	-55	1,017	
Other net provisions and net impairment losses on other assets	-59	2	-61	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**767**	**1,800**	**-1,033**	**-57.4**
Taxes on income	-353	-563	-210	-37.3
Charges (net of tax) for integration and exit incentives	-10	-10	-	-
Effect of purchase price allocation (net of tax)	-	20	-20	
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**404**	**1,247**	**-843**	**-67.6**

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Loans to customers	153,210	152,543	667	0.4
Direct deposits from banking business (a)	92,522	94,844	-2,322	-2.4
Risk-weighted assets	118,466	112,719	5,747	5.1
Absorbed capital	10,202	9,704	498	5.1

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

(a) The item includes certificates.

In the first half of 2022, the **IMI Corporate & Investment Banking Division** recorded operating income of 2,563 million euro (representing around 24% of the Group's consolidated total), up 2.5% compared to the same period of last year.
In detail, net interest income, equal to 968 million euro, decreased by 12.3%, due to the reduction in income on customer dealing and the decreased contribution of the Global Markets securities portfolio. Net fee and commission income, amounting to 569 million euro, increased by 2.3%, due to the performance of the commercial banking and structured finance segments, which offset lower fee and commission income from investment banking. Profits (Losses) on financial assets and liabilities designated at fair value, equal to 1,027 million euro, grew significantly (+187 million euro; +22.3%), benefiting from higher income linked to the trading portfolio and transactions in certificates, including the positive impact of the debt value adjustment (DVA). Operating costs amounted to 665 million euro, an increase of 2.6%, essentially attributable to administrative expenses. As a result of the above revenue and cost trends, the operating margin increased by 2.4% compared to the value recorded in the first half of last year, amounting to 1,898 million euro. Gross income, equal to 767 million euro, recorded a sharp decrease (-57.4%) due to the significant value adjustments posted in relation to the events regarding Russia and Ukraine. Finally, net income came to 404 million euro (-67.6%).
The IMI Corporate & Investment Banking Division saw a significant decrease in the operating margin in the second quarter of 2022 compared to the first, mainly due to lower revenue from financial assets and liabilities designated at fair value, which were impacted by lower earnings from HTC and HTCS securities. Conversely, gross income and net income were positively impacted by lower adjustments to loans on positions exposed to the Russia – Ukraine conflict compared to the previous quarter.

The Division's intermediated volumes decreased slightly compared to the beginning of the year (-0.7%). In detail, loans to customers of 153,210 million euro increased slightly (+0.4%), mainly due to increased operations with global corporate customers, essentially short-term, and financial institutions, which more than offset the reduction in medium/long-term loans for structured finance transactions. Direct deposits from banking business of 92,522 million euro decreased by 2.3 billion euro (-2.4%) due to the decrease in amounts due to international customers and financial institutions and securities issued by the International Department.

Business

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

Mission

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

Organisational structure

Global Corporate Department

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

International Department

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

Global Banking & Sovereign Institutions Department

The Department is responsible for commercial relationships with financial institutions on domestic and international markets, with a dedicated service model organised by customer segment (i.e., Banks, Insurance Companies, Asset Managers, Financial Sponsors, Sovereign Funds and Governments).
Commercial development activity, which is particularly diversified and innovative, takes the form of proposing integrated solutions that facilitate the cross-selling of Capital Markets, Investment Banking, Commercial Banking and Transaction Banking products.

Global Transaction Banking Department

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

Global Markets & Investment Banking

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

Distribution structure

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

Global Corporate Department

In the first half of 2022, the Global Corporate Department confirmed its role as strategic and financial partner to its Italian and international customers, supporting them by organising and participating in a number of financing and investment banking transactions, thanks to its specialised expertise linked to the Industry model and the origination ability of two teams dedicated to developing strategic investment banking and structured finance operations.
During the half year, the measures continued to support corporate customers to manage the economic and financial consequences of the health emergency and the new geopolitical scenario. The Bank intends to continue to play an active role in supporting the revival of the Italian economy, supporting the National Recovery and Resilience Plan, including through development of its production chains, an indispensable driver for Italy and the heart of its economic and productive system.
The Group participated in numerous syndicated loans, including those in favour of Alstom, Athenahealth, Fabbrica Italiana Sintetici, Axpo Holding, Open Fiber, UPL, De Nora, HeidelbergCement, Saipem, IP, Saras and CityFibre. In the first half of 2022, the Department strengthened its coverage on ESG issues, with dedicated resources to offer the best service and support to customers in their sustainability strategies and energy transitions, by offering financial instruments. Due to its specialised expertise on ESG issues, the Group participated in various syndicated loans, including those in favour of Enel, Teva Pharmaceutical Industries, OVS, El Corte Ingles, Telefonica, Marcegaglia and Pirelli. Numerous bilateral ESG loans were concluded, including those for Iren and Came. Attention should also be drawn to support for acquisition financing in important transactions completed during the half year, such as the acquisition of Acciai Speciali Terni by Arvedi and of a share of Pluto Train 2 by Global Infrastructure Partners. The Bank participated in project financing transactions, including the financing of Open Fiber, Milione, Dunas Transmissao de Energia, Doral and Green Arrow. Regarding M&A, the Group acted, *inter alia,* as financial advisor in the acquisitions of a portfolio of photovoltaic plants of NextEnergy Capital by Tages Capital and a majority share of a portfolio of photovoltaic plants of Acea by Equitix. In debt capital markets operations, the Bank acted as Bookrunner in numerous issues, including APRR, Carnival, Cellnex, Fabbrica Italiana Sintetici, Ford Motor Credit, General Motors Financial, Keurig Dr Pepper, RCI Banque, Stellantis and TotalEnergies and as Placement Agents in the second issue ever of Alia Servizi Ambientali. It also successfully completed the placement of “green” bonds, including those issued by A2A (acting as Global Coordinator), Hera, Iberdrola, Suez, Terna (hybrid) and Volkswagen, as well as of “sustainability-linked” bonds, including those issued by A2A, ENEL, Snam and Webuild (in the latter case, also acting as ESG Structuring Advisor).
In the Equity Capital Markets business, the Bank acted, moreover, as Sponsor for the listing of Iveco Group on the Euronext Milan, as part of the spin-off from CNH Industrial, and as Coordinating Broker of the takeover bid on shares and dealer manager for the purchase of convertible bonds in the acquisition of Falck Renewables by Infrastructure Investments Fund.

International Department

During the first half, the Department, in agreement with other functions of the Parent Company, followed and still follows with the utmost attention the political and economic situation created as a result of the breakout of war in Ukraine, to limit the impacts of the crisis on the international network, also in light of the series of increasingly harsh international sanctions.
The International Department also continued providing its support in monitoring the evolution of the COVID-19 emergency on the entire international network of the IMI Corporate & Investment Banking Division, both in the areas where the pandemic has shown signs of declining and in the areas where, instead, the effects worsened.
The international business development project “Accelerate” continued, extended also to Global Transaction Banking products, for which the specific initiative “Horizon” became operational.
In line with the strategies presented to the market in the 2022-2025 Business Plan, greater emphasis and attention is focused on initiatives and counterparties operating in the ESG area, also to support international customers with greater awareness of those issues, to confirm Intesa Sanpaolo’s position among the main global players offering ESG-driven products and services.
The structure of the new European Hub, based in Milan, which oversees the operations of the Intesa Sanpaolo branches in the European Union (Frankfurt, Madrid, Paris and Warsaw) was completed through the transfer of the Amsterdam branch of Intesa Sanpaolo Bank Luxembourg to Intesa Sanpaolo, effective in January 2022.
The Division’s current international network is present in 25 countries through 16 wholesale branches, 9 representative offices (in addition to the Brussels office at Group level, reporting to European Regulatory & Public Affairs and in charge of managing relations with supranational regulators), 4 corporate banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil S.A. and Banca Intesa - Russia), in addition to Intesa Sanpaolo IMI Securities Corporation in New York.

Global Banking & Sovereign Institutions Department

In a particularly complex, extraordinary market scenario, the Department continued to assist its customers in important operating and extraordinary finance deals, confirming the sharp growth trend in operations and results. In the domestic and international banking sectors, the Group continued to provide advice, arranging and financing in transactions to optimise and strengthen capital structure, both on the equity and debt markets, as well as in the refinancing and sale of performing and problem assets. Among others, as regards the Italian market, we note the roles of Sole Financial Advisor in the tender offer of Sparkasse on Civibank, Joint Bookrunner in two BPER issues - "SNP" and "T2", and Arranger in the state-guaranteed (GACS) securitisation of ICCREA. On the international markets, the Group acted as Joint Lead Manager and Active Bookrunner in the multi-tranche issue of Toronto Dominion Bank and Joint Bookrunner in the senior non-preferred issue of BBVA and participated in numerous issues in USD, EUR and GBP for leading global banking groups including HSBC, DB, UBS, BNP, CACIB, Goldman Sachs, JP Morgan and Citi. Commercial banking activities to support central securities deposits such as Euroclear and Clearstream continued, providing guarantees and revolving credit lines for typical operations also in highly critical market situations

Operations with non-bank financial institutions and governments continued to achieve highly positive results, due to effective positioning on customers and a product mix in line with the current market context. Within this framework, important business continued with government customers, committed to managing the new debt deriving from measures in support of the economy, in a post-pandemic scenario marked by geopolitical instability. Of note are the roles on behalf of the Ministry of the Economy and Finance in the placement of BTP (specifically the new BTP Italia, the new 30-year BTP and the new CCTEU maturing in October 2030) and, internationally, loans dedicated to government entities in the Middle East. The support to banking foundations and the growing dialogue with the main pension funds also continued, with specific regard to investment activities, capital markets and risk management. Also of note is the financial support provided, often in partnership with several of the leading international investors of private assets, to direct lending platforms in Italy (Credimi and Opym) and abroad (Funding Circle and Nucleus). Moreover, subscription facility activities continued to be developed, such as the operations with Apollo and Tristan Capital, which contributed to increasing the Bank's visibility in the context of asset-based financing with the leading international asset managers, with which NAV financing operations are also being developed. The measures to support the real economy were also consolidated, including by providing financial support to the leading Italian consumer credit operators, specifically Agos and Compass. In the real estate sector, the oversight of Italian and foreign institutional investors continued, with a focus on transactions respecting ESG issues and innovation in the real estate field was confirmed, both with regard to income-generating investments and selected urban regeneration projects. In that area, as Mandated Lead Arranger, the Group structured a sustainability–linked loan to support the initial phase of redevelopment of the railway station of Porta Romana in Milan, promoted by Coima SGR, the loan to support the redevelopment project of the Genoa waterfront, promoted by Orion Capital Managers, and various redevelopment works in the student housing and private rented sector asset classes promoted by international operators through Italian real estate funds. Internationally, there was intense origination aimed, among other things, at accrediting Intesa Sanpaolo as the bank of reference for leading real estate operators in the transition from secured debt structures to unsecured debt structures, also through the issue of listed bonds. Lastly, we note the effective collaboration with the Private Banking Division, which showed important initial results, including, specifically, the Technoprobe and Generalfinance IPOs.

Transactions with financial institutions on emerging markets continued to be managed consistently with the reference context, taking account of the implications of interest rate increases on the countries' growth outlook and the creditworthiness of the financial institutions that are our counterparties, with a selective strategy focused on risk management. The pivotal role of the Bank's support to exports and commercial operations of its industrial and financial customers was confirmed, with the assumption of risk concentrated mainly in Africa, Asia and Latin America, while the activities performed in the countries of the former CIS (Community of Independent States) area were impacted by the conflict in Ukraine. With regard to Structured Deals, the extreme volatility of commodities prices, even in relation to a general increase in such prices, had a negative impact on the development of new operations, while several operations already under way were subject to early repayment. It is important to note the utmost attention the Bank dedicates to managing operations being executed with Russian counterparties, both in commodities financing and in buyers credit. Instead, lending for supply chain financing remains significant, especially at the New York branch, but is gradually increasing in the rest of Europe and in Asia.

As regards activities linked to Private Equity funds, the Group recorded a large number of operations concluded with its customers in the reference period, in a scenario where the changed conditions of the financial markets partially slowed the origination of transactions based on bond instruments, while on generally domestic operations in the mid-market segment, there are currently no significant impacts compared to the positive trend recorded at the end of last year. In the Italian market, as part of the mandatory takeover bid launched by Investindustrial on La Doria, a leading company in the food sector, the Bank held the roles of Sole Financial Advisor, MLA, Global Coordinator and ESG Coordinator of the acquisition financing. It also acted as MLA and Bookrunner in the acquisition financing to support Cobepa's acquisition of Salice, a leader in the production of components of closing systems for the furniture sector. On the international markets, where the Group continued to consolidate its presence, it acted as Joint Lead Arranger and Joint Bookrunner in the acquisition of Athenahealth, a leader on the American market of technology services for the healthcare sector, by Bain Capital and Hellmann & Friedman and held the roles of Joint Lead Arranger and Bookrunner in the loan for the acquisition of McAfee, a US company operating in cyber security at global level, by Advent International, Permira and Crosspoint Capital. In the area of Fund Financing, the business continued to be consolidated, above all at international level, with vibrant growth in volumes and transactions, including the pool loan to the Permira VIII fund, in which the Bank participated as MLA, and the pool loan for the Umbrella Facility of Advent, targeted to five funds of Advent now operational.

With regard to Sovereign Wealth Funds and Pension Funds, despite the gradual slowdown of the economy worldwide, the Group further strengthened its relations with the leading international players in the sector and with new funds (Khazanah, Aware Super and Australian Super), participating in numerous operations in their reference sectors, especially Energy, Infra and TMT, in all main global geographic areas. Among loans to sovereign funds, we note the renewal of participation (as MLA) in the syndicated loan to PIF, the largest lending operation to a sovereign fund realised to date, and the role of Joint Bookrunner to support the Mubadala fund in issuing its own bonds. Intesa Sanpaolo also participated, with leading roles as Underwriter, MLA and Bookrunner, in the loans for the acquisition of a stake in Cetin (telecommunications infrastructure) by

GIC and the acquisition of the energy operator Spark Infrastructure by a consortium formed by KKR, OTPP and PSP. Lastly, we also note the transactions carried out with the subsidiaries of sovereign funds, such as the refinancing of the water company Yorkshire Water/Kelda (GIC), the refinancing of Deutsche Glasfaser (OMERS), a company that develops fibre optic lines in Germany, and the refinancing of Società Gasdotti Italia (OTPP and SLAM). Those transactions join a portfolio of transactions that, over the last few years, have reached an amount that positions the Group as a qualified and recognised operator in the global Sovereign Wealth Funds and Pension Funds market.

Global Transaction Banking Department

During the first half of 2022, the Global Transaction Banking Department assisted both SMEs and international corporates in conducting their business - in compliance with the regulations in force - during the period of extreme geopolitical crisis that took shape at the beginning of the year. In that context, the Department supported the units identified within the Parent Company to manage the task force created at the time of the geopolitical crisis, to handle aspects linked to trade finance transactions under way and payments.

The Department also launched the programmes linked to the 2022-2025 Business Plan, regarding the initiatives under its responsibility, to strengthen the international value proposition - also due to the decision to enter into partnerships with third parties, and through an ever increasing drive towards product and process innovation - and support advisory services to customers through its network of specialists in payment solutions, cash management and trade finance. Specifically, all the initiatives were launched to expand the international offering of cash management and trade finance, as well as the revision of the operating model, to streamline delivery times in response to customer needs. The establishment of the partnership with Kyriba also continued, on supply chain aspects and company cash management.

The ongoing digitalisation process of portfolio of services continued, through the integration of new solutions in the corporate banking portal, Inbiz, to provide value added solutions for treasury management, as well as to support import/export.

Global Markets & Investment Banking

The uncertainties due to the Russia-Ukraine war and trend in inflation, mainly generated in the energy sector, lead the Central Banks to apply monetary policies that are no longer accommodating. As a result, the first half of 2022 featured a sharp wave of volatility and reduced liquidity on the markets, which spread to all asset classes, harshly impacting the risk appetite of investors and, as a result, their portfolio allocation preferences.

With regard to the Global Market Securities area, flows on currency markets grew, mainly due to the increases in the spreads on interest rates between countries, following the actions by their respective central banks. The Agriculture and Energy segments saw new shortages, renewing customers' interest also in these areas. Harsh spikes in interest rates and the uncertainty on the performance of the economy led operators to revise their investment choices, in some cases reducing Italy risk, and in others exploiting the higher yields on the long section of the curve, substantially balanced. The rise in interest rates also facilitated the placement of certificates which, along with a large product mix and strong commercial action, saw a net increase compared to the first half of 2021. In the Credit segment, Secondary market operations suffered from a lack of liquidity, due to the gradual increase in credit spreads. The commercial action of the Market Hub benefited from the increasing interest in the multi-asset platform: this contributed to the growth in intermediated volumes (especially in Equity), further expanding the range of services offered and attracting new customers from Italy and abroad.

The activities carried out by the Global Market Solutions and Financing Unit confirmed the leadership position in Italy both in support for customers in the management of financial risk, including with innovative ESG-linked solutions, and in the securitisation and asset-based financing sectors. The unit structured, financed and distributed solutions for its customers and the ISP Group, designed to optimise funding and economic and regulatory capital, deconsolidate performing and non-performing assets and improve the net financial position of its customers. The unit also consolidated its international presence, supporting corporate and financial institution customers inside and outside Europe with risk management and financially, as well as important foreign investors in the acquisition of granular portfolios, in Italy and in the main international jurisdictions.

In light of the changed monetary policy conditions and international tensions, the Finance & Investments Department carried out significant derisking of its banking positions, privileging issuers with high credit ratings and an ESG profile in line with the Group's targets. Management was focused on the new regime of volatility, maintaining low coverage ratios, which were increased near the end of the half year, in light of the stabilisation of the financial markets. During the half year, investments in funds continued, with a view to optimising RWAs. The Department guaranteed the financing of proprietary portfolios and the management of liquidity positions of the Division, and transactions in OTC derivatives with customers.

In the context of uncertainty that also dominated the primary market, with volumes dropping sharply in the initial months of 2022, the Equity Capital Markets team maintained its usual oversight of the Italian market, acting as Sole Bookrunner in the ABB on Zignago Vetro shares and as Joint Global Coordinator in the capital increase offered in option by Saipem. The team also held the role of Sponsor for the listing of Iveco Group on Euronext Milan, as part of the spin-off from CNH Industrial, and assisted Revo (a SPAC listed in May 2021) in its business combination with Elba Assicurazioni. As part of public takeover bids, IMI C&IB acted as coordinator for the acceptances as part of the mandatory total takeover bids launched by Green BidCo on Falck Renewables, by Amalfi Holding (a vehicle of InvestIndustrial) on La Doria and by IDI on BFC Media, as well as in the voluntary total takeover bids launched by Cassa di Risparmio di Bolzano on shares and warrants of Banca Popolare di Cividale. Lastly, during the first half, IMI C&IB was specialist or corporate broker for over 50 companies listed on the Italian market, thereby confirming its leadership in that market segment.

On the bond markets, the high volatility had a clear impact also on ESG investments, with the resulting decrease in issues of sustainable debt. In that context, the Debt Capital Markets team of IMI C&IB confirmed its leading position in Italy in terms of the number of issues with the role of joint bookrunner, acting in the Corporate segment in the bond issues of leading Italian and foreign issuers, including the sustainability-linked bonds of Enel, Snam, Webuild and A2A, the green bonds of Suez SA,

Hera and Iberdrola and the senior unsecured bonds of Stellantis, APRR, Cellnex, Autostrade per l'Italia, Ford Motor and McAfee.
In the Financial Institutions area, the team oversaw several issues, including the covered bonds of Credit Agricole Italia, VUB Banka and Slovenska Sporitelna, the Additional Tier 1 of Intesa Sanpaolo and Deutsche Bank, the senior non preferred bond of BBVA, the Tier 2 of BPER Banca and the placement of ABS Quarzo. In the sovereign segment, IMI C&IB was Joint Bookrunner for the Republic of Italy in the issues of 30-year BTP, BTP Italia and CCTEU.
The IMI C&IB Division provided its M&A Advisory services in numerous transactions, among the most important in Italy, including, in the TMT sector, to ION Group, in the acquisition of Cerved Group through a voluntary takeover bid, and to IDI, in the acquisition of BFC Media through a mandatory takeover bid; in the Consumer & Retail sector, to Investindustrial, in the acquisition of La Doria through a mandatory takeover bid and in the Energy sector, to Next Energy Capital, as part of the sale of a photovoltaic portfolio, and to Falck, through the issue of a fairness opinion on the sale of a stake held in Falck Renewables.
During the first half of 2022, the Structured Finance team confirmed its leadership on the Italian market and successfully continued its business on the international market, maintaining its selective approach in origination, to support investments in all reference sectors. The originate to share approach and the geographical diversification resulted in the conclusion of numerous financing transactions to support important Italian and international industrial operations and financial investors, in line with the growth strategy of the IMI C&IB Division, both in terms of volumes and positioning, with specific attention to ESG issues. With regard to the international market, the first half confirmed the interest in Europe in the Infrastructure sector, though with a temporary slowdown in the first quarter due to uncertainties regarding the conflict. The UK market was marked by a gradual increase in the level of operations, in a context of liquidity, specifically in the infrastructure, renewables and TMT asset classes. Concurrently, the Asian market remained dynamic, with numerous opportunities concentrated in the renewables sector, as well as US Structured Finance, whose primary trend was a sharp increase in applications for loans on the back of the Energy Transition process that has been impacting the Energy market in the last few years.
Mid-Cap Corporate Finance Department gradually expanded, becoming competence centre and point of reference for Corporate Finance transactions for Business customers of Banca dei Territori and Domestic Corporate & Institutional Clients of the Banks in the International Subsidiary Banks Division. In addition to numerous M&A Advisory and Structured Finance transactions, in the Equity Capital Markets, the Department held the role of Joint Global Coordinator & Joint Bookrunner, in a particularly complex market scenario, and managed to conclude the IPO of Technoprobe, the largest IPO ever realised on the Growth segment of all the European markets of Euronext. Lastly, in the first half, efforts continued to increase synergies with the Private Banking Division.

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	708	649	59	9.1
Net fee and commission income	290	263	27	10.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	79	73	6	8.2
Other operating income (expenses)	-32	-18	14	77.8
Operating income	**1,045**	**967**	**78**	**8.1**
Personnel expenses	-268	-264	4	1.5
Other administrative expenses	-190	-183	7	3.8
Adjustments to property, equipment and intangible assets	-60	-59	1	1.7
Operating costs	**-518**	**-506**	**12**	**2.4**
Operating margin	**527**	**461**	**66**	**14.3**
Net adjustments to loans	-188	-78	110	
Other net provisions and net impairment losses on other assets	-14	-16	-2	-12.5
Other income (expenses)	2	4	-2	-50.0
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**327**	**371**	**-44**	**-11.9**
Taxes on income	-118	-84	34	40.5
Charges (net of tax) for integration and exit incentives	-19	-19	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-24	-17	7	41.2
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**166**	**251**	**-85**	**-33.9**

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Loans to customers	39,820	38,970	850	2.2
Direct deposits from banking business	52,465	51,529	936	1.8
Risk-weighted assets	34,607	34,403	204	0.6
Absorbed capital	3,681	3,648	33	0.9

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

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

In the first half of 2022, the Division's operating income came to 1,045 million euro, up by 8.1% on the same period of the previous year (+8.8% at constant exchange rates). A detailed analysis shows that net interest income came to 708 million euro (+9.1%), mainly due to the favourable performance of CIB Bank (+51 million euro), only partially offset by the downturn of PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-11 million euro). Net fee and commission income, equal to 290 million euro, grew significantly (+10.3%), mainly due to VUB Banka (+13 million euro), PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+12 million euro) and Banca Intesa Beograd, including Intesa Leasing Beograd (+10 million euro). Among the other revenue components, profits on financial assets and liabilities designated at fair value increased (+6 million euro) on the first six months of 2021, as did, in negative terms, also other net operating costs (+14 million euro).
Operating costs of 518 million euro increased (+2.4%; +2.7% at constant exchange rates) in all components and, specifically, on administrative expenses.
As a result of the above revenue and cost trends, the operating margin increased by 14.3%, amounting to 527 million euro. In contrast, gross income, equal to 327 million euro, decreased by 11.9%, due to higher net adjustments to loans as a result of

the events concerning Russia and Ukraine. The Division closed the first half of 2022 with net income of 166 million euro (-33.9%).

At the quarterly level, in the second quarter of 2022 the operating margin increased compared with the first quarter, as a result of the favourable trend in revenues, which more than offset the increase in operating costs. Gross income and net income were also positively impacted by lower net adjustments to loans.

The Division's intermediated volumes grew at the end of June 2022 (+2%, equal to +1.8 billion euro) compared to the beginning of the year owing to both direct deposits from banking business (+1.8%) especially the component of amounts due to customers, and loans to customers (+2.2%). The performance of deposits is mainly attributable to the subsidiaries operating in Croatia Slovenia and Slovakia while the performance of loans is attributable to subsidiaries active in Serbia, Croatia and Slovakia.

In the first half of 2022 International Subsidiary Banks Division continued developing activities, with a business model focused on growth in fee and commission income in the main European subsidiaries, and a continuous focus on wealth management in China.
Specifically, the reshaping of the service model for wealth management continued for affluent and private customers, strengthening commercial oversight, the dissemination of financial education topics and the development of innovative advisory processes.
In the bancassurance area, an agreement was finalised with a leading insurance group for the distribution of insurance products on 5 local banks (in Slovakia, Croatia, Hungary, Serbia and Slovenia), the sales support methods were defined and the training sessions for the network were launched.
With regard to increasing fee and commission income, the development of commercial initiatives continued in synergy with the IMI C&IB Division on the Group Banks in Slovakia, Czech Republic, Hungary and Croatia (12 Global Markets transactions and 3 debt and investment banking closed). With regard to the reshaping and strengthening of the customer service model shared with Banca dei Territori, commercial actions were launched in Italy and the optimisation of the loan approval process was completed.
As for the focus on new business opportunities relating to the ESG transition, as ESG Business Positioning initiative was launched for the Corporate and SME segments of the banks in Slovakia, Hungary, Serbia and Egypt: quick wins were identified for using the Green and Circular credit lines and actions were begun to make the S-Loan solution available. Priority sectors to be targeted by ESG commercial strategy were also defined.
In digital banking, on the Corporate&SME side, the activities were completed for the launch of the "Confirming" (Factoring) product on an additional five geographic areas in the scope of the Division (Slovakia, Serbia, Romania, Slovenia and Albania) and the Italy-Hungary interconnection was activated. Limited to Retail&WM, the activities to acquire prospects continued, as well as the expansion of functionalities in the credit wealth management and commercial areas.
Regarding the drive towards IT convergence, the project work of functional and technical analysis for the adoption of a single, multi-bank platform have been launched. The scenario for implementing the corporate loan management platform (ECA) in Slovakia is being defined.
Lastly, with regard to wealth management in China, the business activities of Yi Tsai continued, by strengthening the network (28 financial advisors recruited in the first six months, for a total of 128 divided into 5 branches) and expanding the product mix.

Business

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

Mission

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

Organisational structure

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

Distribution structure

910 branches in 12 countries.

South-Eastern Europe Hub (SEE HUB)

In the first half of the year, the operating income of the **Privredna Banka Zagreb** group amounted to 211 million euro, up on the same period of 2021 (+1%), due to the favourable performance of net fee and commission income and the reduction in other net operating costs. Operating costs of 92 million euro increased (+1.4%), due to administrative expenses. The operating margin came to 119 million euro (+0.7%). Gross income amounted to 107 million euro (+15.9%), benefiting from the lower adjustments to loans, and net income was 82 million euro (+18.8%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first half of 2022 with an operating margin of 11 million euro, down on the first half of the previous year (-6.9%). That trend is attributable to both the decrease in operating income and the increase in operating costs. Gross income amounted to 9.3 million euro, up compared to the first half of 2021 (+13.8%), mainly due to lower adjustments to loans. Net income came to 7.5 million euro (+18.4%).

Intesa Sanpaolo Bank (Slovenia) reported an operating income of 37 million euro, up (+10.5%) on the same period of 2021, due to the increase in net fee and commission income and net interest income. Operating costs increased (+3.7%) on the first half of 2021. Gross income and net income, amounting to 9.5 million euro and 4.8 million euro, respectively, recorded decreases (-23% and -35%), mainly due to the high adjustments to loans and higher net provisions and net impairment losses on other assets.

Central Europe Hub (CE HUB)

The **VUB Banka Group** reported an operating margin of 128 million euro, up on the first half of 2021 (+8%) as a result of the growth in operating income (+4.7%), which more than offset the increase in operating costs (+0.9%). Gross income amounted to 106 million euro, up by 10.1%. Net income, which also rose (+4.6%), came to 64 million euro.
The **CIB Bank** Group recorded operating income of 147 million euro, up on the same period of 2021, due to the positive performance of net interest income and, to a lesser extent, in profits (losses) on financial assets and liabilities designated at fair value. Operating costs were down slightly (-0.3%). Net income amounted to 25 million euro (+65%).

Other banks

Intesa Sanpaolo Bank Albania reported an operating margin of 9.3 million euro, down (-8.7%) on the first half of 2021, due to the increase in operating costs (+9.6%), with substantially stable revenues. Gross income, amounting to 8.9 million euro, and net income (5.3 million euro) were lower than in the same period of the previous year (-6.6% and -8%, respectively).

Intesa Sanpaolo Bank Romania reported an operating margin of 6.3 million euro, up on the first six months of 2021 (+41.6%), due to higher operating income (+13.1%), which more than offset the higher operating costs (+4.6%). The company closed the first half of 2022 with a net income of 3.5 million euro, a sharp increase on the -7.2 million euro in the same period of the previous year.

Banca Intesa Beograd, including Intesa Leasing Beograd, generated an operating margin of 95 million euro, up 18% on the first half of 2021. Operating income increased by 14.4%, mainly due to net fee and commission income. Operating costs increased (+8.8%), specifically in the component of administrative expenses. Gross income amounted to 77 million euro (+9.3%), while net income was 54 million euro (+7.9%).

Bank of Alexandria reported an operating margin of 103 million euro, down by 5% on the same period of the previous year. Operating income, amounting to 181 million euro, was down slightly (-0.4%), due to the trend in net fee and commission income and other net operating costs. Operating costs rose by 6.3%. Net income came to 61 million euro, down by 5.2% on the first half of 2021.

Pravex Bank Despite the extremely serious/uncertain situation in Ukraine, also in June 2022 (in line with that carried out in March), Pravex was consolidated on a line-by-line basis, as Intesa Sanpaolo maintained control of the subsidiary. Nonetheless, in light of the objective logistics difficulties and execution difficulties of the administrative structures of the local bank, also with regard to IT channels, the Group’s decision was to carry out line-by-line consolidation using the balance sheet balances of December 2021, making central [??]adjustments in connection with the write-down of specific assets of the bank, especially loans to customers, debt securities and properties. With specific reference to income statement data, considering the limited operations of the subsidiary during the half year and, more generally, the slight impact on the Group’s results, the “ordinary” income statement was not consolidated, but rather, the centrally-defined valuation effects were considered. This choice was also supported by the evidence of the balance sheet “management” data as at 30 June, which do not show significant differences on those as at 31 December 2021.

Eximbank generated an operating margin of 3 million euro, a sharp increase on the first six months of 2021, due to the favourable trend in the operating income (+58%). Net income, amounting to 2.6 million euro, more than doubled on the same period of the previous year.

Private Banking

(millions of euro)

Income statement	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	99	106	-7	-6.6
Net fee and commission income	1,009	1,030	-21	-2.0
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	19	32	-13	-40.6
Other operating income (expenses)	8	14	-6	-42.9
Operating income	**1,135**	**1,182**	**-47**	**-4.0**
Personnel expenses	-212	-215	-3	-1.4
Other administrative expenses	-177	-170	7	4.1
Adjustments to property, equipment and intangible assets	-38	-36	2	5.6
Operating costs	**-427**	**-421**	**6**	**1.4**
Operating margin	**708**	**761**	**-53**	**-7.0**
Net adjustments to loans	-3	1	-4	
Other net provisions and net impairment losses on other assets	14	-17	31	
Other income (expenses)	-	194	-194	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**719**	**939**	**-220**	**-23.4**
Taxes on income	-179	-287	-108	-37.6
Charges (net of tax) for integration and exit incentives	-16	-10	6	60.0
Effect of purchase price allocation (net of tax)	-10	-11	-1	-9.1
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**514**	**631**	**-117**	**-18.5**

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Assets under management (1)	150,528	166,830	-16,302	-9.8
Risk-weighted assets	13,068	11,617	1,451	12.5
Absorbed capital	1,148	1,014	134	13.2

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

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

The **Private Banking Division** serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services. The Division coordinates the operations of Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR, IW Private Investments, SIREF Fiduciaria, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg) and the Swiss banking group Reyl (in Switzerland, the United Kingdom, Singapore, the United Arab Emirates and Malta). On 30 June 2022, the Division acquired 100% of Compagnie de Banque Privée Quilvest S.A., a Luxembourg private bank with branches in Belgium, with the goal of creating an additional hub in the European Union. Moreover, with the goal of offering a large, dedicated range of products, availing of digital solutions that will be expanded over time, the new Direct Banking business unit was created to meet the needs of customers that wish to autonomously handle their investments and on-line trading.

In the first half of 2022, the Division achieved gross income of 719 million euro, down by 220 million euro (-23.4%) on the value of the first six months of 2021, which included the capital gain of 194 million euro realised on the sale of the business line related to the activities of Custodian Bank of Fideuram Bank (Luxembourg), recorded under Other income. The operating margin showed a downward trend (-53 million euro), attributable to the reduction in operating income (-47 million euro) and the increase in operating costs (+6 million euro), attributable to administrative expenses and, to a lesser extent, to depreciation and amortisation of property and equipment and intangible assets. The trend in revenues is mainly attributable to the decrease in net fee and commission income (-21 million euro), profits (losses) on financial assets and liabilities designated at fair value (-13 million euro), net interest income (-7 million euro) and other net operating income

(-6 million euro). The Division closed the first half of 2022 with net income of 514 million euro, down by 18.5% on the same period of 2021.
The values of assets gathered have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 30 June 2022, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 265.6 billion euro (-28.2 billion euro since the beginning of the year). This trend was due to the market performance that had a negative effect on assets, only partially offset by positive net inflows. The assets under management component amounted to 150.5 billion euro (-16.3 billion euro).

In the first six months of 2022, the following corporate transactions were carried out:
- the merger by incorporation of Intesa Sanpaolo Private Bank (Suisse) Morval into Reyl & Cie;
- the acquisition by Fideuram Bank (Luxembourg) of UBI Trustee;
- the partial demerger of IW Bank in favour of Fideuram of a going concern comprised of banking relationships and banking assets;
- the partial demerger of Fideuram in favour of Intesa Sanpaolo of assets composed of performing mortgages and the related funding and personnel;
- the transformation of IW Bank into an investment company (Società di Intermediazione Mobiliare);
- the acquisition by Fideuram of an investment of 14.9% in the share capital of Alpian, a Swiss digital bank in the start-up phase, with registered offices in Geneva, in which Reyl & Cie already had a stake;
- the acquisition by Fideuram Bank (Luxembourg) of Compagnie de Banque Privée Quilvest S.A.

Lastly, the following transactions were also launched:
- the establishment by Fideuram Asset Management (Ireland) of a new investment company in the United Kingdom in order to conduct the business currently managed by the London branch;
- the merger by incorporation into Fideuram of the subsidiary Sanpaolo Invest SIM.

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential.
Mission	Taking care of customers' well-being and protecting all of their assets through top notch advisory services. A relationship based on listening, satisfaction and trust between the customer and the private banker is what makes the business model of the Private Banking Division unique.
Organisational structure	
Fideuram and Sanpaolo Invest (Italy)	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of 4,896 Fideuram and Sanpaolo Invest financial advisors.
Intesa Sanpaolo Private Banking (Italy)	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of 953 in-house private bankers and 95 freelance bankers with agency contracts.
IW Private Investments (Italy)	Company specialising in financial advisory and planning services for individuals and households, with a distinctive commercial offering in trading. It operates using a network of 599 financial advisors.
Reyl & Cie (Switzerland)	Swiss bank dedicated to developing international private customers, which operates through a group of companies specialising in wealth management and private banking. It operates using a total network of 53 private bankers.
SIREF Fiduciaria (Italy)	Company specialised in the provision of fiduciary services.
Fideuram Bank (Luxembourg)	Luxembourg bank which, following the acquisition of the Wealth Management and Private Banking business line of Intesa Sanpaolo Bank Luxembourg, operates through a network of 17 private bankers.
Compagnie de Banque Privée Quilvest S.A. (Luxembourg)	Luxembourg bank with branches in Belgium, which operates using a total network of 28 private bankers.
Distribution structure	Network of 262 branches in Italy, 8 branches abroad and 6,641 financial advisors.

Asset Management

(millions of euro)

Income statement	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	-	-	-	-
Net fee and commission income	472	595	-123	-20.7
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-15	-2	13	
Other operating income (expenses)	38	40	-2	-5.0
Operating income	**495**	**633**	**-138**	**-21.8**
Personnel expenses	-48	-50	-2	-4.0
Other administrative expenses	-49	-51	-2	-3.9
Adjustments to property, equipment and intangible assets	-3	-4	-1	-25.0
Operating costs	**-100**	**-105**	**-5**	**-4.8**
Operating margin	**395**	**528**	**-133**	**-25.2**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**395**	**528**	**-133**	**-25.2**
Taxes on income	-89	-141	-52	-36.9
Charges (net of tax) for integration and exit incentives	-1	-1	-	-
Effect of purchase price allocation (net of tax)	-2	-	2	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-1	-10	-9	-90.0
Net income (loss)	**302**	**376**	**-74**	**-19.7**

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Assets under management	314,493	354,048	-39,555	-11.2
Risk-weighted assets	1,850	1,836	14	0.8
Absorbed capital	188	196	-8	-4.1

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

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

Operating income in the first half of 2022, amounting to 495 million euro, decreased by 21.8% compared to the same period of the previous year, mainly attributable to the trend in net fee and commission income (-123 million euro), penalised by the unfavourable tone of the financial markets and, to a lesser extent, the negative contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested. Specifically, fee and commission income was impacted by the decrease in performance fees collected during the period and, to a lesser extent, in management fees related to the decrease in assets managed. The Chinese subsidiary Penghua, consolidated at equity, contributed 38 million euro in revenues in the half year. The performance of operating costs (-4.8%) is mainly attributable to the reduction in administrative expenses, attributable to the effects of the synergies deriving from the integration with Pramerica finalised at the end of June 2021, and personnel expenses. As a result of the above revenue and cost trends, the operating margin came to 395 million euro, down 25.2% on the first six months of 2021. The Division closed the first half of 2022 with net income of 302 million euro (-19.7%).

As at 30 June 2022, assets managed by the Asset Management Division totalled 314 billion euro, down by 40 billion euro (-11.2%) compared to the end of December 2021. This trend is attributable to the impairment of assets managed relating to the negative performance of the markets, in addition to net outflows (-1.8 billion euro), attributable to mutual funds (-1.2 billion euro), portfolio management schemes for retail and private customers (-0.4 billion euro) and insurance/pension products and those targeted to institutional customers (-0.2 billion euro).

As at 30 June 2022, Eurizon Capital's Italian market share of assets under management was 17% (gross of duplications). Excluding the closed-end funds segment, in which the company has a limited presence, the share of assets under management at the end of June rose to 17.6%.

With regard to significant corporate events, during the first half of 2022 the subsidiary Eurizon Capital Real Asset SGR was involved in a change in the shareholding structure which resulted in Eurizon Capital SGR holding 51% of the voting rights and 20% of the share capital. That new shareholding configuration derives from the resolutions passed on 31 January 2022 by the Shareholders' Meeting of Eurizon Capital Real Asset SGR in order to regulate the entry of the Poste Italiane Group in that company's capital and the concurrent sale of shares of Eurizon Capital Real Asset SGR by Eurizon Capital SGR to the pre-exiting shareholder Intesa Sanpaolo Vita.

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

Insurance

(millions of euro)

Income statement	30.06.2022	30.06.2021	Changes	
			amount	%
Net interest income	-	-	-	-
Net fee and commission income	1	1	-	-
Income from insurance business	830	825	5	0.6
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-7	-5	2	40.0
Operating income	**824**	**821**	**3**	**0.4**
Personnel expenses	-68	-72	-4	-5.6
Other administrative expenses	-99	-108	-9	-8.3
Adjustments to property, equipment and intangible assets	-9	-10	-1	-10.0
Operating costs	**-176**	**-190**	**-14**	**-7.4**
Operating margin	**648**	**631**	**17**	**2.7**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-9	-132	-123	-93.2
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**639**	**499**	**140**	**28.1**
Taxes on income	-166	-110	56	50.9
Charges (net of tax) for integration and exit incentives	-4	-7	-3	-43
Effect of purchase price allocation (net of tax)	-32	-12	20	
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	69	-69	
Net income (loss)	**437**	**439**	**-2**	**-0.5**

(millions of euro)

	30.06.2022	31.12.2021	Changes	
			amount	%
Direct deposits from insurance business (1)	180,792	204,481	-23,689	-11.6
Risk-weighted assets	-	-	-	-
Absorbed capital	4,439	4,137	302	7.3

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

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

The **Insurance Division** includes Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute and Cargeas, with the mission of synergically developing the insurance product mix targeting Group customers. The scope of the Insurance Division also includes Intesa Sanpaolo Insurance Agency.

In the first half of 2022, the Division reported income from insurance business of 830 million euro, up slightly (+0.6%, equal to +5 million euro) compared to the same period of 2021. This trend is attributable to the increase in the technical margin, which more than offset the reduction in the net investment result, due to the trend in the financial markets. Gross income, amounting to 639 million euro, showed sustained growth (+28.1%), due to the reduction in operating costs, the increase in operating income and lower net provisions. In the first half of 2021, the latter included the provision of 126 million euro representing the claims in excess of premiums accrued as at 30 June 2021 and the estimated future charges also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown.
The cost/income ratio, at 21.4%, remained at very good levels, lower than those recorded in the first half of 2021.
Lastly, net income came to 437 million euro (-0.5%) after the attribution of taxes of 166 million euro, charges for integration and exit incentives of 4 million euro, effects of purchase price allocation for 32 million euro (up on the half of comparison due to the effects of the acquisition of the insurance companies of the former UBI Banca Group, present only from the second quarter of 2021). With regard to income (losses) attributable to minority interests, which did not have material values in the

period, in the first six months of 2021 this caption incorporated the attribution by convention of the net income pertaining to the insurance companies of the former UBI Group.

Direct deposits from insurance business, equal to 180,792 million euro, decreased (-11.6%, equal to -23.7 billion euro) on the beginning of the year, attributable to both financial liabilities designated at fair value, comprised of unit-linked products, and technical reserves, due to the impact of the international scenario on the financial markets.

The Division's collected premiums for life policies and pension products, amounting to 8.3 billion euro, decreased by 11% compared to the first six months of last year, due to unit-linked products (-28%), as a result of the uncertainty on the financial markets. The increase regarded funding from traditional and pension products, including multi-line policies (+18% and +2%, respectively).

Collected premiums for the protection business totalled 734 million euro, down by 1.6% on the same period of 2021. Premiums in the non-motor business (excluding CPI – Credit Protection Insurance) rose slightly (+2%), mainly driven by the Business and Accident Lines of Business (LoB) (+32% and +39%, respectively), against a decrease in the other components.

Business	Life and Non-Life Insurance.
Mission	Develop the offering of insurance products for the Group's customers.
Organisational structure	
Intesa Sanpaolo Vita	Insurance parent company specialised in offering insurance, pension and personal and asset protection services within Banca dei Territori. The company is the sole owner of Intesa Sanpaolo Life, Intesa Sanpaolo Assicura and Intesa Sanpaolo Insurance Agency and has a 73.8% interest in Intesa Sanpaolo RBM Salute and a 49% interest in Intesa Sanpaolo Smart Care. The latter, dedicated to marketing hardware and software products and providing electronic assistance services, is 51%-owned by Intesa Sanpaolo (Banca dei Territori Division). Lastly, it holds 40% of Eurizon Capital Real Asset SGR, a company operational since 31 December 2019, controlled by Eurizon Capital SGR (Asset Management Division), which holds 51% of the voting rights and 20% of the capital.
Intesa Sanpaolo Life	Specialised in life insurance products with a higher financial content, such as unit-linked products.
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products in service of the Private Banking Division.
Intesa Sanpaolo Assicura	Dedicated to the non-life business, it offers customers a wide range of products capable of covering personal injury, damage to vehicles and to the home and loan protection.
Cargeas Assicurazioni	Specialised in the non-life business, it manages motor, home and healthcare products, and coverage for SMEs.
Intesa Sanpaolo RBM Salute	Specialised in the health care business.
Intesa Sanpaolo Insurance Agency	Agency that performs insurance mediation activities of both life and non-life products.

Corporate Centre

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

The Corporate Centre Departments generated an operating margin of 167 million euro in the first half of 2022, compared to -41 million euro in the same period of the previous year. That performance is attributable to the growth in operating income, mainly attributable to the trend in net interest income, and the containment of operating costs, which resulted in a reduction, attributable to synergies on administrative expenses and savings on personnel expenses. Gross income amounted to 370 million euro compared to a loss of 360 million euro in the first six months of the previous year, which included net adjustments to loans (net recoveries in the first half of 2022) and higher net provisions. The first half of 2022 closed with a net loss of -125 million euro, compared to -247 million euro in the same period of the previous year. The income statement of the Corporate Centre includes almost all of the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management, essentially related to the resolution funds. These charges amounted - after tax - to 254 million euro, compared with 262 million euro in the first half of 2021.

Treasury services

The Group Treasury and Finance includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks (ALM) and settlement risks.
In the first half of 2022, Intesa Sanpaolo confirmed its systemic role as a "critical participant" in the ECB's settlement systems, (T2 for cash and T2S for securities), keeping its market shares stable at the 2021 levels.
In the Payments area, the testing and training activities moved ahead at full speed for the various projects under way. Specifically: the go-live of the new "CGS" (Continuous Gross Settlement) system of EBA Clearing (settlement of SEPA credit transfers); the launch of the ECB cash and securities settlement platform ("Target Services" - T2/T2S Consolidation); and the ECMS (centralised management of collateral) for which the software development phase is ending and the testing and training phase is starting.
The period was marked by the end of the state of health emergency for the pandemic and, since the initial months of the year, the invasion of Ukraine by Russia. Moreover, the sudden and partially unexpected rise of inflation, which reached an annual figure of 8.1% in Europe, forced the ECB to accelerate the normalisation of its monetary policy.
As widely announced, the Pandemic Emergency Purchase Programme (PEPP) was terminated in March. On 1 July the net purchases of securities (APP) ended and on 21 July the ECB began to raise official rates by 50 basis points.
Pending actions on official rates, market interest rates rose sharply (the 1-year Euribor rose from -0.50% at the end of 2021 to around +1% at the end of June). The cost curves of the Bank's funds saw the same trend, though for the credit spread the increase was smaller.
In that context, Intesa Sanpaolo maintained a sound liquidity position, also considering the voluntary early repayment of a tranche of the TLTRO (17 billion euro, which brought the total exposure to 114.8 billion euro).
Outstanding short-term securities funding remained stable, despite the fact that the high volatility and clear context of geopolitical risk is forcing many investors to be cautious.
In the United States, as expected, in 2022 the Fed launched a phase of restrictive monetary policy: from March to June, in its three meetings, the US Federal Reserve raised interest rates by a total of 150 basis points (25 basis points in March, 50 basis points in May and 75 basis points in June). The new key interest rates are now in the range of 1.50%-1.75%. The Fed emphasised its strong commitment to bring inflation under control. At the end of June, the expectations incorporated in US futures prices estimated a further 180-190 basis points of possible rises by the end of the year.
In the first half of the year, in terms of medium/long-term funding operations, the total amount of Group securities placed on the domestic market via its own networks and direct listings was 5.6 billion euro. Among the securities placed, there was a prevalence (53%) of the component consisting of structured financial instruments, mainly comprised of index-linked structures. A breakdown by average maturity shows that 64% are comprised of instruments with maturities up to 5 years, 11% of 6- and 7-year securities, and the remaining 25% of 8- and 10-year securities.
In June, the Private Banking Division placed bond issues for a total value of 2.5 billion euro, of which 1.64 billion euro through the issue of 3- and 5-year senior preferred bonds, and 860 million euro through a 10-year Tier 2 subordinated bond issue, reserved for professional customers and eligible counterparties.
During the period, institutional unsecured funding transactions were completed for a total of around 1.2 billion euro, of which around 1.1 billion euro through bond issues placed with institutional investors and 79 million euro through the issue of bonds and certificates by the IMI Corporate & Investment Banking Division placed with institutional investors. In particular, in March a public operation targeted to international markets was carried out for 1 billion euro. This comprises fixed-rate subordinated AT1 instruments with a perpetual term, redeemable in advance by the issuer from 28 March 2028 onwards. Based on the contractual terms, payment of interest is at the issuer's total discretion (though subject to several regulatory restrictions). Moreover, where the Common Equity Tier 1 (CET1) ratio of the Group or of Intesa Sanpaolo falls below 5.125%, the nominal value of the instruments will be temporarily reduced by the amount needed to restore the trigger level (5.125% of CET1), taking into account also the other instruments with similar characteristics.
Lastly, during the half year, private placements were made in EUR, JPY and RON for a total value of 125 million euro.
With regard to the Covered Bond issue programmes, during the first half of the year, as part of the programme guaranteed by ISP CB Pubblico, the 10th retained series was decreased by 100 million euro in January and was redeemed in full in advance for 150 million euro in June. In June, the 12th series was partially extinguished for an amount of 225 million euro, bringing the remaining nominal amount to 1.05 billion euro.
Under the covered bond programme guaranteed by ISP CB Ipotecario, the 17th series matured in January for an amount of 1 billion euro. In February, the 28th series was issued for an amount of 1 billion euro. The security is a floating rate, 7-year security listed on the Luxembourg Stock Exchange with an Aa3 rating from Moody's, was fully subscribed by the Parent Company and is eligible for the Eurosystem.

In March, the subsidiary VUB Banka carried out an issuance of covered bonds. These are fixed-rate securities for an amount of 500 million euro, with 5-year maturity.
With regard to the programme guaranteed by UBI Finance, the 30th series was decreased by 200 million euro in January and fully extinguished in advance in February, for 100 million euro. In April, the 3rd series was fully paid off, for an outstanding of 11.3 million euro. In May, the 28th series was partially extinguished, for an amount of 100 million euro, bringing the remaining nominal amount to 600 million euro, while the 29th series was extinguished in advance, for a total of 600 million euro.
For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: as at 30 June 2022 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to approximately 16.9 billion euro.
During the period, the expected attenuation of the effects of the pandemic gave way to the unexpected war in Eastern Europe. Due to the inflationary scenario inflamed by the acceleration of commodities prices, central banks focused on gradually reducing monetary stimulus measures, triggering volatility on the credit markets. During the first half, portfolio turnover was aimed to reduce the core government component, which reached extremely high levels of spreads, below those of swap rates. The Italy component was dynamically managed nearing the election of the President of the Italian Republic, and subsequently maintained below the investment levels. The non-government component maintained low exposure to the corporate market, due to the market uncertainties and the expected reductions in quantitative stimulus by the ECB.
With reference to the repo market, volumes of Italian government bonds traded increased significantly compared to the previous half year and interest rates reached lower levels than the deposit facility. During the half year, the spread between the rates of the core countries and Italian government bonds remained unchanged. At the end of the half year, interest rates decreased, associated with a significant widening of spreads.

Strategic ALM

With regard to the Group’s Asset & Liability Management (ALM), operational management of the financial risks of the Group’s banking book is carried out by Group Treasury and Finance under the supervision of the CRO Area. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve and the sensitivity of net interest income; moreover, specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group Financial Risk Committee - Asset & Liability Committee - ALCO session, within the limits established by the Board of Directors: the Group Treasury & Finance structure actively supports the Committee’s decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed, based on the liquidity policies defined at Group level, by monitoring the current and future short and long-term liquidity balances, defining the funding plan on the various channels and instruments (domestic/international, retail/corporate, secured/unsecured, preferred/non preferred/subordinate), while observing the liquidity indicators (LCR, NSFR and the other RAF indicators) and the loan-deposit gap targets of the Business Units.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2022	8,531	1,766	459	10,756
30.06.2021 (Redetermined figures)	8,582	1,653	426	10,661
% change	-0.6	6.8	7.7	0.9
Loans to customers				
30.06.2022	383,874	65,373	22,402	471,649
31.12.2021	383,765	62,328	19,778	465,871
% change	-	4.9	13.3	1.2
Direct deposits from banking business				
30.06.2022	471,043	68,832	9,485	549,360
31.12.2021	480,993	68,136	8,119	557,248
% change	-2.1	1.0	16.8	-1.4

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

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

With regard to the subdivision by geographical areas of operations, carried out with regard to the location of the entities comprising the Group, activities continued to be concentrated primarily in the Italian market. Italy accounted for 79% of revenues, 81% of loans to customers and 86% of direct deposits from banking business.
With regard to operating performance in the first half of 2022, loans to customers were substantially stable in Italy, up in Europe and in the rest of the world, while direct deposits from banking business were down in Italy and up in Europe and, especially, in the rest of the world.
Revenues showed a marginal decrease in Italy and growth in Europe and the rest of the world.
For details on the Group’s presence in Italy and abroad, refer to the graphic representation at the beginning of this document (The Intesa Sanpaolo Group: presence in Italy - international presence).

Risk management

THE BASIC PRINCIPLES OF RISK MANAGEMENT

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risks and Sustainability Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework.
The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.
The Corporate Bodies also benefit from the action of some managerial committees on risk management. These committees, which include the Steering Committee, operate in compliance with the primary responsibilities of the Corporate Bodies regarding the internal control system and the prerogatives of corporate control functions, and in particular the risk control function.
The Chief Risk Officer Governance Area, directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the “second line of defence” of the internal control system that is separate and independent from the business supporting functions. This Area is responsible for: (i) governing the macro process of definition, approval, control and implementation of the Group’s Risk Appetite Framework with the support of the other corporate functions involved; (ii) assisting the Corporate Bodies in setting and implementing the Group’s risk management guidelines and policies, in accordance with the company’s strategies and objectives; (iii) coordinating and verifying their implementation by the responsible units of the Group, also within the various corporate areas; (iv) guaranteeing the measurement and control of the Group’s exposure to various types of risk and (v) implementing the II level controls on credit and other risks, in addition to ensuring the validation of internal risk measurement and management systems.
The Parent Company performs a guidance and coordination role with respect to the Group companies[36], aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.
Irrespective of the control model adopted within their company, the Corporate Bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.
The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, is a key measure for determining the Group’s financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risk and Sustainability Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

It is worth noting that the Group is carefully monitoring the evolution of the repercussions of the crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of earnings and capital adequacy. These analyses focus both on the direct effects, such as the deterioration of assets in the countries involved, and the indirect effects, including the effects on the Group’s other customers deriving from the changes in the economic and financial environment. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are currently difficult to assess, these analyses have found that the Group would be able to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

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

THE BASEL 3 REGULATIONS

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.
With regard to credit risk, there were no changes with respect to the situation as of December 2021. The periodic updating and alignment to changes in regulations governing IRB systems and their extension continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

The situation as at 30 June 2022 is shown in the following table:

Portfolio	PD - Model Type	LGD - Model Type	EAD - Model Type	Status
Sovereign	Shadow model based on agency rating	Model based on recovery rates estimated by rating agencies	Regulatory parameters	Used for management purposes only; Standardised approach for reporting purposes
Institutions	Default model (Banks) (4)	Market model (Banks)	Regulatory parameters (Banks)	AIRB authorised since June 2017
	Default model (Municipalities and Provinces) Shadow model (Regions) (4)	Workout model (Municipalities, Provinces, Regions)	Regulatory parameters (Municipalities, Provinces, Regions)	AIRB authorised since June 2017
Corporate	Default model (Corporate)	Workout model (Bank products; Leasing and Factoring)	CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 (1)
	Simulation models (Specialised Lending)	Simulation models (Specialised Lending)	Regulatory parameters (Specialised Lending)	AIRB authorised since June 2012
	Expert-Based Model (Non-Banking Fin. Inst.)	Regulatory parameters (Non-Banking Fin. Inst.)	Regulatory parameters (Non-Banking Fin. Inst.)	Used for management purposes only; Standardised approach for reporting purposes
Retail	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	IRB Retail since September 2018 (2)
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	AIRB authorised since December 2012 (3)

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

With regard to counterparty risk on derivatives (OTC and ETD) and SFTs, the Group has further improved the measurement and monitoring, by refining the instruments required under Basel 3. For reporting purposes, Intesa Sanpaolo has been authorised to use internal models (both for the determination of Exposure at default for replacement risk and for the CVA capital charge for migration risk). Compared to 31 December 2021, also in relation to specific discussions with the ECB, the following changes were made to the model:
– alignment with art. 162 (par. 2(d)) CRR in determining the maturity used in calculating the requirement for exposures deriving from SFTs, relating to the scope of the internal model;
– removal of eligibility criteria linked to the liquidity and credit rating for securities underlying SFTs, not binding for positions handled in the area of Counterparty Credit Risk pursuant to art. 271 (par. 2) CRR;
– calibration of the expected value of the distributions for exchange rates with the Euro, so that they match the forward prices of those rates.

With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. As at 30 June 2022, the scope of the Advanced Measurement Approach is comprised of Intesa Sanpaolo (including the former Banks and Companies deriving from the UBI Banca Group, incorporated into Intesa Sanpaolo during 2021 and the first half of 2022) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Bank and PBZ Banka.
The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2022.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

THE IMPACTS FOR THE ISP GROUP OF THE MILITARY CONFLICT BETWEEN RUSSIA AND UKRAINE AND THE IMPACTS OF THE SCENARIO RESULTING FROM THE COVID-19 PANDEMIC

Valuation of exposures to counterparties resident in Russia and Ukraine
As stated, as at 30 June 2022 the Group presented the following on-balance sheet exposures to counterparties resident in Russia and Ukraine, net of ECA guarantees and gross of value adjustments carried out:

(millions of euro)

	30.06.2022	
	Russia (1)	Ukraine (2)
Loans to customers	**4,800**	**242**
Banca Intesa Russia	*949*	*-*
Pravex	*-*	*158*
Cross-border exposures	*3,851*	*84*
Due from banks	**581**	**57**
Banca Intesa Russia	*536*	*-*
Pravex	*-*	*57*
Cross-border exposures	*45*	*-*
Securities	**156**	**60**
Banca Intesa Russia	*56*	*-*
Pravex	*-*	*48*
IMI C&IB Division	*37*	*-*
Insurance Division	*63*	*12*

(1) The figures relating to Banca Intesa Russia refer to 31 March 2022, reference date for the consolidation of the subsidiary, valued at the exchange rate of the rouble as at 30 June 2022 (up sharply on the exchange rate as at 31 March 2022). Management data of the subsidiary as at 30 June 2022 show a decrease of 659 million euro in loans to customers.

(2) The figures relating Pravex refer to 31 December 2021, reference date for the consolidation of the subsidiary, valued at the exchange rate of the hryvnia as at 30 June 2022. The management data of the subsidiary as at 30 June 2022 show no significant changes on those as at 31 December 2021.

In addition to the on-balance sheet exposures shown in the table, there are unsecured risks to customers for 370 billion euro at Banca Intesa Russia, and 89 million euro at Pravex, in addition to 293 million euro in cross-border unsecured risks to resident customers (net of ECA).
There are also 200 million euro in cross-border unsecured exposures to resident banks (essentially referring to Russian counterparties).
Moreover, exposures in OTC derivatives amounted to 7 million euro in terms of fair value.
Lastly, cross-border exposures to Ukraine counterparties are covered by guarantees granted by parties in the European Union and the United States.

On the whole, the Group allocated provisions for the impacts deriving from the conflict for a total of 1,126 million euro gross of the tax effect, deriving mainly from existing credit risk to customers, valued based on IFRS 9.
Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group's exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement. As at 30 June, those positions regarded counterparties resident in Russia for 324 million euro.

With regard to the portfolio that did not show signs of deterioration, the analyses of the accounting standard and the related Annex show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[37], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[38]), using the management overlay in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
With specific reference to cross-border positions, the Group thus decided to adopt a valuation approach strongly guided by the emerging geopolitical risk "via transfer", i.e. the risk that counterparties do not honour their commitments to pay debt following restrictions or decisions by their countries of residence, not due to aspects directly pertaining to their business, thus

[37] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5, IFRS 9 B5.5.18 and IFRS 9 B5.5.52.
[38] IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

applied based on the country of residence of the counterparties. That approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL by applying a management overlay. This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. At the same time, a rating review was conducted on the most significant counterparties exposed to country risk connected with the conflict, which resulted in extensive downgrading of the ratings assigned prior to the start of the conflict.
In detail, the choices made for the purposes of calculating ECL on cross-border exposures were as follows:
- application of PD through the cycle associated with the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict;
- calculation of an additional prudential buffer that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar II modelling (unconditional LGD set by the transfer risk model of 55%);
- introduction of prudent margins in addition to the ECL estimates deriving from the above elements, in relation to potential further worsening of the credit ratings of Russian counterparties.

These choices were applied consistently to cross-border positions mainly at the Parent Company the international subsidiary banks of the IMI C&IB Division and, for smaller amounts, the banks of the International Subsidiary Banks Division.

With reference to loans to customers disbursed by Pravex, the absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on rationales which consider the uncertainties and the risk elements associated with the military conflict. That approach was adopted on the entire portfolio of performing loans of Pravex (the bank substantially had no NPLs as at 31 December 2021) to which a specific management overlay was applied at ECL level, which resulted in impairment that brought the coverage ratio to 73% (up compared to the approximately 60% applied as at 31 March, in light of the worsening of the conflict, with resulting impacts on the Ukrainian economy).

With regard to Banca Intesa Russia, specific prudent choices were defined, while also considering the different situation of risk/operations than that of the Ukraine subsidiary. Thus, an approach to classifying and assessing performing loans was adopted that strongly considers the geopolitical risk deriving from the ongoing crisis, which also contributes, according to the most recent indications from the Research Department, to a decrease of 10% in Russia's GDP in 2022 and 1% in 2023. Therefore, the assessments made by the subsidiary in March, based on the indications from the Parent Company and substantially consistent with those adopted for cross-border customers also exposed to the subsidiary were joined by an additional, centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict, as it is no longer considered possible that it will cease in a short time, and the increased isolation of the Russian economy. As a result of those additional provisions, the total coverage of performing loans of the Russian subsidiary amounted to around 25% of the gross value of loans deriving from the package as at 31 March 2022, used for consolidation as at 30 June 2022. That percentage increases to 30% if the reduction in loans by the subsidiary in the second quarter is considered.
On the whole, during the half year, value adjustments were made to loans of Banca Intesa Russia, Pravex and to the cross-border exposures for 1,093 million euro (of which 178 million euro on positions classified as non-performing loans).

In addition to those impacts deriving from the measurement of the Group's loan portfolio, value adjustments were also posted relating to the limited positions in securities, for a total of 32 million euro (in addition to 8 million euro in negative impacts on the valuation reserves). Lastly, Pravex's real estate assets were written down by 1 million euro (in addition to a further negative impact of 1 million euro on valuation reserves).

Impacts from the COVID-19 pandemic
As regards the support actions adopted by the Group in response to the COVID-19 pandemic, refer to the specific paragraph of the Half-yearly Report on operations.
As indicated in previous reports, the process of gradual restoration of fully ordinary credit processes, with one-to-one assessments was carried out in 2021 with the gradual phase out of the EBA Guidelines on general payment moratoria, and completed in full on 1 April 2022, following the termination of the state of emergency, with full return also of the solutions offered by the Bank's ordinary product catalogue.
In April, the option set out in the "Mille Proroghe Decree" for loans of "30 thousand euro" pursuant to letters m) and m-bis) of Article 13, paragraph 1 of Law Decree no. 23 of 8 April 2020, converted, with amendments, by Law no. 40 of 5 June 2020 was activated, to be requested by the borrower, through agreement between the parties, to defer for a maximum of 6 months the grace period of the loan, whose initial deadline for payment of principal is scheduled in 2022.
With regard to actions related to proactive credit management, in 2021 specific diagnostics were launched on the moratoria portfolio, which continued for the entire year within the Credit Action Plan, with the goal to contain impairment, by activating actions on critical positions. In the second quarter of 2022, a new diagnostics initiative was activated on moratoria expired or expiring in the first half of 2022 which report certain elements of risk. The results of the latter initiative show that for more than 96% of cases there are no significant critical issues or they are monitored with possible actions planned in the third quarter.
As at 30 June 2022, there were around 0.3 billion euro of outstanding moratoria (4.8 billion euro at the end of 2021), in addition to around 0.3 billion euro of terminated moratoria that will reach the term for the resumption of payments in subsequent months (6.7 billion euro as at December 2021). The impact of the significant past due amounts and new defaults continued to remain low. The expired moratoria that had already met the conditions for the resumption of payments the default rate came to around 3%.
As stated in the Half-yearly Report on operations, in the first half there was a significant reduction in the management overlays to cover the vulnerability of the moratoria, given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues. In particular, the elements of vulnerability

of the exposures subject to moratorium measures considered for the purposes of the Financial Statements as at 31 December 2021 (represented by overlays incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) were revalued, still maintaining suitable prudence, as explained in greater detail in the paragraph "Management overlays and triggers for sliding into Stage 2". To adequately take account of the indirect impacts of the conflict on macro sectors that are particularly exposed to the effect of lasting inflationary pressures on energy products and commodities, a macroeconomic scenario updated based on forward-looking conditioning of the risk parameters was adopted, and management overlays were applied with an increase in estimated default rates on the transport, manufacturing and household sectors as compared to the results of the satellite models, and extraordinary triggers for sliding into Stage 2 were included on vulnerable sectors.

CREDIT RISK

The Intesa Sanpaolo Group's strategies, Risk Appetite Framework, and Powers and Rules for credit granting and management are aimed at:

- achieving a sustainable goal consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing the quality of its lending operations;
- diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency and mitigating potentially associated losses;
- given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
- constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

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

The Group has always proactively and prudently managed its risk portfolio. Over the upcoming planning horizon, the Group will pursue a structural de-risking strategy, which was mostly launched during the last Business Plan, placing it among the best in Europe in terms of non-performing loan ratio and stock (Zero-NPL Bank) and generating a net drop in the cost of risk. The latter will always be maintained at a conservative level, due to the extensive reserves of provisions on loans and ongoing prudent credit management.
Compared to 31 December 2021, it is noted that on 27 April, the Group completed a securitisation on portfolios of bad loans, previously sold to a vehicle under Law 130/99, for 3.9 billion euro gross of value adjustments, which comply with the regulatory requirements for bearing a State guarantee (GACS).
The securitisation vehicle issued senior notes and subordinated notes equivalent to 87% and 13% of the price of the portfolio assigned, respectively.
The senior notes have been fully underwritten, and will be retained, by Intesa Sanpaolo. These securities, which have received an investment grade rating from specialist agencies, received a GACS guarantee in June 2022.
The subordinated notes, also initially underwritten by Intesa Sanpaolo, were sold 95% to third-party investors with the remaining 5% retained in compliance with current regulatory requirements, with the resulting full accounting and regulatory derecognition of the portfolio.

Credit quality

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

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

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

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

(millions of euro)

Captions	30.06.2022			31.12.2021			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,429	-2,192	1,237	7,194	-5,064	2,130	-893
Unlikely to pay	7,032	-2,655	4,377	7,281	-2,956	4,325	52
Past due loans	687	-146	541	774	-152	622	-81
Non-Performing Loans	**11,148**	**-4,993**	**6,155**	**15,249**	**-8,172**	**7,077**	**-922**
Non-performing loans in Stage 3 (subject to impairment)	*11,107*	*-4,983*	*6,124*	*15,202*	*-8,164*	*7,038*	*-914*
Non-performing loans designated at fair value through profit or loss	*41*	*-10*	*31*	*47*	*-8*	*39*	*-8*
Performing loans	**461,219**	**-2,734**	**458,485**	**454,213**	**-2,453**	**451,760**	**6,725**
Stage 2	*54,920*	*-2,042*	*52,878*	*56,129*	*-1,740*	*54,389*	*-1,511*
Stage 1	*405,254*	*-692*	*404,562*	*397,085*	*-713*	*396,372*	*8,190*
Performing loans designated at fair value through profit or loss	*1,045*	*-*	*1,045*	*999*	*-*	*999*	*46*
Performing loans represented by securities	**6,957**	**-33**	**6,924**	**7,039**	**-24**	**7,015**	**-91**
Stage 2	*1,074*	*-26*	*1,048*	*882*	*-17*	*865*	*183*
Stage 1	*5,883*	*-7*	*5,876*	*6,157*	*-7*	*6,150*	*-274*
Loans held for trading	**85**	**-**	**85**	**19**	**-**	**19**	**66**
Total loans to customers	**479,409**	**-7,760**	**471,649**	**476,520**	**-10,649**	**465,871**	**5,778**
of which forborne performing	***8,424***	***-444***	***7,980***	***8,616***	***-513***	***8,103***	***-123***
of which forborne non-performing	***3,862***	***-1,442***	***2,420***	***4,568***	***-1,924***	***2,644***	***-224***
Loans to customers classified as non-current assets held for sale (*)	**4,127**	**-3,104**	**1,023**	**4,504**	**-3,298**	**1,206**	**-183**

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

(*) As at 30 June 2022 and 31 December 2021, this item related to the portfolios, or single name exposures, of loans classified as bad loans and unlikely to pay to be sold.

As at 30 June 2022, the Group's gross non-performing loans dropped to 11.1 billion euro, down by 4.1 billion euro (-26.9%) since December. Their weight thus decreased to 2.3% from 3.2% at the end of 2021 (1.8% and 2.4% in June 2022 and December 2021, respectively, according to the EBA definition).
This development was made possible by the de-risking initiatives implemented during the period (in that regard, see the information on de-risking initiatives illustrated in the Half-yearly Report), and, specifically, the securitisation of bad loans with GACS guarantees finalised in April for 3.9 billion euro (0.9 billion euro net).
The process of reducing non-performing loans also continues to benefit from new inflows of performing loans which, though slightly recovering, remained at low levels.
During the first six months, gross inflows came 1.9 billion euro, of which 0.7 billion euro in the first quarter and 1.2 billion euro in the second. The latter included 0.3 billion euro relating to Russia-Ukraine exposures classified as unlikely-to-pay. In the first half of 2021, gross inflows were 1.4 billion euro.
In net terms, that is, net of outflows to performing loans, inflows came to 1.4 billion euro (0.4 billion euro in the first three months and 1 billion euro in the second quarter, including the afore-mentioned 0.3 billion euro relating to Russia-Ukraine), compared to 0.9 billion euro in the first half of 2021.
The table shows that the decrease in gross non-performing loans was comprised of 3.8 billion euro in bad loans (-52.3%), relating to the above-mentioned securitisation, and 249 million euro in unlikely-to-pay exposures (-3.4%), despite the mentioned classification of exposures to Russia-Ukraine in that category.
At the end of June 2022, non-performing loans classified under assets held for sale amounted to 4.1 billion euro gross and 1 billion euro net.

Also due to that securitisation, net non-performing loans of the Group amounted to 6.2 billion euro at the end of the half year, a new record low. The reduction from the beginning of the year (-922 million euro; -13%) confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 1.3% (1% according to the EBA definition), a low proportion and further improving on December 2021 (1.5%, 1.2% according to the EBA definition). As the disposals finalised during the period regarded exposures featuring a coverage ratio higher than the average for the specific category, the coverage of non-performing loans dropped to 44.8% from 53.6% at the end of 2021.
In further detail, in June 2022, bad loans amounted to 1.2 billion euro (-41.9%), net of adjustments, representing 0.3% of total net loans with a coverage ratio of 63.9%. Loans included in the unlikely-to-pay category amounted to 4.4 billion euro, up by 1.2%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 37.8%. Past due loans amounted to 541 million euro (-13%), with a coverage ratio of 21.3%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2.4 billion euro, with a coverage ratio of 37.3%, while forborne exposures in the performing loans category amounted to 8 billion euro.

At the end of the first half of 2022, net performing loans amounted to 458.5 billion euro, up on December by 6.7 billion euro (+1.5%), recording an increase in total coverage (from 0.54% to 0.59%), which specifically involved loans in Stage 2 (from 3.10% to 3.72%), compared to stable loans in Stage 1 (0.17%).
Net loans in Stage 2 were down by 2.8%, to 52.9 billion euro. Those changes effectively incorporate an increase due to the classifications of Russian and Ukrainian counterparties and Italian counterparties as a result of the worsening of the economic scenario, while also including net decreases – mainly in the domestic scope – due to classifications in Stage 1 also due to the gradual elimination of moratoria with a general restoration of payment terms.

Macroeconomic scenario for forward-looking conditioning
The effects of the Russia-Ukraine war, specifically in terms of the energy market, food products and confidence in the markets, were already subject to an initial assessment and incorporated into the revision of the reference scenario implemented in March 2022. For the Half-yearly Report as at 30 June 2022, the Group carried out a new update of the reference macroeconomic scenario for the purposes of calculating the ECL. Specifically, we emphasise that the continued Russian invasion of Ukraine dealt another blow to an economic context that already showed problems with several global production chains.
The June updates, whose underlying assumptions reflect a generalised slowdown in real growth due to the energy shock, the contraction in the Chinese economy and restrictive monetary policies, contain an upwards revision of inflation rates (considering the ongoing tensions on commodities) and of interest rates (considering the most recent monetary policy decisions and the process of increases implemented also in Europe). The revisions on the central scenario of March were made with substantial stability in the estimates of growth in the gross domestic product previously formulated over the forecast time horizon (2022-2024), and are also in line with those formulated in June 2022 by the ECB and the Bank of Italy.
The baseline forecasts confirm an expansion for the Eurozone, but with greater risks of slowdown. The high levels of inflation, change in monetary policy, impacts of the conflict in Ukraine and the slowdown in the Chinese economy limit the prospects for growth in the upcoming quarters. Nonetheless, the recovery in services, the strength of the labour market and an investment cycle that has not yet concluded should enable the Eurozone to grow by 3% in 2022 and 2.1% in the following year. Inflation should increase further before declining (specifically the core component, currently boosted by the transmission of cost increases). The annual average is estimated at 7.2% in 2022 and 3.6% in 2023. On 9 June 2022, the European Central Bank stated its intention to increase the key interest rates by 25 basis points at its monetary policy meeting in July and to end net asset purchases under the Asset Purchase Programme (APP) on 1 July 2022. Nonetheless, on 21 July, the ECB announced an interest rate hike of 50 basis points instead of 25, not providing indications for the future, except that interest rates will rise further. Those decisions reflect on the projects of short-term interest rates with an increase in Euribor rates, and reflect the intention to combat the continuing unwanted levels of inflation. The most significant deviation from the forecasts of March 2022 relates to interest rates, which incorporate a quicker upwards rise, due to the resizing of the negative risk scenarios for real growth (specifically those relating to the complete, immediate suspension of supplies of Russian gas) and, above all, a new worsening of the outlook for inflation.
In Italy, the manufacturing sector will continue to be penalised by the rises in commodities prices, but construction will remain in an extra-expansive phase, and services have significant room to recover. The forecasts for GDP growth are unchanged on the March 2022 scenario. Following a 2021 better than forecast (the GDP rebounded by 6.6%, almost fully recovering the levels at the end of 2019), in 2022 growth stabilised at 3.0%, following the effects of the commodities price increases. The first quarter of 2022 outperformed expectations, and the economic trend did not show a drastic worsening in the second quarter. The war had a negative impact on confidence indices which, however, had a significant impact almost exclusively on the morale of consumers, which demonstrates that, once again, the almost exclusive channel of impact is inflation shock. On the business side, industry was the most impacted sector, but also in manufacturing, the morale of businesses, though falling, remains expansive and higher than the historical average. Industry entered the new post-war scenario starting from highly expansive business levels (turnover in March reached a record high since the start of the historical series in 2000). In services (and retail sales) a trend of gradual recovery is under way, as a result of the significant decrease in health risk and the resulting recovery in individual mobility. Construction continues to expand significantly. A significant decrease in growth is expected for 2023, to 1.6%, remaining stable at 1.6% in 2024, in line with the forecasts formulated in March.
Inflation, driven by the sharp increases in energy commodities prices, jumped in the initial months of the year, and is expected to stand at an annual average of 6.1% in 2022, in line with the forecasts in March. Once again, energy and food products were largely responsible for the upwards pressures, but a clear increasing trend is also under way for core inflation. As a result of the continuing effects of the international geopolitical crisis on commodity prices, specifically on the prices of oil and, above all, natural gas, inflation will remain high in 2023 and is expected to return to moderate values only in 2024. The increase in real estate prices in the reference scenario, compared to the previous forecast, is attributable to the positive correlation with the trend in inflation forecasts. Nonetheless, the expected trend in real prices worsened on March.

The forecast for the BTP-Bund spread was revised upwards. The revision partially reflects the higher increase in interest rates on the German curve, and the remainder a harsher impact of the political uncertainty relating to the 2023 elections. With regard to the unemployment rate, no significant deviations are expected from the forecasts of March 2022.
For the United States, a baseline scenario of slowdown in growth is expected, only partially offset by internal demand, boosted by household savings and growth in wages, in a context of demand for work still higher than supply. The resulting inflationary trend, accentuated by the throttling of supply, could require particularly restrictive measures from the Federal Reserve.
For the purposes of forward-looking conditioning of ECL parameters, the methodology adopted by the Group entails, in addition to the baseline scenario, alternative (best-case/worst-case) scenarios that reflect the dispersion on the extreme forecasts of Consensus Economics or specific standardised shocks, statistically selected from the time series, for the variables usually not surveyed by Consensus. Specifically, the "worsening" scenario was constructed according to the required methodology, but subsequently including changes that would return a scenario of the global economy gradually sliding into recession, to take account of the increase in that risk compared to the previous forecasts.
In the worsening scenario, the drastic decrease in growth in the GDP in 2023 and in 2024 is associated with higher unemployment rates and inflation substantially stable, but then much lower in the terminal year. It was assumed that the Fed Funds rates and ECB rates will be substantially the same as the baseline scenario up to 2023, but then will decrease in 2024 in the United States, and will remain unchanged at neutral levels in the Eurozone. The trend in stock indices and real estate prices is significantly weaker than the baseline scenario. Real estate prices will fall in Italy, both in 2023 and 2024. The BTP-Bund spread will increase by 16 basis points in 2022, 47 basis points in 2023 and 57 basis points in 2024.
The "best-case" scenario was drawn up based on the higher growth GDP forecasts in the survey by Consensus Economics published in May 2022. For 2023 and 2024 higher real growth rates are expected, inflation aligned with that of the baseline scenario in the first few years and higher in the terminal year, higher interest rates on all maturities, and performance of stock indices and real estate prices significantly more robust than the baseline scenario.
The representation of the main variables and related forecasts used to determine forward-looking credit losses is shown below, in the baseline scenario and the alternative scenarios. The application of the updated scenario resulted in higher adjustments to loans, for an estimated amount of around 80 million euro.

Intesa Sanpaolo macroeconomic scenarios for calculating the ECL as at 30 June 2022

		Baseline			Mild			Severe		
		2022	2023	2024	2022	2023	2024	2022	2023	2024
Euro Area	Equity ESTOXX 50 (% per year)	-1.6	0.8	1.4	3.3	7.1	2.9	-1.9	-1.6	1.9
	EUR/USD (% per year)	-8.4	4.6	4.0	-8.4	5.3	3.0	-8.0	3.9	4.5
	EurIRS 10Y(absolute value)	1.63	2.00	2.09	1.77	2.39	2.63	1.65	2.14	2.21
Italy	Real GDP Italy (% per year)	3.0	1.6	1.6	2.9	2.2	2.5	2.9	0.1	0.1
	CPI Italy (% per year)	6.1	2.7	1.4	6.1	2.6	1.8	6.1	2.6	-0.1
	Residential Property Italy (% per year)	3.0	1.9	1.4	4.9	3.8	4.4	2.3	-2.0	-2.3
	10Y BTP yield (absolute value)	2.92	3.73	3.72	3.04	3.98	4.08	2.94	4.05	4.34
	BTP-Bund Spread 10Y (absolute value)	1.94	2.27	1.97	1.93	2.13	1.79	2.10	2.74	2.54
	Italian Unemployment (absolute value)	8.4	7.8	7.5	8.4	7.8	7.1	8.4	8.2	8.3
USA Area	Real GDP US (% per year)	2.5	1.8	1.6	2.4	2.2	2.8	2.2	0.4	-0.6
	US Unemployment (absolute value)	3.4	3.4	3.7	3.4	3.4	3.3	3.5	3.8	4.6

Management overlays and triggers for sliding into Stage 2
The elements of vulnerability of the exposures subject to moratorium measures considered for the purposes of the Financial Statements as at 31 December 2021 (represented by both overlays incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) were revalued, still maintaining suitable prudence, but considering both the substantial normalisation of forbearance measures, now almost all expired, and the positive evidence from the set of exposures with resumption of payments that has already begun. The overlays incorporated into the satellite models, the parameters used to determine the effect of the reduction in default flows during the period of validity of the moratoria were re-estimated – also through internal observation of the spread between default rates of portfolios with and without moratoria - and transferred to subsequent periods. For extraordinary triggers for sliding into Stage 2, the same logic applied for the purposes of the Financial Statements as at 31 December 2021 was used, updating the scope of application, which shrank due to the reaching of the terms for resumption of payments (note that as at 30 June 2022, moratoria still outstanding came to around 0.3 billion euro and moratoria terminated but whose terms of resumption of payment accrued in the subsequent months to around 0.3 billion euro). The worsening of the macroeconomic context triggered by the crisis was incorporated into the domestic portfolio, both by adopting an updated macroeconomic scenario in the forward-looking conditioning of risk parameters previously described, and also through additional management overlays with an increase in default rates on the transport, manufacturing and households sectors compared to the results of the satellite models. This aimed at adequately taking account of the indirect impacts of the conflict on macro sectors that are particularly exposed to the effect of lasting inflationary pressures on energy products and commodities. Moreover, extraordinary triggers for sliding into Stage 2 were introduced, in the presence of sector-specific vulnerability and risk levels higher than specific set thresholds, which substantially offset the lower effect of those previously set out, and correlated with the presence of moratoria that have not expired or have terms of restoration of payment that have not passed.

On the whole, the actions relating to management overlays generated releases of provisions of around 300 million euro in the first quarter of the year, with a residual value as at 30 June 2022 of around 400 million euro.

ECL sensitivity analysis
The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios. That analysis was conducted on a performing loan portfolio (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the Parent Company and the Banks in the IMI C&IB Division that represent around 80% of the Group's total exposure). The sensitivity was determined based on the assumptions adopted for the alternative scenarios (best-case and worst-case) used to determine the forward-looking conditioning, weighted at 100%, rather than the most-likely scenario, and maintaining the effects of the management overlays described above. A summary is provided below of the quantitative impacts of the sensitivity analyses conducted on the ECL, as at 30 June 2022, according to the methodology described above and based on the scenarios determined internally by the Research Department. The portfolio sensitivity would entail an increase of 124 million euro in ECL under the worst-case scenario, in addition to the Add On already applied at the closing as at 30 June 2022. The best-case scenario would generate a decrease of 88 million euro, which would be added to the removal of the Add On. In terms of effects on Stage 2, 4.6 billion euro in exposures would slide into Stage 2 with the worst-case scenario, and 0.6 billion euro in exposures would return to Stage 1 in the best-case scenario, estimated in relation to the exposures classified in Stage 2 at the closing as at 30 June 2022.

Counterparty risk

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

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

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

To perform the use test of the model, the Group has implemented the processes required by the "Basel 3" regulations. In particular, stress tests are carried out to measure the impacts on risk measures under extreme market conditions. Backtesting is also conducted to ensure the robustness of the model.
In addition, to complete the risk analysis process, the following corporate processes have been activated:
– definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
– definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
– definition and monitoring of management limits;
– contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for margined OTC derivatives and SFTs;
– periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk;
– definition and periodic calculation of back-testing analyses to monitor the predictive performance over time of the model with respect to the movements of the risk factors underlying the transactions in the portfolio.

Compared to 31 December 2021, also in relation to specific discussions with the ECB, the following changes were made to the model:
– alignment with art. 162 (par. 2(d)) CRR in determining the maturity used in calculating the requirement for exposures deriving from SFTs, relating to the scope of the internal model;
– removal of eligibility criteria linked to the liquidity and credit rating for securities underlying SFTs, not binding for positions handled in the area of Counterparty Credit Risk pursuant to art. 271 (par. 2) CRR;
– calibration of the expected value of the distributions for exchange rates with the Euro, so that they match the forward prices of those rates.

Impacts from the COVID-19 pandemic

With regard to counterparty risk, during the first half of 2022, there were no changes in the risk metrics attributable to the context resulting from the COVID-19 pandemic. Reference is made to the description provided in the Financial Statements as at 31 December 2021.

Impacts of the Russia-Ukraine conflict

The exposure in OTC derivatives to Russian counterparties or subsidiaries of Russian entities, already very low in March 2022, was further decreased during the second quarter, due to cash flows or deals that were completed or deals that were unwound. In this period, despite the operational difficulties triggered by the sanctions imposed on Russian counterparties, and the related countermeasures adopted by the Russian Central Bank, no missed payments relating to contracts were recorded. During the same period, market volatility also attenuated, resulting in lower fluctuations in MtM than in the initial phase of the Russia-Ukraine crisis. The margin process did not record delays or non-payments.

MARKET RISKS

TRADING BOOK

The risks associated with trading activity, i.e. market risks deriving from the effect that changes in market variables may generate on the Group's various assets and liabilities, are generally quantified through daily and periodic analysis designed to determine the vulnerability of the Intesa Sanpaolo Group's trading book. A list of the main risk factors to which the Group's trading book is exposed is set out below:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

For some of the risk factors cited above and included in the managerial VaR measurements, the Supervisory Authority has validated the internal models for the reporting of the capital requirement of Intesa Sanpaolo. More specifically, concerning market risk, the risk profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products and the hedge fund portfolios with a look through approach; (iii) position risk on dividend derivatives and (iv) commodity risk.

Managerial VaR

Definition: Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.
Method: the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.
Specifically, the approach used in Intesa Sanpaolo has the following characteristics:
- historical simulation model based on the mark-to-future platform;
- a 99th percentile confidence interval;
- disposal period of 1 day;
- full revaluation of existing positions.

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.
Please note that, as part of the ordinary annual update of the market risk managerial framework set out by the Group Risk Appetite Framework, in line with the 2021 framework, the Board of Directors set a specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks

Definition: sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of risk factors connected thereto. It therefore summarises:
- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

Method: the sensitivity indicator can be constructed using the following techniques:
- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures
Definition: level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.
The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.
Method: nominal (or equivalent) position is determined by identifying:
- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.
At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests
Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.
Method: stress tests for management purposes are applied periodically to market risk exposures, typically adopting:
- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group's Stress Testing Programme:
- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity;
- regulatory multi-risk exercise, ordered and coordinated by the supervisor/regulator which defines its general assumptions and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Stressed VaR
Definition: the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.
Method: this period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolio of Intesa Sanpaolo;
- the period must allow real time series to be used for all portfolio risk factors.

While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the Half-yearly Report as at 30 June 2022, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.
For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the Risk Appetite Framework.

Incremental Risk Charge (IRC)
Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.
This measure applies to all financial products that are sensitive to credit spreads included in the trading book except for the securitisations.
Method: the simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.
A regular stress program is applied to the model's main parameters (correlation, and transition, default and credit spread matrices).

Daily managerial VaR of the trading book

Below is a summary of the daily managerial VaR for the trading book only, which also shows the overall exposure of the main risk taking centres.

(millions of euro)

	2022				2021			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	22.8	17.7	29.6	21.4	19.9	20.4	25.8	41.3
of which: Group Treasury and Finance Department	*6.1*	*4.6*	*7.1*	*3.8*	*2.7*	*2.6*	*2.8*	*3.2*
of which: IMI C&IB Division	*21.2*	*15.5*	*28.9*	*17.5*	*19.1*	*20.5*	*25.9*	*38.1*

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

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

During the second quarter of 2022, as shown in table above, there was a substantial stability in the overall trading risks compared to the averages for the first quarter of 2022 (22.8 million euro in the second quarter of 2022 and 21.4 million euro in the first quarter of 2022) and, more generally, a reduction compared to the averages of the first and second quarters of 2021. These reductions are mainly attributable to the scenario “rolling effect” due to the lower market volatility following the exceptional market shocks related to the spread of the COVID-19 pandemic.
The effect described above, i.e. the reduction due to the scenario rolling effect, was sharper if the first half of 2022 is compared with the first half of 2021 (22.1 million euro in the first half of 2022 compared with 33.5 million euro in the first half of 2021).

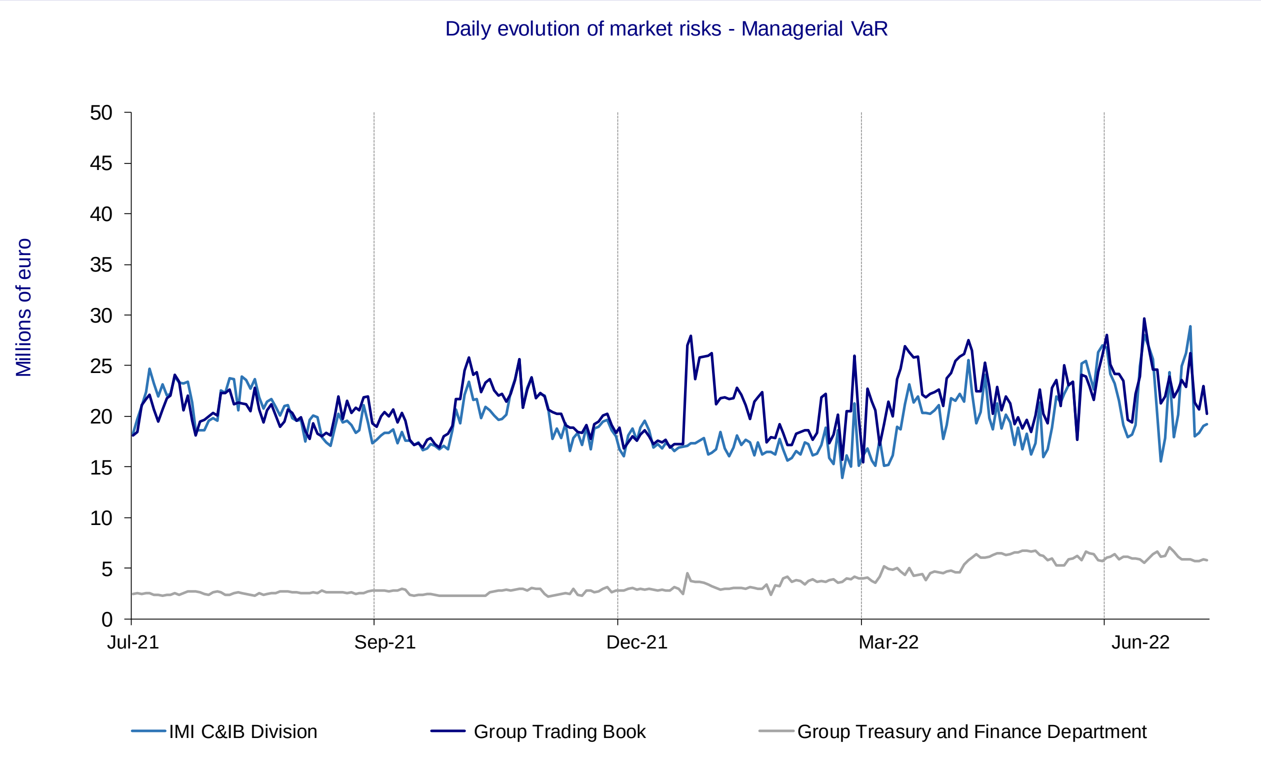
(millions of euro)

	2022			2021		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Total GroupTrading Book (a)	22.1	15.4	29.6	33.5	18.8	57.8
of which: Group Treasury and Finance Department	*5.0*	*2.4*	*7.1*	*3.0*	*2.3*	*5.6*
of which: IMI C&IB Division	*19.4*	*13.9*	*28.9*	*32.0*	*18.9*	*51.9*

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

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

With regard to the trend in the trading VaR during the second quarter of 2022, the change was mainly due to the IMI C&IB Division. In greater detail, against substantial stability of the figure for the end of the half year compared to the figure at the end of the first quarter 2022, in the second quarter there was significant variability mostly due to the management of the DVA risk, both through credit indices and Italy risk. The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the second quarter of 2022 confirmed the prevalence of credit spread risk and interest rate risk, accounting for 39% and 23%, respectively, of the total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (57% and 34%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (44% and 23%, respectively).

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

2nd quarter 2022	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	3%	34%	6%	57%	0%	0%
IMI C&IB Division	12%	23%	44%	4%	11%	6%
Total	**10%**	**23%**	**39%**	**13%**	**9%**	**6%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2022, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

Risk control with regard to the activity of the Intesa Sanpaolo Group also uses scenario analyses and stress tests. The impact of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of June is summarised in the following table:

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bps	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total Trading Book	72	44	4	-7	-13	12	40	4	-21	-7

Specifically:

– for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
– for positions in interest rates, there would be potential losses of 7 million euro in the event of a fall in interest rates;
– for positions in credit spreads, there would be potential losses of 13 million euro in the case of tightening of credit spreads by 25 bps;
– for positions in exchange rates, there would be no potential losses either in the event of appreciation and depreciation of the Euro against the other currencies;
– lastly, for positions in commodities, there would be losses both in the event of a fall or a rise in prices of commodities other than precious metals.

With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an increase in market managerial VaR in the second quarter from 196 million euro (average managerial VaR first quarter of 2022) to 212 million euro (average managerial VaR second quarter of 2022). The increase in average managerial VaR is mainly attributable to the entry of new volatility scenarios at the tail of the distribution as a result of the evolution of the financial variables during the second quarter of 2022, primarily influenced by the expectations on the actions to reduce monetary stimulus by the main central banks.

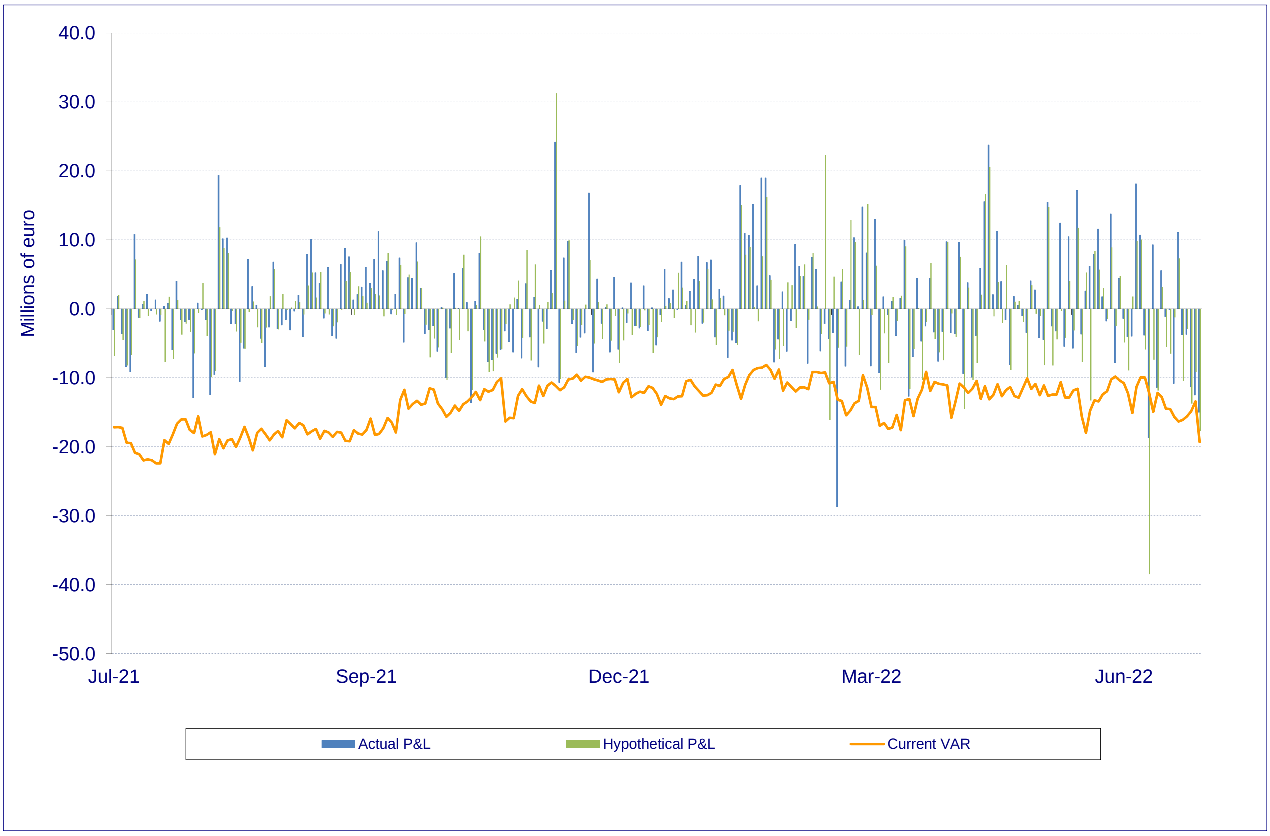
Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

– the daily estimates of value at risk;
– the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting: these include, for example, fees and financial costs of managing the positions that are regularly reported within the managerial area.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the internal model are represented by situations in which daily profits/losses based on backtesting highlight more than four occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual and hypothetical P&L series.

During the last year three backtesting exceptions are registered for the Intesa Sanpaolo Group's regulatory VaR measure [39]. The breaches were not due to portfolio movements but to peaks of volatility in the interest rate and credit risk factors.



[39] In the last 250 observations, the Bank recorded three Actual P&L exceptions and three Hypothetical P&L exceptions. For the total calculation, as per the reference regulations, the maximum between Actual P&L and Hypothetical P&L exceptions is counted. Accordingly, there were three backtesting exceptions in the last year.

Impacts from the COVID-19 pandemic
With regard to operating and regulatory market risks, during the first half of 2022, there were no changes in the risk metrics attributable to the context resulting from the COVID-19 pandemic. Reference is made to the description provided in the specific section of the Financial Statements as at 31 December 2021.

Impacts of the Russia-Ukraine conflict
There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's trading book.

BANKING BOOK

Qualitative information

The "banking book" is defined as the trade portfolio consisting of all on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group's lending and deposit collecting activities; therefore, the interest rate risk of the banking book (hereinafter "interest rate risk" or IRRBB) refers to the current and prospective risk of changes in the Group's banking book due to adverse changes in interest rates, which are reflected in both economic value and net interest income.
The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.
The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:
- repricing risk, i.e. the risk associated with lags in maturity dates (for fixed-rate positions) or in the interest rate revision date (for floating-rate positions) of the assets, liabilities and off-balance sheet items;
- yield curve risk, i.e. the risk associated with changes in the inclination and shape of the yield curve;
- basis risk, i.e. the risk arising from imperfect correlation in the adjustment of lending and deposit rates on different instruments, but with otherwise similar repricing characteristics. As interest rates change, these differences can lead to unexpected changes in cash flows and yield spreads between assets, liabilities and off-balance sheet positions having similar maturities or rate revision frequencies;
- optionality risk, i.e. the risk associated with the presence of automatic or behavioural options in the Group's assets, liabilities and off-balance sheet instruments.

Intesa Sanpaolo's current measurement system also allows the risk profile to be examined on the basis of two distinct but complementary perspectives:
- **economic value perspective** (EVE – Economic Value of Equity), which considers the impact of interest rate fluctuations and the associated volatility on the present value of all future cash flows;
- **net interest income perspective** (NII - Net Interest Income), which aims to analyse the impact of interest rate fluctuations and their associated volatility on net interest income;

The economic value perspective assesses the medium-to-long term impacts of interest rate fluctuations, while the net interest income perspective provides a short-term assessment.
Interest rate risk is managed by setting limits to both perspectives. Said limits comprise:
- consolidated limits, which are defined in the RAF and approved by the Board of Directors, both in terms of change in EVE (shift sensitivity or ΔEVE) and net interest income sensitivity (ΔNII). The consolidated ΔEVE limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group's EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group's consolidated shift sensitivity limits are accompanied by a risk indicator, which constitutes an "early warning" threshold approved within the RAF, which makes it possible to control exposure to the risk of yield curve twists;
- individual shift sensitivity and net interest income sensitivity limits, which are part of the "cascading" process of the Group's RAF limit, and are proposed, after being shared with the operating structures, by the Market and Financial Risks Management Head Office Department and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks'/divisions' portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Market and Financial Risks Management Head Office Department performs monthly checks that the limits and early warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level. In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group's entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.
The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group's banking book:
1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (∆NII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **shift sensitivity of the economic value** (or fair value shift sensitivity) measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the contractual rate, FTP (internal fund transfer price) or risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the Bank does not expect to recover on a given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the "cash flow adjustment" ("CFA") method.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the shift sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.
The GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for shift sensitivity.

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

Value at Risk (VaR) is a probability-based metric that expresses the maximum potential loss of portfolio value that could be incurred within a specific time horizon, at a pre-defined confidence level. VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, also taking into account the benefits of diversification and the correlation between various risk factors and different currencies. This measure is calculated and monitored, for the entire scope, by the Market and Financial Risks Management Head Office Department;

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at least annually and are subject to periodic backtesting, appropriately documented in the specific model change document to ensure that the operating situation adheres to the assumptions made and incorporate any legislative and/or behavioural changes.
For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.
In order to measure the Group's vulnerability to market turbulence, the interest rate risk measurement system measures the impacts on the bank's economic value and net interest income produced by strains on the market (“scenario analysis”), i.e.

sudden changes in the general level of interest rates, changes in the relationships between fundamental market rates (basis risk), in the slope and shape of the yield curve (yield curve risk), in the liquidity of the main financial markets or in the volatility of market rates.
These analyses are conducted by subjecting the portfolio to various interest rate change scenarios:
- regulatory scenarios produced by the Supervisory Outlier Test (SOT), which introduces an "early warning" of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down);
- shocks diversified by reference curve of the main risk factors and calculated as the difference between the yields of the curves of the individual factors and those of a curve relating to the selected pivot parameter (basis risk);
- stress scenarios in historical simulation.

Stress tests on behavioural models are also carried out to verify the financial impact of alternative assumptions underlying the behavioural parameters estimated in the models. The methodological assumptions underlying the assumptions contained in the stress scenarios are duly described in the detailed methodologies.

Impacts from the COVID-19 pandemic

In the first half of 2022, the strategies and safeguards implemented in the framework of interest rate risk management were put into place to protect net interest income against potential additional negative impacts of COVID-19. Net interest income was stabilised through measures to cover the viscousness of customer demand deposits by entering into hedging derivatives and natural hedges with mortgage loans to customers.

Impacts of the Russia-Ukraine conflict

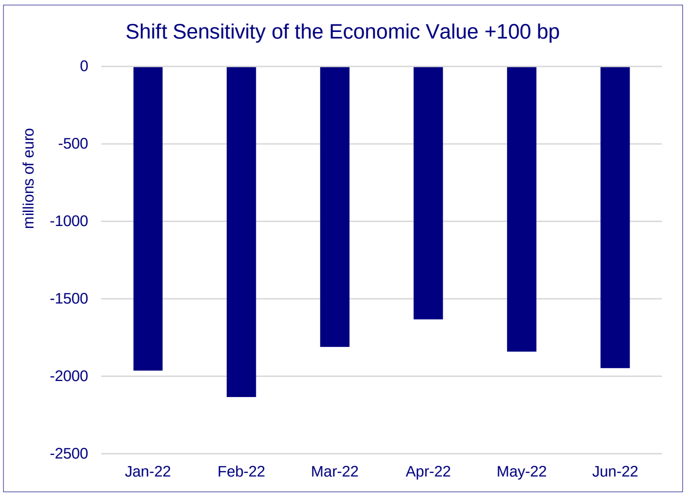
The Russia-Ukraine conflict resulted in a generalised increase in the spread against the German Bund and, as a result, an increase in the related returns. With regard to the interest rate risk generated by the Intesa Sanpaolo Group's banking book, this increase resulted in a reduction in exposure of the government bond portfolio.

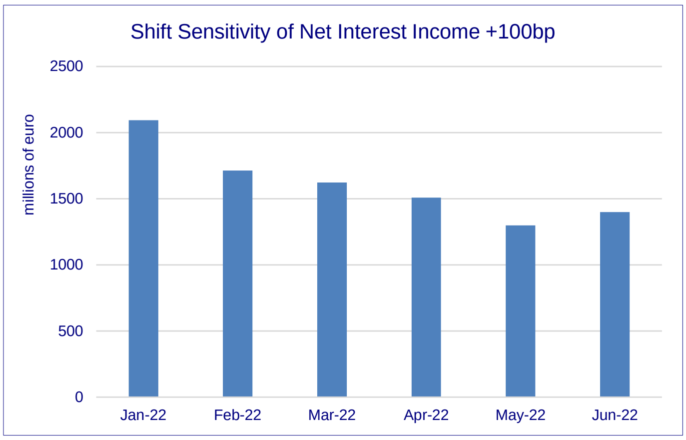
Quantitative information

In 2022, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, averaged -1,889 million euro, with a maximum of -2,134 million euro and a minimum value of -1,633 million euro, reaching a figure of -1,948 million euro at the end of June 2022. The latter figure increased by 192 million euro on the end of 2021, when it came to -1,756 million euro. That change was mainly due to the increase in the model hedging of core deposits, carried out both through derivatives and through natural hedges represented by disbursements of fixed-rate loans to customers. This was partially offset by a decrease in exposure of the government bond portfolio.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 880 million euro, -784 million euro and 1,399 million euro, respectively, at the end of June 2022.
The following table and charts provide a representation of the performance of the shift sensitivity of economic value (or the shift sensitivity of fair value) and the shift sensitivity of net interest income.

(millions of euro)

	1st half 2022			30.06.2022	31.12.2021
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,889	-1,633	-2,134	-1,948	-1,756
Shift Sensitivity of Net Interest Income -50bp	-814	-768	-875	-784	-880
Shift Sensitivity of Net Interest Income +50bp	932	746	1,105	880	962
Shift Sensitivity of Net Interest Income +100bp	1,606	1,622	2,094	1,399	1,847





Interest rate risk, measured in terms of VaR, averaged 612 million euro in 2022, with a maximum value of 885 million euro and a minimum value of 547 million euro, reaching a figure of 885 million euro at the end of June 2022. The latter figure rose by 376 million euro compared to 509 million euro at the end of 2021. That change is largely due to the increase in interest rates recorded especially in the second quarter.

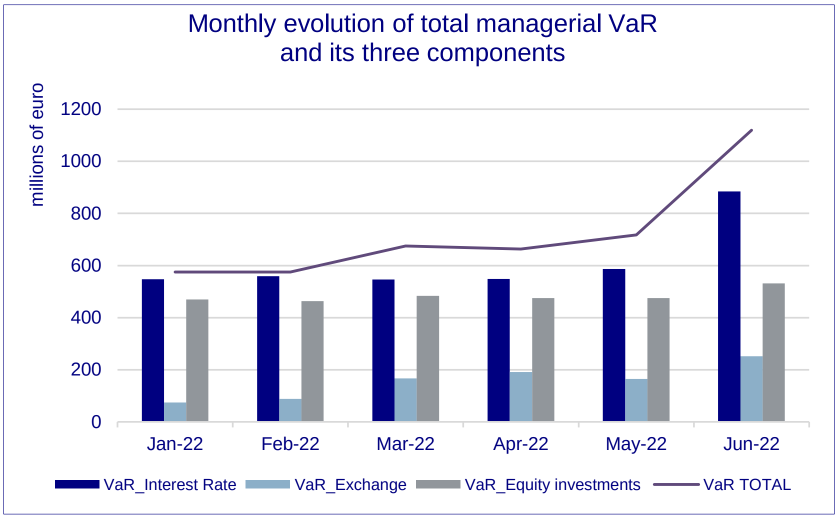
Foreign exchange risk, expressed by equity investments in foreign currency (banking book) and measured in terms of VaR, averaged 156 million euro in 2022, with a minimum value of 74 million euro and a maximum value of 252 million euro, with the latter coinciding with the value at the end of June 2022 (93 million euro at the end of 2021). The figure at the end of June 2022 was up by 159 million euro on the figure at the end of 2021. That change was largely due to the sharp volatility of the Russian rouble as a result of the Russia-Ukraine conflict.

Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2022 of 483 million euro, with minimum and maximum values of 463 million euro and 532 million euro, respectively, the latter being the figure of the end of June 2022, up by 165 million euro on the value at the end of December 2021 of 367 million euro. That change was largely due to the increase in market volatility, specifically recorded in the second quarter of 2022.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity VaR) averaged 721 million euro in 2022, with a maximum value of 1,119 million euro and a minimum value of 575 million euro, reaching a figure of 1,119 million euro at the end of June 2022, up by 571 million euro on the value at the end of December 2021 of 548 million euro. That change is attributable to the phenomena described above.
The table and chart below provide a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

(millions of euro)

	1st half 2022			30.06.2022	31.12.2021
	average	minimum	maximum		
Value at Risk - Interest Rate	612	547	885	885	509
Value at Risk - Exchange	156	74	252	252	93
Value at Risk - Equity investments	483	463	532	532	367
Total Value at Risk	**721**	**575**	**1,119**	**1,119**	**548**



Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the portfolio of quoted minority stakes, largely classified to the HTCS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 30.06.2022	Impact on shareholders' equity at 31.03.2022	Impact on shareholders' equity at 31.12.2021
Price shock	10%	146	166	177
Price shock	-10%	-146	-166	-177

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
Intesa Sanpaolo's internal control and management system for liquidity risk is implemented within the Group Risk Appetite Framework and in compliance with the tolerance thresholds for liquidity risk approved in the system, which establish that the Group must maintain an adequate liquidity position in order to cope with periods of strain, including prolonged periods, on the various funding supply markets, also by establishing adequate liquidity reserves consisting of marketable securities and refinancing at Central Banks. To this end, a balance needs to be maintained between incoming and outgoing funds, both in the short and medium-long term. This goal is implemented by the Group Liquidity Risk Management Guidelines approved by the Corporate Bodies of Intesa Sanpaolo, in implementation of the applicable regulatory provisions.
These Guidelines illustrate the tasks of the various company functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, as well as the rules for conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.
In particular, a detailed definition is prepared of the tasks assigned to the corporate bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators used to activate emergency plans.
In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed.
The corporate functions of the Parent Company responsible for ensuring the correct application of these Guidelines are the Group Treasury and Finance Head Office Department and the Planning and Control Head Office Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management Head Office Control Department, which is directly responsible, within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.
The Chief Audit Officer assesses the functioning of the overall structure of the control system monitoring the process for measuring, managing and controlling the Group's exposure to liquidity risk and verifies the adequacy and compliance of the process with the requirements established by the regulations. The results of the controls carried out are submitted to the Corporate Bodies, at least once a year.
The liquidity risk measurement metrics and mitigation tools are formalised by the Group Liquidity Risk Management Guidelines which establish the methodology used for both the short-term and structural liquidity indicators.
The short-term liquidity is aimed at providing an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, while ensuring a sufficient liquidity buffer, available for use as the main mitigation tool for liquidity risk. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of specific short-term indicators, both of a regulatory nature with a holding a period of one month (Liquidity Coverage Ratio - LCR) and internally defined (Survival Period indicators).
The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high-quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in an acute liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by Delegated Regulation (EU) 2015/61 and its supplements/amendments.
The Survival Period is an internal indicator designed to measure the first day on which the net liquidity position (calculated as the difference between available liquidity reserves and net outflows) becomes negative, i.e. when additional liquidity is no longer available to cover simulated net outflows. To this end, two different scenario hypotheses are considered, baseline and stressed, designed to measure, respectively: (i) the Group's independence from interbank funding on the financial markets and (ii) the survival period in the event of further tensions of a market and idiosyncratic nature, of medium-high severity, managed without envisaging restrictions on credit activity involving customers. For the Survival Period indicator, in stress conditions it is established that a minimum survival period must be maintained with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.
The aim of the Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions - the Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. In addition, the internal policy on structural liquidity also includes early warning indicators for maturities of more than 1 year, with particular attention to long-term gaps (> 5 years).
The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. Within this framework, the Group Treasury and Finance Head Office Department was officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term.

The Group's liquidity position, which continues to be supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding, remained within the risk limits set out in the current Group Liquidity Policy for the entire first half of 2022. The levels of both regulatory indicators, LCR and NSFR, were above the regulatory requirements.
The Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[40] of 191.7% (184.5% in December 2021). As at 30 June 2022, the exact value of unencumbered HQLA reserves totalled 172 billion euro (187 billion euro at the end of 2021), around 69% of which consisted of cash as a result of temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Including the other marketable reserves and/or eligible Central Bank reserves, the Group's total unencumbered liquidity reserves amounted to 181 billion euro (192 billion euro in December 2021).
The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 30 June 2022, the Group's NSFR, measured in accordance with regulatory instructions, was 127.5% (127.3% in December 2021). This indicator remains significantly higher than 100%, even excluding the positive contribution from TLTRO funding. Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), also the stress tests, in a combined scenario of market and specific crises (with significant loss in customer deposits), yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the various risk factors.

Impacts from the COVID-19 pandemic

Also during the first half of 2022, all the necessary preventive management and control measures implemented from the outset of the COVID-19 emergency remain in place to detect any signs of potential exacerbation of liquidity conditions.

Impacts of the Russia-Ukraine conflict

In light of the low exposure to Russian and Ukrainian counterparties, there were no significant impacts on the Group's consolidated liquidity position deriving from the Russia-Ukraine conflict.

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

INFORMATION ON FINANCIAL PRODUCTS

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

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

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

Fair value of financial instruments

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the “Group Guidelines / Rules for Valuation of Financial Instruments at Fair Value”, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies.
The “Rules for the Measurement of Unlisted Equity Investments”, drawn up by the Group M&A and Equity Investments Head Office Department, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.
The methodologies for the fair value measurement of financial instruments, as well as any adjustments attributable to uncertainties in valuation, are governed by the Intesa Sanpaolo Group through the “Rules for Valuation of Financial Instruments at Fair Value” and are described in detail in the 2021 Annual Report, to which reference is made for more information.

IFRS 13 establishes a fair value hierarchy in which inputs to fair value measurement techniques are divided into three levels. That hierarchy assigns top priority to (unadjusted) quoted prices on active markets for identical assets or liabilities (level 1 data) and the lowest priority to unobservable inputs (level 3 data). In particular:
- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs (the comparable approach);
- fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.
The attachment “Fair Value Hierarchy Rules” to the “Rules for Valuation of Financial Instruments at Fair Value” defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
The following are considered level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), contributed harmonised funds (covered by EU directives), spot exchange rates, derivatives for which prices are available on an active market (for example, exchange traded futures and options) and hedge funds whose Net Asset Value (NAV) is available, according to the frequency established in the subscription contract, and in which assets classified as level 1 predominate among the assets invested in by the fund, as a percentage of the NAV, provided the level 3 instruments do not exceed a set threshold.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the “Rules for Valuation of Financial Instruments at Fair Value” are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2 inputs);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, for which

estimates and assumptions made by the valuator are used (level 3 inputs).

In case of level 2 inputs, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.
The following are measured using level 2 input models:
- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (including, among others, ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;
- hedge funds in which Level 2 assets predominate, as a percentage of the NAV, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

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

Independent price verification (IPV)
Independent Price Verification (IPV) is “a process by which market prices or marking to model inputs are regularly verified for accuracy and independence” (Article 4(1.70) Regulation (EU) 575/2013), carried out “in addition to daily marking to market or marking to model [...] by a person or unit independent from persons or units that benefit from the trading book” (Article 105(8) Regulation (EU) 575/2013).
The Intesa Sanpaolo Group has structured an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013, incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.
The Intesa Sanpaolo Group governs and formalises its independent price verification process through the Group’s “Guidelines/Rules for Independent Price Verification”, which are described in detail in the 2021 Annual Report and to which reference is made for further information.

Prudent value of financial instruments
The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value. In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.
The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. The Group governs and formalises the measurement of the prudent value of financial instruments through the Group’s “Guidelines/Rules for Prudent Valuation of Financial Instruments at Fair Value”, which are described in detail in the 2021 Annual Report and to which reference is made for further information.

Since 1 January 2021, when the transitional provisions under Commission Delegated Regulation (EU) 2020/866 ceased to apply, the Group has used the AVAs aggregation factor established by Commission Delegated Regulation (EU) 2016/101.

Fair value hierarchy

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

Excluding insurance companies

(millions of euro)

Assets / liabilities at fair value	30.06.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	18,704	30,780	3,647	24,262	25,080	3,389
a) Financial assets held for trading	16,858	30,101	206	22,615	24,379	187
of which: Equities	*900*	-	*21*	*67*	-	*17*
of which: quotas of UCI	*225*	-	*26*	*116*	-	*25*
b) Financial assets designated at fair value	-	1	-	-	1	3
c) Other financial assets mandatorily measured at fair value	1,846	678	3,441	1,647	700	3,199
of which: Equities	*136*	*48*	*287*	*161*	*116*	*225*
of which: quotas of UCI	*1,710*	*147*	*2,317*	*1,486*	*149*	*2,166*
2. Financial assets measured at fair value through other comprehensive income	52,146	7,797	420	59,084	8,004	492
of which: Equities	*1,246*	*538*	*380*	*1,537*	*1,314*	*421*
3. Hedging derivatives	-	8,012	-	-	1,732	-
4. Property and equipment	-	-	7,273	-	-	7,364
5. Intangible assets	-	-	-	-	-	-
Total	**70,850**	**46,589**	**11,340**	**83,346**	**34,816**	**11,245**
1. Financial liabilities held for trading	16,599	38,470	158	22,241	33,946	119
2. Financial liabilities designated at fair value	460	4,266	27	6	3,642	26
3. Hedging derivatives	-	3,933	-	-	4,868	-
Total	**17,059**	**46,669**	**185**	**22,247**	**42,456**	**145**

With regard to insurance companies, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 8.8% on total assets (8.7% as at 31 December 2021). The majority of level 3 financial assets is represented by quotas of UCIs, of which 309 million euro is represented by units of the Atlante Fund and the Italian Recovery Fund put in place as part of the regulations to support the banking system.
Over 55% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 64% of the balance sheet assets at level 3 fair value.

As far as liabilities are concerned, level 3 instruments account for less than 1% of total liabilities.

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed below, please note that the following transfers were made during the first half of 2022:

- from level 1 to level 2:
  - financial assets held for trading for 117 million euro (book value as at 30 June 2022);
  - financial assets measured at fair value through other comprehensive income for 112 million euro (book value as at 30 June 2022);
  - financial liabilities held for trading for 8 million euro (book value as at 30 June 2022);
  - financial liabilities designated at fair value for 3 million euro (book value as at 30 June 2022);
- from level 2 to level 1:
  - financial assets held for trading for 34 million euro (book value as at 30 June 2022);
  - financial assets measured at fair value through other comprehensive income for 44 million euro (book value as at 30 June 2022);
  - financial liabilities held for trading for 160 million euro (book value as at 30 June 2022);
  - financial liabilities designated at fair value for 228 million euro (book value as at 30 June 2022).

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

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

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

Insurance companies

(millions of euro)

Assets / liabilities at fair value	30.06.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	317	142	501	344	293	390
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	*95*	-	*46*	*122*	-	*49*
2. Financial assets designated at fair value through profit or loss	88,139	23	496	100,515	143	401
of which: Equities	*2,897*	-	-	*3,510*	-	-
of which: quotas of UCI	*80,171*	-	-	*91,908*	*109*	-
3. Financial assets available for sale	81,307	5,130	4,529	93,910	6,305	4,208
of which: Equities	*1,894*	*7*	*56*	*2,202*	*7*	*54*
of which: quotas of UCI	*8,999*	-	*4,123*	*9,879*	-	*3,742*
4. Hedging derivatives	-	53	-	-	291	-
5. Property and equipment	-	-	7	-	-	8
6. Intangible assets	-	-	-	-	-	-
Total	**169,763**	**5,348**	**5,533**	**194,769**	**7,032**	**5,007**
1. Financial liabilities held for trading	21	42	-	-	42	61
2. Financial liabilities designated at fair value through profit or loss	-	74,328	-	-	84,667	-
3. Hedging derivatives	-	63	-	-	-	-
Total	**21**	**74,433**	**-**	**-**	**84,709**	**61**

With regard to insurance companies, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio. They amount to 3% of Assets (2.4% as at 31 December 2021).
94% of financial assets measured at fair value in the insurance segment are determined based on market prices, and therefore without any discretion by the valuator.
Liabilities at fair value were almost entirely measured using level 2 inputs.

In addition to the transfers relating to financial assets and liabilities in the insurance segment designated at level 3 as detailed below, please note that the following transfers were made during the first half of 2022:

- from level 1 to level 2:
  - financial assets held for trading for 19 million euro (book value as at 30 June 2022);
  - financial assets measured at fair value through profit and loss for 11 million euro (book value as at 30 June 2022);
  - financial assets available for sale for 153 million euro (book value as at 30 June 2022);
- from level 2 to level 1:
  - financial assets measured at fair value through profit and loss for 5 million euro (book value as at 30 June 2022);
  - financial assets available for sale for 267 million euro (book value as at 30 June 2022).

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.
The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Group's Fair Value Policy. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

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

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair value*				
1. Initial amount	**3,389**	**187**	**3**	**3,199**	**492**	**-**	**7,364**	**-**
2. Increases	**715**	**89**	**-**	**626**	**75**	**-**	**119**	**-**
2.1 Purchases	324	12	-	312	57	-	15	-
2.2 Gains recognised in:	120	7	-	113	17	-	-	-
2.2.1 Income statement	120	7	-	113	-	-	-	-
- of which capital gains	*114*	*6*	-	*108*	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	17	-	-	-
2.3 Transfers from other levels	76	13	-	63	-	-	-	-
2.4 Other increases	195	57	-	138	1	-	104	-
3. Decreases	**-457**	**-70**	**-3**	**-384**	**-147**	**-**	**-210**	**-**
3.1 Sales	-132	-10	-3	-119	-47	-	-35	-
3.2 Reimbursements	-5	-	-	-5	-	-	-	-
3.3 Losses recognized in:	-75	-22	-	-53	-16	-	-21	-
3.3.1 Income statement	-75	-22	-	-53	-	-	-17	-
- of which capital losses	*-75*	*-22*	-	*-53*	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-16	-	-4	-
3.4 Transfers to other levels	-61	-33	-	-28	-61	-	-	-
3.5 Other decreases	-184	-5	-	-179	-23	-	-154	-
4. Final amount	**3,647**	**206**	**-**	**3,441**	**420**	**-**	**7,273**	**-**

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

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**390**	**401**	**4,208**	**-**	**8**	**-**
2. Increases	**225**	**185**	**711**	**-**	**-**	**-**
2.1 Purchases	59	-	447	-	-	-
2.2 Gains recognised in:	-	-	215	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	215	-	-	-
2.3 Transfers from other levels	128	-	48	-	-	-
2.4 Other increases	38	185	1	-	-	-
3. Decreases	**-114**	**-90**	**-390**	**-**	**-1**	**-**
3.1 Sales	-15	-	-243	-	-	-
3.2 Reimbursements	-	-	-13	-	-	-
3.3 Losses recognized in:	-99	-	-133	-	-	-
3.3.1 Income statement	-99	-	-5	-	-	-
- of which capital losses	*-23*	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	-128	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-90	-1	-	-1	-
4. Final amount	**501**	**496**	**4,529**	**-**	**7**	**-**

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

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Initial amount	**119**	**26**	**-**
2. Increases	**100**	**1**	**-**
2.1 Issues	1	-	-
2.2 Losses recognised in:	1	1	-
2.2.1 Income statement	1	1	-
- of which capital losses	*1*	*1*	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	98	-	-
2.4 Other increases	-	-	-
3. Decreases	**-61**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-16	-	-
3.3.1 Income statement	-16	-	-
- of which capital gains	*-16*	-	-
3.3.2 Shareholders' equity	X	-	-
3.4 Transfers to other levels	-41	-	-
3.5 Other decreases	-4	-	-
4. Final amount	**158**	**27**	**-**

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

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
1. Initial amount	**61**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	-	-
2.2.1 Income statement	-	-	-
- of which capital losses	-	-	-
2.2.2 Shareholders' equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-61**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Income statement	-	-	-
- of which capital gains	-	-	-
3.3.2 Shareholders' equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-61	-	-
4. Final amount	**-**	**-**	**-**

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

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2022		31.12.2021	
	Book value	Fair value	Book value	Fair value
1. Financial assets measured at amortised cost	657,716	648,426	668,866	677,651
2. Investment property	-	-	-	-
3. Non-current assets held for sale and discontinued operations	1,303	1,303	1,422	1,422
Total	**659,019**	**649,729**	**670,288**	**679,073**
1. Financial liabilities measured at amortised cost	690,781	689,632	710,055	712,203
2. Liabilities associated with non-current assets	92	92	30	30
Total	**690,873**	**689,724**	**710,085**	**712,233**

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

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2022		31.12.2021	
	Book value	Fair value	Book value	Fair value
1. Investments held to maturity	-	-	-	-
2. Due from banks	40	40	41	41
3. Loans to customers	40	41	44	44
4. Investment property	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-
Total	**80**	**81**	**85**	**85**
1. Due to banks	646	621	623	650
2. Due to customers	296	296	188	188
3. Securities issued	1,362	1,264	1,335	1,338
4. Liabilities associated with non-current assets	-	-	-	-
Total	**2,304**	**2,181**	**2,146**	**2,176**

Sensitivity analysis for financial assets and liabilities measured at level 3
As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value, the following table lists the effects of a change in one or more significant non-observable parameters used in the valuation techniques adopted to determine the fair value. Note that only the total material effects as at 30 June 2022 are shown in the table.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-564	1 bp
FVTPL and FVTOCI securities and loans	Correlation	204	1%
OTC Derivatives - Equity	Historical volatility	1,300	10%
OTC Derivatives - Equity	Correlation between underlying equity baskets	190	10%
OTC Derivatives - Equity CPPI	Historical correlation	-40	10%

Information on "Day one profit/loss"
Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities. The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins, which are taken to the income statement when the financial instrument is initially measured. Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same

reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as Day-One-Profit - DOP). This difference shall be recognised in the income statement only when it arises from changes to the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument. When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Bank carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

At the end of the first half of 2022, as at the end of 2021, the amount of the DOP deferred in the balance sheet was immaterial (around 0.1 million euro).

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 3,779 million euro as at 30 June 2022, a net increase of 158 million euro compared to the stock of 3,621 million euro as at 31 December 2021. The exposure includes investments in ABSs (Asset-Backed Securities) of 1,932 million euro, in CLOs (Collateralised Loan Obligations) of 1,775 million euro and in CDOs (Collateralised Debt Obligations) of 72 million euro, which was confirmed as a marginal activity also in the first half of 2022.

(millions of euro)

Accounting categories	**30.06.2022**				**31.12.2021**	**changes**	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	521	668	-	1,189	1,049	140	13.3
Financial assets mandatorily measured at fair value	-	3	-	3	3	-	-
Financial assets measured at fair value through other comprehensive income	781	881	-	1,662	1,701	-39	-2.3
Financial assets measured at amortised cost	473	380	72	925	868	57	6.6
Total	**1,775**	**1,932**	**72**	**3,779**	**3,621**	**158**	**4.4**

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).

The strategy for transactions in structured credit products shows a prevalence of investments aimed at exploiting market opportunities over disposals of the portfolio during the period.

The exposure in ABSs and CLOs measured at fair value went from 2,753 million euro in December 2021 to 2,854 million euro in June 2022, a net increase of 101 million euro, mainly attributable to operations on positions of the IMI Corporate & Investment Banking Division, mainly in the assets held for trading portfolio.

The exposure to debt securities classified as assets measured at amortised cost amounted to 925 million euro in June 2022, compared with an exposure of 868 million euro in December 2021, an increase of 57 million euro.

From the perspective of the income statement, as at 30 June 2022 a net loss of -19 million euro was recorded, which continued to be impacted by the geopolitical tensions, in a context in the first half of 2022 marked by a decrease in liquidity on the reference markets, an increase in credit spreads and a rise in inflation (in the first six months of 2021 the impact on the income statement was +8 million euro).

The loss on trading – caption 80 of the income statement – amounts to -22 million euro and relates to the valuation components on exposures in CLOs and ABSs (impact on the income statement as at 30 June 2021 of +7 million euro, of which +4 million euro relating to valuation effects and +3 million euro to gains on disposal).

The profit from financial assets mandatorily measured at fair value was nil as at 30 June 2022, compared to 1 million euro in the first half of 2021.

The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a decrease in fair value of -25 million euro in the first half of 2022 through a shareholders' equity reserve (from a reserve of -1 million euro in December 2021 to -26 million euro in June 2022); there were no impacts from sales from the portfolio, equivalent to 30 June 2021.

The result recognised on the debt securities classified as assets measured at amortised cost was +3 million euro as at 30 June 2022, essentially attributable to realised gains, compared to nil in the first six months of 2021.

(millions of euro)

Income statement results broken down by accounting category	30.06.2022				30.06.2021	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	-17	-5	-	-22	7	-29	
Financial assets mandatorily measured at fair value	-	-	-	-	1	-1	
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Financial assets measured at amortised cost	-	1	2	3	-	3	-
Total	**-17**	**-4**	**2**	**-19**	**8**	**-27**	

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities (SPEs).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases, the sponsor may be the Bank itself, which establishes a SPE to achieve one of the aims mentioned above.
SPE categories are non-consolidated structured entities, and no changes in criteria were made compared to the information provided in 2021 Annual Report.

With regard to the Covered Bond issue programmes, during the first half of the year, as part of the programme guaranteed by ISP CB Pubblico, the 10th retained series was decreased by 100 million euro in January and was redeemed in full in advance for 150 million euro in June. In June, the 12th series was partially extinguished for an amount of 225 million euro, bringing the remaining nominal amount to 1,050 million euro.
Under the covered bond programme guaranteed by ISP CB Ipotecario, in January repurchases were carried out of UTP loans for 112 million euro, while in May a portfolio of 2.7 billion euro was sold.
The 17th series matured in January for an amount of 1 billion euro. In February, the 28th series was issued for an amount of 1 billion euro. The security is a floating rate, 7-year security listed on the Luxembourg Stock Exchange with an Aa3 rating from Moody's, was fully subscribed by the Parent Company and it is eligible for the Eurosystem.
Under the programme guaranteed by ISP OBG, in January were repurchased UTP loans for 281 million euro, while in June the sale of a portfolio of 6.2 billion euro was finalised.
Lastly, with regard to the programme covered by UBI Finance, in January repurchases of UTP loans and trade receivables were carried out for 72 million euro, while in June a portfolio of 822 million euro was sold.
The 30th series was decreased by 200 million euro in January and fully extinguished in advance in February, for 100 million euro. In April, the 3rd series was fully paid off, for the remaining 11.3 million euro outstanding. In May, the 28th series was partially extinguished, for an amount of 100 million euro, bringing the remaining nominal amount to 600 million euro, while the 29th series was extinguished in advance, for a total of 600 million euro.

With regard to *securitisation transactions,* in the first half, the Brera SME, on the vehicle Brera Sec S.r.l., and Berica ABS 4 transactions were closed, with a total repurchase of loans by the originator Intesa Sanpaolo in March. The price was settled as follows: for Brera SME, at the end of April, in an amount of 1,781 million euro; for the transaction of the former Banca Popolare di Vicenza, Berica ABS 4, in the last ten days of June, for 236 million euro.
The securitisation Brera SME was extinguished in advance with full early redemption of the securities at the beginning of May, while Berica ABS 4 was closed at the end of June.

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all the significant entities subject to direct supervision by the ECB. The stated purpose of the guidance is to strengthen company controls over "leveraged" transactions, in view of the global increase in leveraged finance activities and the highly competitive market, characterised by a prolonged period of very low interest rates and the ensuing search for yields.
The scope of the ECB Guidance includes exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and asset financing) and certain other types of credit facilities, such as trade finance transactions, are also excluded.

As at 30 June 2022, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to approximately 31.1 billion euro, relating to 2,400 credit lines (35.3 billion euro as at 31 December 2021). The decrease on 31 December 2021 is concentrated on the Parent Company, and is mainly due to counterparties of significant amounts which, following the improvement in their ratings, as they were upgraded to investment grade in the second quarter of 2022, exited the scope of reporting.
In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite a specific limit for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank's risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company's hedge fund portfolio as at 30 June 2022 amounted to 138 million euro for the trading book and 198 million euro for the banking book, compared to 27 million euro and 200 million euro, respectively, as at 31 December 2021.
The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment in Transferable Securities) funds.
In the first half of 2022, stocks increased by 109 million euro on 31 December 2021, due to new investments made in the trading segment, mainly due to positions taken in the second quarter of 2022 (investments increased by 93 million euro).
In terms of the income statement effects, as at 30 June 2022, an overall loss was recorded for -6 million euro, referring to the valuation of funds held in portfolio among financial assets mandatorily measured at fair value, compared to an overall impact of +12 million euro in the first six months of 2021 (-4 million euro from financial assets held for trading and +16 million euro from financial assets mandatorily measured at fair value), of which +10 million euro attributable to valuation effects and +2 million euro to realisation impacts.
In the Intesa Sanpaolo Group, as at 30 June 2022 the portfolio of Eurizon Capital SGR also includes hedge funds for 50 million euro, with an impact on the income statement of -3 million euro in the first half of the year. Hedge funds are held according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 30 June 2022, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 4,568 million euro (6,917 million euro as at 31 December 2021). The notional value of these derivatives totalled 33,327 million euro (64,254 million euro as at 31 December 2021).
In particular, the notional value of plain vanilla contracts was 30,191 million euro (59,649 million euro as at 31 December 2021), while that of structured contracts was 3,136 million euro (4,605 million euro as at 31 December 2021).
The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 2,641 million euro (4,416 million euro as at 31 December 2021).
Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 5,142 million euro as at 30 June 2022 (2,192 million euro as at 31 December 2021). The notional value of these derivatives totalled 70,769 million euro (34,378 million euro as at 31 December 2021).
In particular, the notional value of plain vanilla contracts was 65,508 million euro (31,493 million euro as at 31 December 2021), while that of structured contracts was 5,261 million euro (2,885 million euro as at 31 December 2021).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 June 2022, this led to a positive effect of 74 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the section on accounting policies in the Explanatory notes.
Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

INTEREST RATE BENCHMARK REFORM

Interest Rate Benchmark Reform – General aspects

In recent years, the European benchmark rates have been undergoing extensive reform, largely due to the introduction of the European regulation on benchmarks (Benchmark Regulation, Regulation (EU) 2016/1011), published in 2016 and in effect since January 2018.
In the specific case of the short-term benchmark rates declared critical by the European authorities, reforms relating to the following were required:

- Euribor: the revision by the EMMI (European Money Market Institute) of the method for determining fixings ("hybrid" method), using transactions concluded on the unsecured money market of up to 12 months by provider banks, where available, came into full effect from November 2019.
- Eonia: from October 2019, the fixings have been calculated using the risk-free rate published by the European Central Bank (€STR rate), identified on the basis of the overnight transactions concluded by the major European banks. In

October 2021, the European Commission designated €STR also as the interest rate to be applied when a statutory replacement of the Eonia is required.

The €STR rate also constitutes the basis for the calculation of the Euribor fallback rate, to be indicated in the contracts and to be used in the event of any future permanent cessation of publication of the Euribor. To facilitate the calculation of replacement rates, since April 2021 the ECB has launched the daily publication of the Compounded €STR Index and compounded €STR average rates.

Outside the Euro Area, in the last few years the supervisory authorities, central banks, specialised associations and market operators in the various jurisdictions have actively worked to identify the risk-free rates (RFR) that could be used as the new benchmarks on the monetary markets.

More specifically, from 2016 onwards, various working groups indicated, also through official recommendations, the risk-free rates that will act as fallback rates for the Libor and which, in addition to complying with the IOSCO principles, will be more representative of the real market conditions, as they are based on actual transactions with significant, stable volumes.

The following is a summary of the framework of risk-free rates:

IBOR	Risk Free Rate	Administrator	Secured or Unsecured	Transaction
GBP LIBOR	SONIA	Bank of England	Unsecured	o/n wholesale deposits
USD LIBOR	SOFR	New York Fed	Secured	o/n UST repo
JPY LIBOR	TONAR	Bank of Japan	Unsecured	o/n call rate
CHF LIBOR	SARON	SIX Swisse Exchange Ltd.	Secured	interbank o/n report
EUR LIBOR	€STR	ECB	Unsecured	o/n wholesale deposits

Source: ICE Benchmark Administration, Intesa Sanpaolo

With its announcement of 5 March 2021, the Financial Conduct Authority (FCA) confirmed that the Libor would no longer be published or would lose validity (i) immediately after 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar and (ii) immediately after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month).

On 29 September 2021, the FCA also announced that it was exercising its powers, compelling the Administrator of the Libor, ICE Benchmark Administration (IBA), to publish a synthetic Libor for the Pound Sterling and Yen for the 1-, 3- and 6-month maturities, clarifying that the use of those synthetic Libor indices is permitted exclusively for existing contracts that have not yet been converted to the alternative risk-free rates SONIA and TORF, respectively for the Pound Sterling and Yen, in order to guarantee the orderly wind down of the Libor. Though that publication in synthetic format is guaranteed for all of 2022, the FCA pointed out that the exercise of those powers is accompanied by an annual review, noting its intention not to renew the publication of the Yen Libor (which, therefore, would be wound down at the end of 2022) and the possible gradual restrictions to the use of the synthetic Libor of the Pound Sterling in legacy contracts.

Lastly, with regard to the US dollar, the main currency involved in the elimination of the Libor, the Alternative Reference Rates Committee (ARRC) took action on various fronts to accelerate the transition from the Libor to alternative rates based on the SOFR index, and specifically:

– publication of recommendations on best practices for the various product categories (e.g. loans, floating-rate bonds, derivatives, etc.) and the related timing for winding down the use of the US dollar Libor in new contracts;
– announcement of agreements for the various categories of contracts (e.g. pool loans, floating-rate bonds, cross-currency swaps, etc.);
– publication of the fallback clauses for the various categories of products.

Interest Rate Benchmark Reform – Intesa Sanpaolo's activities

In recent years, Intesa Sanpaolo has closely monitored the developments relating to benchmarks, and in 2016 it launched a dedicated project involving the participation of all the corporate functions involved in various capacities.

Leveraging the work of the special projects and within the expenditure limits set out in the project capital budget, the project work also continued in the first half of 2022, focusing on the following aspects in particular:

– continuation of the bilateral negotiations with counterparties to change the rate of return of the collateral of Credit Support Annexes (CSA) from €STR plus a spread of 8.5 basis points to the flat €STR, where requested by the specific counterparties;
– progressive greater use of €STR derivatives;
– definitive wind down of the offer of products linked to the Libor in GBP, CHF and JPY;
– continuation of the initiatives to facilitate and move up, to the extent possible, the winding down of the USD Libor in accordance with the recommendations of the ARRC and, where applicable, of EU or US legislation on statutory replacement, in preparation of the final transition to the SOFR rate in June 2023 and the correlated activities to include robust fallback clauses in the outstanding contracts linked to the Libor:
    - continuation of the projects and lines dedicated to bonds linked to the overnight risk-free rates (owned by the Bank and customers) and activation of projects to manage short-term and MLT issues;
    - with regard to the transition with clearing houses for derivatives in USD subject to clearing with underlying USD Libor, the Group participated in the Consultation of the Central Counterparty (CCP) LCH, addressed to its members, to gather feedback on operating aspects of the transition – which will occur in the second quarter of 2023 – in a similar manner to that carried out in December 2021 for derivatives with underlying GBP, JPY, CHF and EUR Libor. That active transition mechanism, similar to that set out in 2021 for other Libor currencies, is based on standard

rules for all participants and considers the criteria for determining spreads based on the fallback provisions drawn up by the industry as part of the benchmark reform;

- completion of preparation of the IT structure necessary for the use of RFRs in the Bank's accounting and management systems;
- constant reporting to the Group's International Subsidiaries and Branches;
- collaboration with the Italian authorities to support the development of the new RFR market;
- participation in surveys and public consultations at European level;
- providing feedback on transition readiness for foreign authorities in countries where Group companies are present, and to the ECB Joint Supervisory Team for general aspects related to the Group;
- planning additional delivery of specialist training to staff via remote learning and courses on the digital learning platform;
- updating of the disclosure to customers on the pages of the Group's website dedicated to illustrating the issue of the transition of benchmarks.

Intesa Sanpaolo has also continued to take part in various initiatives, among which the most significant were European working groups organised by EMMI, and by ESMA (the latter replaced the ECB in managing the Secretariat of the Working Group on Euro Risk-Free Rates).
In this latter area in particular, Intesa Sanpaolo also acted in the last year as a voting member and participant in individual project streams in the working group on euro risk free rates, in which it has also held the new role of Ambassador for Italy since 2020.

As reported in the "Accounting Policies", in the 2021 Financial Statements, Regulation (EU) 2021/25 of 13 January 2021, adopting the document "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" published by the IASB on 27 August 2020 regarding issues pertaining to the second phase of the interest rate benchmark reform project (IBOR Reform), became binding and applicable for the first time from 2021. The main amendments introduced concern the possible accounting impacts of the application of the new rates (so-called replacement issue), in particular the accounting treatment of amendments to existing contracts and of hedge accounting. No impacts on the Intesa Sanpaolo Group were caused by the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.
Referring to Part A, Section 5 - Other aspects of the 2021 Annual Report for a more detailed analysis of the financial instruments impacted by the IBOR Reform at the reporting date and the methods for managing the transitions adopted by the Group, it is noted that, in light of the regulatory measures and actions undertaken by the Group, no critical issues were identified in completing the transition by the planned deadlines, nor are any critical issues forecast in view of the future discontinuation of the USD LIBOR. Specifically, to manage the stock of existing instruments, the Group set out the mass adoption of the new Risk Free Rates (RFR) on the financial instruments newly subscribed, thus abandoning the use of the benchmarks impacted by the reform and stabilising the stock of transactions to be transitioned, on the one hand, while setting up the solutions for the transition to the new RFR, defined based on the main international recommendations, capable of minimising the financial impacts of the transition, on the other.

With reference to the benchmarks being wound down at the end of 2021, the transition activities have been successfully completed for all these benchmarks.
Specifically, as regards the remaining derivative contracts still outstanding at the end of 2021 with an underlying EONIA benchmark rate (EONIA OIS), as well as the contracts in which the EONIA is the collateral benchmark, no positions were open as at 30 June 2022.
It is also noted that the exposures relating to derivative contracts linked to the Libor to be wound down as at 31 December 2021 (mainly in relation to those expressed in GBP, CHF, JPY and EUR) were nil at the beginning of this year.
With regard to the other instruments linked to the GBP LIBOR, the renegotiations were completed according to the main international recommendations published and recognised by market participants.
Likewise, actions were also completed for transition to the respective RFRs for loans linked to the JPY LIBOR and CHF LIBOR.

With reference to instruments linked to the USD LIBOR, the transition must be carried out by 30 June 2023 (the last date of publication of only the 1-week and 2-month USD LIBOR rates was 31 December 2021).
The date on which the USD LIBOR will no longer be used does not give rise to specific uncertainties except for those linked to trading timescales, which could be deferred by the counterparties. In any event, phases similar to those that were implemented for instruments linked to other benchmarks wound down at the end of 2021, both for cash and derivative instruments, are expected to follow.
Lastly, as regards the stock of outstanding instruments linked to the USD LIBOR, the financing side shows substantial stability. However, with regard to derivative instruments, the reduction in respective exposures open to risk, in some cases, was carried out through transactions of the opposite sign (in terms of sensitivity) which may have resulted in an increase in the number of transactions and nominal values if considered in absolute terms, on the one hand, while it resulted in a gradual reduction in exposure to that benchmark in terms of risk measures, on the other.

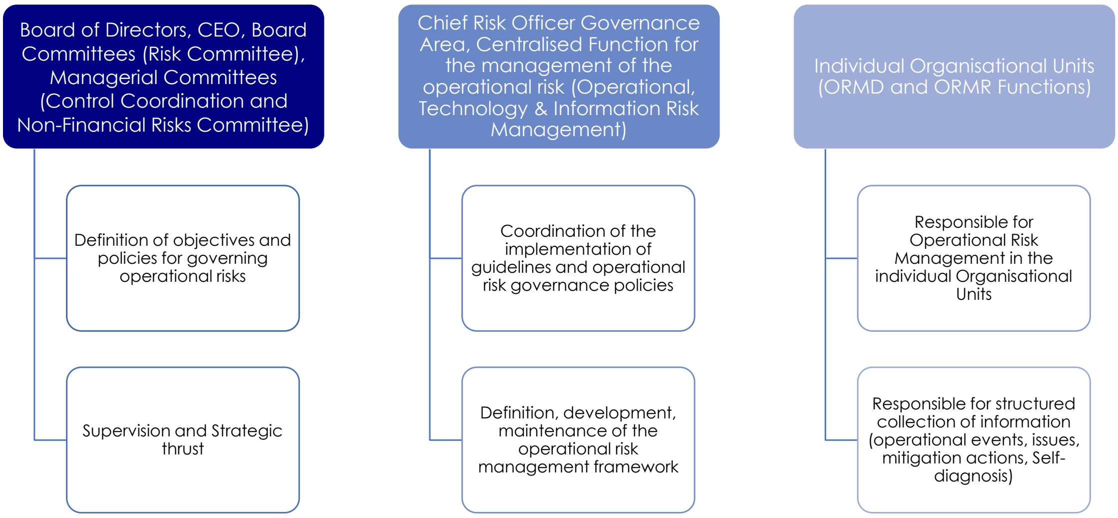
Furthermore, the Intesa Sanpaolo Group has applied since the 2019 Financial Statements Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB on "Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)", which introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform from causing the discontinuation of existing hedges and difficulties in designating new hedging relationships.
Hedging derivatives impacted by the IBOR Reform are exclusively represented by derivatives linked to the USD LIBOR.

OPERATIONAL RISK

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[41].
The Intesa Sanpaolo Group adopts an undertaking and management strategy of operational risk based on prudent management principles and aimed at guaranteeing long-term solidity and continuity for the company. In addition, the Group pays particular attention to achieving an optimal balance between growth and profitability and the resulting risks.
In line with these objectives, the Intesa Sanpaolo Group has long since established an overall operational risk governance framework, by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

Governance Model

An effective and efficient framework for managing operational risks must be fully integrated into decision-making processes and management of business operations. Accordingly, the Intesa Sanpaolo Group has chosen to involve the organisational units (business units, central/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational risk management process.



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

- identification: identification and description of potential areas of operational risk (e.g., operating events, presence of critical elements, applicability of Risk Factors, significant risk scenarios);
- measurement and assessment: determination of exposure to operational risks (e.g., self-diagnosis[42], determination of economic and regulatory capital, preventive analyses of operational and ICT risks, assessment of the significance of the issues identified);
- monitoring and control: ongoing supervision of the development of the exposure to operational risks, including to prevent the occurrence of harmful events and promote active risk management;
- mitigation: containment of operational risks through appropriate mitigation actions and suitable risk-transfer strategies according to a risk-driven approach;
- reporting: preparation of information flows related to operational risk management, designed to ensure adequate knowledge of the exposure to this risk.

ICT risk

The Intesa Sanpaolo Group considers its information system a tool of primary importance to the achievement of its strategic, business and social responsibility objectives, including in the light of the critical nature of the company processes that depend on it. Accordingly, it undertakes to create a resilient environment and to invest in assets and infrastructure designed to minimise the potential impact of ICT events and to protect its business, image, customers and employees.
The Group has therefore adopted a system of principles and rules intended to identify and measure the ICT risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational risk management process.
In line with the methodological framework established for the governance of operational risks, the ICT Risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.

[41] As far as the financial losses component is concerned, the Operational risk includes: legal and compliance risk, conduct risk, IT and Cyber risk, physical security risk, business continuity risk, financial crime and financial reporting risk, third-party and model risk. Strategic risk and reputational risk are not included.

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

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

Internal model for the measurement of operational risk

The Intesa Sanpaolo Group's internal model for calculating capital absorption (the "Advanced Measurement Approach" or "AMA") is designed to combine all the main sources of quantitative information (internal and external operational losses and estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation - VCO).

Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case). It is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.9%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.

The internal model's insurance mitigation component was approved by the Competent Authority in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

Operational risk capital requirement

For regulatory purposes, the Group adopts the advanced measurement approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement.

As at 30 June 2022, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies deriving from the UBI Banca Group, incorporated into Intesa Sanpaolo during 2021 and the first half of 2022) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Bank and PBZ Banka.

The capital absorption resulting from this approach amounts to 2,107 million euro as at 30 June 2022, slightly up from 2,024 million euro as at 31 December 2021.

Impacts from the COVID-19 pandemic

With regard to operational risks concerning the first half of 2022, there are no specific updates to report, and readers are referred to the description provided in the relevant section of the Annual Report as at 31 December 2021.

Impacts of the Russia-Ukraine conflict

As regards operational risks, the impacts of the Russia-Ukraine conflict regard several actions implemented to ensure the Group's business continuity operations, particularly the extra costs incurred for Business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone.

Legal risks

As at 30 June 2022, there were a total of about 40,600 disputes, other than tax disputes, pending at Group level (excluding those involving Risanamento S.p.A, which is not subject to management and coordination by Intesa Sanpaolo) with a total remedy[43] sought of around 3,830 million euro. This amount includes all outstanding disputes, for which the risk of a disbursement of financial resources resulting from a potential negative outcome has been deemed possible or probable and therefore does not include disputes for which risk has been deemed remote.

The risks associated with these disputes are thoroughly and individually analysed by the Parent Company and Group companies. Specific and appropriate provisions have been made to the Allowances for Risks and Charges in the event of disputes for which there is an estimated probability of a disbursement of more than 50% and where the amount of the disbursement may be reliably estimated (disputes with likely risk). Without prejudice to the uncertainty inherent in all litigation, the estimate of the obligations that could arise from the disputes and hence the amount of any provisions recognised are based on the forward-looking assessments of the outcome of the trial. These forward-looking assessments are, in any event, prepared on the basis of all information available at the time of the estimate.

The disputes with likely risk amount to around 31,900 with a remedy sought of 1,984 million euro and provisions of 800 million euro. The component referring to the Parent Company Intesa Sanpaolo totals around 5,490 disputes, with a remedy sought of 1,627 million euro and provisions of 611 million euro. There were around 830 disputes relating to other Italian subsidiaries, with a remedy sought of 252 million euro and provisions of 94 million euro, while there were around 25,600 relating to international subsidiaries, with a remedy sought of 105 million euro and provisions of 95 million euro. The number of ongoing disputes is strongly affected by several cases of "mass" disputes abroad, with regard to claims concerning loan positions relating to the Serbian subsidiary Banca Intesa Beograd and loans in currencies other than the local currency relating to Privredna Banka Zagreb (a total of 24,800 positions). For more details, see the Notes to the 2021 financial statements. In Italy, the number relates to issues of anatocism and investment services (3,360 positions).

The breakdown according to the main categories of disputes with likely risk shows the prevalence of cases related to the Group's ordinary banking and credit activities: disputes involving claims relating to banking and investment products and services or on credit positions and revocatory actions account for about 75% of the remedy sought and 75% of the provisions. The remaining disputes mainly consist of other civil and administrative proceedings and labour disputes or criminal proceedings or proceedings related to operational violations.

[43] The figures for the remedy sought include the claims formulated, but do not include claims of indeterminate value, i.e. those that do not contain a specific financial claim when the dispute is initiated; the value of these disputes is determined during the course of the proceedings when sufficient information emerges for the valuation.

For the main pending disputes, the significant developments in the half year are described below. For previous disputes and a detailed illustration of significant individual disputes, see the Notes to the 2021 Annual Report of the Intesa Sanpaolo Group.

Dispute between Intesa Sanpaolo Vita S.p.A. and RB Holding S.p.A. and the Favaretto family

In May 2020, Intesa Sanpaolo Vita S.p.A. finalised an investment in RBM Assicurazioni Salute S.p.A., the leading Italian insurance company in the healthcare class held by RB Holding S.p.A. referring to the family of Roberto Favaretto, an operation that resulted in Intesa Vita S.p.A. currently controlling the insurance company, now named Intesa Sanpaolo RBM Salute S.p.A.

In May, Intesa Sanpaolo Vita sent the minority shareholders RB Holding S.p.A. an indemnity request pursuant to and in accordance with the investment contract, in relation to the emerging situations that gave rise (or could give rise) to liabilities currently quantifiable at over 129 million euro, which substantially involve:

- the increase in the charges for claims concerning the mètaSalute Policy due to the elimination of unfair business practices subject to proceedings launched by the AGCM (Italian Competition Authority);
- credit positions (per ‘premium settlements’) posted to balance sheet assets at the time of closing and fully written down following the closing, due to their verified uncollectibility;
- penalties for delays in payments of claims relating to the ASDEP – Healthcare for Employees of Public Entities Policy.

RB Holding S.p.A. rejected all charges and, in the third week of July, along with the Favaretto family, submitted a petition to the Arbitration Chamber of Milan, claiming the invalidity of several clauses in the investment contract and shareholders’ agreement of 2020 (including those relating to the put and call options on the minority interest and the non-competition agreement), breaches by Intesa Sanpaolo Vita of contractual commitments (such as the consultation clause relating to the renewal of the mètaSalute contract and the termination of the relationship with the previous Managing Director), the breach by the latter of the rules of good faith and fairness, with a request for compensation for damages totalling 423.5 million euro.

By the assigned deadline of 5 September, Intesa Sanpaolo Vita shall file an initial brief of defence and appointment of its arbitrator, deeming that, in agreement with its counsel, it has useful defence arguments to combat the claims of RB Holding, without prejudice to the indemnity request formulated by Intesa Sanpaolo Vita in May, whose content could also be the subject of a counterclaim in the arbitration initiated by RB Holding and the Favaretto family, without, therefore, having to initiate separate litigation proceedings.

Where consultation between the parties identifies the interest in an amicable settlement, the fact that the dispute is pending shall not impede the verification of the feasibility of such cases.

Disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation

Within the proceedings before the Constitutional Court, which originated from the referral order of 20 July 2021 in which the Court of Florence submitted the question of the constitutionality of Law Decree 99/2017, the Court initially set the hearing for 5 July 2022 and then postponed it to 4 October 2022. By 14 September, the Bank can file a brief to provide further evidence and arguments for the oral hearing before the Court.

With regard to the Excluded Disputes, the Court of Cassation has issued its first ruling (Order no. 9945 of 28 March 2022). The Court upheld the objection of lack of capacity to be sued raised by the Bank in a litigation concerning a loan already classified as “non-performing” at the date of the transfer and therefore not included in the Aggregate Set. The case had been brought, prior to the transfer, against Veneto Banca when it was a going concern and then resumed also against Intesa Sanpaolo after the initiation of the liquidation of the Venetian bank.

In 2019 and 2021, Intesa Sanpaolo sent several claims to the Banks in compulsory administrative liquidation containing requests (or reservations of the right to make subsequent requests) for reimbursement/indemnification of damages already incurred or potentially incurred and violations of the above-mentioned Representations and Warranties, in relation to Previous Disputes and Excluded Disputes, as well as in relation to the value and recoverability of several assets transferred to Intesa Sanpaolo.

The term set out in the Sale Contract (20 working days from receipt of the indemnity request), by which the Banks in compulsory administrative liquidation were to notify Intesa Sanpaolo of all complaints regarding the claims formulated, was repeatedly extended in agreement with the Liquidators and is currently set at 31 October 2022.

Società Italiana per le Condotte d’Acqua S.p.A. under Extraordinary Administration

In June 2022, the letter of warning and notice to pay was received from the Receivers of the Extraordinary Administration of Società Italiana per le Condotte d’Acqua S.p.A. admitted to the “Marzano” proceedings by way of Italian Ministerial Decree of 6 August 2018.

The counterparty alleges the Bank’s liability for unlawfully granting credit to the company, contributing to the continuation of its business at a loss and the aggravation of its failure.

The Receivers have formulated a request for compensation, currently out-of-court, for 380 million euro, reserving the right to provide a more accurate quantification of the damages. The preliminary investigation of that request is under way and, in the current phase, no risk forecast can be formulated, also due to the fact that the warning alleges the contribution by other banks in causing the failure, without identifying their specific wrongdoing.

The Extraordinary Administration has also promoted against Intesa Sanpaolo three bankruptcy revocatory actions before the Court of Rome, with a request to reimburse amounts of around 16 million euro.

Fondazione Cassa di Risparmio della Provincia di Macerata
In February 2022, Fondazione Cassa di Risparmio della Provincia di Macerata sent a non-judicial letter of warning and notice to pay to Intesa Sanpaolo (as successor to UBI Banca, which in turn had absorbed the good bank Nuova Banca delle Marche[44]), and a former representative of Banca delle Marche, for the financial and image-related damage allegedly suffered for a sum quantifiable at no less than 50 million euro.
The Foundation alleges that in 2012 it subscribed to the share capital increase resolved in October 2011 by the then Banca delle Marche, purchasing shares for a total amount of over 40 million euro, solely on the basis of its reliance on (i) the data contained in the bank's annual financial statements and (ii) the "Prospectus" produced for that capital increase, which later proved to be totally incorrect and misleading.
The Bank rejected the claim for damages in its entirety, arguing first of all that it lacked capacity to be sued and that the limitation period had expired, and also fully contesting the claims on the merits.

Fondazione Monte dei Paschi di Siena
In 2014 Fondazione Monte dei Paschi di Siena (the Foundation) proposed an action for compensation for damages referring to the loan granted in 2011 by a pool of banks (lending banks) to provide it with the resources to subscribe the share capital increase of Banca MPS. The damages claimed were allegedly due to the "capital loss" deriving from the reduction in the market value of the Banca MPS shares purchased using the sums disbursed by the banks. FMPS sued eight former directors of the Foundation that were in office in 2011 and the lending banks, which include Intesa Sanpaolo and Banca IMI. The claim for damages has been quantified at around 286 million euro, jointly and severally for all the defendants. The lending banks have been charged with tort liability due to their participation in the alleged violation by the former directors of the debt-equity ratio limit of the Foundation set in the charter.
Following the conclusion of the settlement agreement last December, the banks in the pool and the Foundation filed a joint petition for the partial settlement of the first instance proceedings.
As regards the appeal proceedings promoted by the banks regarding the lack of jurisdiction, with order dated 29 April 2022, the Court of Appeal of Florence declared the expiry of the proceedings between the banks and the Foundation.

Engineering Service S.r.l.
In 2015, Engineering Service S.r.l. brought a civil suit against the Ministry of Economic Development, BPER and UBI regarding the granting of public subsidies to businesses. The claimant accuses our Bank (and BPER) of delays in managing the approval procedure and disbursements – delays that allegedly resulted in a liquidity crisis for the company and the consequent loss of the public contribution.
A claim for damages for approximately 28 million euro was brought against our Bank.
The Bank's defence counsel argued that the approval times depended on BPER, to which it thus submitted a claim for indemnity.
The Court of Rome, with ruling of November 2021, which became final due to lack of appeal, fully rejected the claimant's application, ordering it to pay the legal fees of all the parties summoned.

Elifani Group
Lawsuit brought in 2009 by Edilizia Immobiliare San Giorgio 89 S.r.l. (now incorporated into Enselfin, which filed an appearance as its replacement), San Paolo Edilizia S.r.l., Hotel Cristallo S.r.l. and the guarantor-shareholder Mario Elifani seeking compensation for damages suffered due to alleged unlawful conduct by the Bank for having requested guarantees disproportionate to the credit granted, enforced pledge guarantees, applied usurious interest to mortgage loans and submitted erroneous reports to the Central Credit Register.
The dispute refers to the same circumstances mostly already cited in the disputes regarding anatocism and interest in excess of the legal amount brought by the aforementioned companies in 2004 and settled in early 2014.
The lawsuit had a favourable outcome for the Bank in both the first and second instances, while by order of December 2019, the Court of Cassation partially granted the adverse parties' petition, with referral of the matter. The adverse parties resumed the lawsuit before the Court of Appeal of Milan, quantifying the claim at approximately 100 million euro.
Lastly, with a ruling of June 2022, the Court of Appeal of Milan, reviewing the case, rejected the claims made by the claimants, ordering them to pay the legal fees.

Dispute regarding financial derivative instruments
With regard to the disputes with local entities, four new disputes were recorded during the half year:
- the Province of Catanzaro ordered the cancellation through internal review of the executive decision approving the derivative transaction entered in a pool with other banks. The Bank, together with the other members of the pool, appealed to the Catanzaro Regional Administrative Court to have the measure cancelled. Intesa Sanpaolo's potential risk amounts to 3.6 million euro;
- the Province of Varese, following the unsuccessful closure of a meditation promoted in April, launched proceedings in July before the Court of Milan, to rule null and void two derivatives entered into with the Bank, requesting that the Bank be ordered to pay 7.2 million euro both as repayment and as compensation due to contractual or tort liability.
- The Province of Imperia served a writ of summons with which the Authority alleged the invalidity of the derivative and requested the restitution of the differentials paid, as well as compensation for damages without quantifying its claim. This action followed the mediation proceedings that ended in November 2021 with a negative outcome. The potential risk for the Bank amounts to 5 million euro;

[44] Note that those disputes are backed by the warranties and obligations to indemnify by the Seller (National Resolution Fund) for the benefit of UBI Banca in relation to the acquisition of the New Banks deriving from the resolution of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Cassa di Risparmio della Provincia di Chieti and therefore also cover any liabilities arising from the activities carried out by the Banks (the "Old Banks") before they were subject to the resolution procedure, in relation to, *inter alia*, risks of a legal nature or generally related to ongoing or threatened disputes, or violations of the law and any potential liabilities.

- the Municipality of Marsciano brought an action before the Court of Perugia for the declaration of invalidity of the derivative entered into with the Bank, requesting the restitution of 81 thousand euro for differentials paid and implicit costs.

Four rulings were also received in the following disputes:

- Municipality of Faenza: with a decision dated 1 February 2022, the Court of Appeal of Bologna, recalling the principles expressed by the Joint Sections with ruling no. 8770/2020, confirmed the invalidity of the contract due to failure to indicate the Mark to Market (MTM) and ordered the Bank to repay the differentials charged to the Entity. In execution of the first instance ruling, the Bank had already paid 2.8 million euro. An appeal was lodged with the Court of Cassation;
- Municipality of Santa Maria Capua Vetere: the Court of Rome, in its ruling of 2 March 2022, rejected the claim of invalidity of the two derivative contracts, made by the Municipality, and upheld the Bank's counterclaim for the unpaid amounts from the Municipality totalling 119 thousand euro. However, the court upheld the claim for implicit costs not disclosed at the time of signing and ordered the Bank to pay 1.1 million euro plus interest and revaluation. The ruling was not appealed, and contacts are under way with the Authority to agree on the methods for fulfilling the order;
- Municipality of Vittorio Veneto: the Court of Venice, with non-final ruling of 29 March 2022, voided two contracts due to lack of elements of the MTM and probabilistic scenarios, deemed essential in line with the unfavourable approach taken by the Joint Sections 8770/2020. In a separate order, the judge returned the lawsuit to the preliminary investigation phase, ordering a court-appointed expert's report to determine the flows due to the Municipality. Thus, the proceedings were postponed to 26 October 2022. The potential risk to the Bank amounts to 5.8 million euro;
- Province of Pavia: with decision dated 4 May 2022, the Court of Appeal of Milan, agreeing with the principles set out by the Court of Cassation, confirmed that the contract was null and void due to lack of indication of the MTM and the probabilistic scenarios. In execution of the first instance ruling, the Bank had already paid 10.1 million euro. An appeal to the Court of Cassation is being considered.

With regard to the pending litigation, in the first half, it is noted that the dispute promoted in December 2013 by the Municipality of Mogliano Veneto reached the Court of Cassation and was settled in the wider context of a credit operation of renegotiation of the mortgage that represents the debt underlying the derivative that is the subject of the lawsuit. As a result of the agreement reached, the Bank and the Municipality of Mogliano filed waivers of the lawsuits and the Court of Cassation declared the proceedings extinct, with decree of 13 January 2022. The operation resulted in the termination of the derivative contract, with charges borne by the Bank for a total of 5.3 million euro.

With regard to the pending dispute with Companies controlled by Public Entities, in the proceedings promoted by Azienda Socio Sanitaria territoriale Valle Olona, the Court of Busto Arsizio, with ruling of 6 April 2022, declared the contract null and void due to an unspecified purpose, and ordered the Bank to return the amount of 1.8 million euro, already paid to the Entity. The ruling has been appealed.

Labour litigation

In line with the situation as at 31 December 2021, as at 30 June 2022 there were no significant cases of labour litigation, also with respect to the former UBI Banca Group, from either a qualitative or quantitative standpoint. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation

At Group level, the total value of the claims for tax disputes (taxes, penalties and interest) was equal to 222 million euro in June 2022 (215 million euro as at 31 December 2021).
The related risks are covered by adequate provisions for risks and charges, equal to 68 million euro (76 million euro as at 31 December 2021).
With regard to the Parent Company, there were 579 pending litigation proceedings (628 as at 31 December 2021) for a total amount claimed (taxes, penalties and interest) of 128.6 million euro (135.4 million euro as at 31 December 2021), considering both administrative and judicial proceedings at various instances.
In relation to these proceedings, the actual risks were quantified for the Parent Company at 55.2 million euro as at 30 June 2022 (56.5 million euro as at 31 December 2021).
During the half year, the litigation settled (known as findings closed) by the Parent Company totalled 146 proceedings, for a total amount claimed of 17.4 million euro, with an outlay of 2.4 million euro, mainly referring to claims for municipal property tax (IMU) (2 million euro).

Compared to the figures for 31 December 2021, for the Italian subsidiaries, higher claims were recorded for a total of 16 million euro, with lower provisions of 2 million euro.

The main changes relate to a notice of assessment for IRES and IRAP taxes for 2017, served in April 2022 to Intesa Sanpaolo Private Banking (total claim of 8.5 million euro) and a notice of an assessment for 2011 served in June 2022 to Cargeas Assicurazioni, where higher tax on insurance companies was assessed for 1.3 million euro, plus 0.5 million euro in interest and 2.8 million euro in penalties, for a total of 4.6 million euro.

The tax disputes involving foreign subsidiaries are of small amounts and are covered by provisions as to 67% of the risk. In particular, the claims have a total value of 6 million euro (9 million euro as at 31 December 2021) for which provisions of 4 million euro have been set aside (8 million euro as at 31 December 2021). Thus, claims decreased by 3 million euro and provisions by 4 million euro.
The changes in the amount claimed and the related provisions for risk are mainly due to the settlement of several disputes relating to Alexbank, entirely provisioned.
In the following paragraphs, information is provided regarding the most important ongoing disputes.

Parent Company

Disputes regarding registration tax on the reclassification of business contributions and subsequent sale of the participations as sales of business units and the consequent assessment of a higher enterprise value
The dispute relating to the business contribution and subsequent sale of the participation by Banca di Trento e Bolzano to Intesa Sanpaolo is noted, reclassified by the Italian Revenue Agency as a direct sale of a business (also pursuant to the aforementioned Art. 20 of Italian Presidential Decree no. 131/1986), with a demand for proportionate registration tax (0.8 million euro) plus interest (0.3 million euro), amounts provisioned at the time. In a ruling filed during the half year, the Court of Cassation found that the reclassification of the deed of contribution of a business line, followed by the sale of the investments in the contributed company is no longer permitted by law (pursuant to Art. 20 of Italian Presidential Decree no. 131/1986) and that the tax nature of the deed requires registration tax, as also observed by the Court of Cassation in ruling no. 158/2020. As a result, the amounts provisioned at the time (1.1 million euro) were released.
Reference should be made to the Notes to the Consolidated Financial Statements 2021 for more information on these disputes.

Dispute regarding the municipal property tax ("IMU") on real estate not repossessed following the termination of the related lease contracts
The total remedy sought is 7 million euro, fully provisioned for.
Reference should be made to the Notes to the Consolidated Financial Statements 2021 for more information on these disputes.

Dispute regarding VAT on boat lease transactions
With regard to the merged company Mediocredito Italiano, note the VAT claim triggered by the general audit by the Milan tax policy (*Guardia di Finanza)* on 17 April 2019. In referring to the Notes to the Consolidated Financial Statements 2021, the following is noted regarding the status of the claims:
- for tax year 2014, the ruling of the Milan Provincial Tax Commission was filed, partially favourable to the Bank, where, in acknowledging the reduction of the taxes, previously cancelled by the Italian Revenue Agency due to internal review, the judges recognised the penalties applied as not being due, reducing the original notice from the initial approximately 5.5 million euro to the current approximately 2 million euro. The appeal is being prepared;
- for the tax year 2015, the notice of assessment was settled through a payment of around 2 million euro, using the allowance for tax litigation, previously established in 2019, for 2.9 million euro;
- for the tax year 2016, a notice of assessment was served regarding one single finding of tax exemption pursuant to Article 8-bis of Italian Presidential Decree no. 633/72, to which the tax exemption was applied, which is subject to full provisioning (for taxes, penalties and interest) but which will be appealed, in any event (remedy sought of 1.5 million euro).

For 2014, the Bank made provisions with regard to the former claim, solely for the risk of tax and interest, and not also for the risk of penalties, whereas for the latter claim, provisions were prudently made on interest and penalties, deeming it possible to exercise recourse against the customer for the tax. For 2016, provisions were made for the taxes and related interest.

* * *

As regards the branches of Intesa Sanpaolo located abroad, there were no significant changes on the audits reported in the Notes to the Consolidated Financial Statements 2021, compared to which we note only that the audit begun by the Madrid Revenue agency in April 2021 for the year 2016 for the purpose of income taxes on the Madrid branch of the merged company UBI Banca was closed without any amount due.

Group Companies

With regard to the Italian companies of the Group, updates on the main issues are provided below.

For information on the disputes of Intesa Sanpaolo Private Banking regarding the deductibility of amortisation of goodwill arising from the contribution of business units, refer to the Notes to the Consolidated Financial Statements 2021 and the Interim Statement as at 31 March 2022. In that regard, it is noted that in March 2022 the second instance judgment relating to the years 2014 and 2015 was filed, favourable to the Bank, while in April 2022 the notices of assessment for IRES and IRAP tax for the year 2017 were served, for a total claim of 8.5 million euro (4 million euro for taxes, 4 million euro for penalties and 0.5 million euro for interest). In June the appeals were filed with the Provincial Tax Commission.

The total amount claimed, including taxes, penalties and interest, amounts to 60.9 million euro. The risk of liability has been assessed as possible, because the legitimacy of the realignment of goodwill that is newly generated by the contributed company has been expressly acknowledged by the Agency in its Circular no. 8/E of 2010, and is in line with the provisions of Art. 15, paragraph 10 of Law Decree no. 185/2008.

Also for Cargeas Assicurazioni, reference should be made to the Notes to the Consolidated Financial Statements 2021. In that regard, we note that the notice of assessment for the year 2010 (remedy sought totalling 5.7 million euro) was appealed before the tax judicial bodies and the hearing for discussion of the dispute before the Provincial Tax Commission of Milan was held on 25 February 2022 and to date, we are awaiting the filing of the ruling.

Moreover, on 6 June 2022, the company received a notice of assessment for 2011 claiming a higher tax of 1.3 million euro, 0.5 million euro in interest and 2.8 million euro in penalties, equal to 200% of the assessed tax (minimum penalty prescribed by law), for a total of 4.6 million euro.

The grounds set out in the tax document indicated for the year 2011 are identical to those indicated in the previous deed mentioned referring to the year 2010, as the Italian Revenue Agency did not make any changes or additions thereto.

For this reason, and pending the outcome of the decision that will be taken by the Provincial Tax Commission of Milan regarding the hearing held on 25 February 2022 with regard to the dispute on the year 2010, the Company deems that the risk of a negative outcome regarding the year 2011, equivalent to that for the year 2010, should be deemed possible, but not probable.

Provis has municipal property tax (IMU) and municipal tax (TASI) claim procedures that are pending or about to commence with a total value of 3.6 million euro. The corresponding provision for risks amounts to 3.9 million euro, inclusive of legal expenses.

With regard to the foreign subsidiaries, for information on Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Brasil S.A. – Banco Multiplo, Intesa Sanpaolo Banka D.D. Bosna I Hercegovina, Pravex Bank, PBZ Card d.o.o. and UBI Trustee S.A. refer to the Notes to the Consolidated Financial Statements 2021.

Below are several changes regarding subsidiaries, which were also commented on in the previous Financial Statements.

Alexbank has two pending tax audits concerning corporate income tax, referring to tax year 2018. At present no claims have been put forward. In addition, there is a pending dispute concerning the non-payment of stamp duty. The quantification of potential liabilities was updated, and is fully provisioned for. The tax audit on stamp duty relating to the tax period 2019 was closed with no findings.

The tax audit on IMI SEC in relation to direct taxes for the years 2015 and 2016 was closed without any findings. Instead, an audit by the State of New York is under way regarding income tax, for the years 2015, 2016 and 2017. No findings are noted for the time being.

Since April 2022, EXELIA has been subject to a tax audit by the Romanian tax authorities with regard to corporate income tax relating to the tax periods 2016 and 2017. No findings are noted for the time being.

Lastly, we note a dispute pending in Brazil in relation to the former subsidiary Banco Sudameris Brasil (now Banco Santander Brasil), sold in 2003 to ABN AMRO Brasil (now the Santander Group), whose economic charge falls on Intesa Sanpaolo due to the commitments entered into with the seller at the time.

This dispute, which regards a charge that was not settled by way of the 2019 Settlement Agreement with Banco Santander Brasil, is entitled "Causa PDD1" and is based on the issue of taxes on income and social security contributions for 1995.

The change during the half year concerns the issue on 13 June 2022 of an opinion by Prof. Tercio Sampaio Ferraz in which, *inter alia,* he confirms the argument put forth by Intesa Sanpaolo that the settlement with regard to the year 1995, based on specific local Brazilian law (Art. 17 of Brazilian Law no. 9799/1999), the subject of an administrative dispute closed in favour of the taxpayer with two decisions of the Administrative Court (CARF), cannot be put under discussion once again.

Those arguments confirm that a negative ruling in relation to the interest component (approximately 25 million euro) is remote. On taxes and penalties (equal to a total of 15.6 million euro) we prudentially confirm the provisions of 50% of that amount, totalling 7.8 million euro (+1 million euro compared to 31 December 2021). The increase is due to the appreciation of the Brazilian currency on the Euro compared to the last exchange rate recorded.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo RBM Salute and Cargeas) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.

As at 30 June 2022, the investment portfolios, recorded at book value, amounted to 193,489 million euro. Of these, a part amounting to 104,681 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Unit-linked policies and pension funds and amounted to 88,808 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and shareholder fund.

In terms of breakdown by asset class, net of derivative financial instruments, 84.3% of assets, i.e. approximately 88,140 million euro, were bonds, whereas assets subject to equity risk represented 2.1% of the total and amounted to 2,222 million euro. The remainder (14,244 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (13.6%).

The carrying value of derivatives came to approximately 75.6 million euro, of which 85.3 million euro relating to effective management derivatives[45], and the remaining portion (-9.7 million euro) is attributable to hedging derivatives.

At the end of the first six months of 2022, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,092 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 33 million euro.

The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 4,760 million euro.

The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 7.4% of total investments and A bonds approximately 8.4%. Low investment grade securities (BBB) were approximately 80.1% of the total and the portion of speculative grade or unrated securities was minimal (4.1%).

A considerable portion of the BBB area is made up of securities issued by the Italian Republic.

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks approximately made up 78% of the total investments, while financial companies (mostly banks) contributed approximately 13.2% of exposure and industrial securities made up approximately 8.8%.

At the end of the first half of 2022, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 5,086 million euro, with 4,242 million euro due to government issuers and 844 million euro to corporate issuers (financial institutions and industrial companies).

Impacts from the COVID-19 pandemic

With regard to insurance risks concerning the first half of 2022, there are no specific updates to report, and readers are referred to the description provided in the relevant section of the Annual Report as at 31 December 2021.

Impacts of the Russia-Ukraine conflict

Following the escalation of the geopolitical tensions between Russia and Ukraine, the Risk Management Department has constantly monitored the evolution of the risks and their effects on the business of the Insurance Group, with a specific focus on exposures to countries directly involved in the conflict. In that area, exposure is residual (less than 0.2% of total assets).

[45] ISVAP Regulation 36 of 31 January 2011 on investments defines as “effective management derivatives” all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Shareholder base, transactions with related parties and other information

Shareholder base

According to records in the Shareholders' Register and the most recent available information, shareholders with stakes represented by shares with voting rights exceeding 3% of capital – threshold that, if exceeded, requires disclosure to both the company and Consob[46], pursuant to current Italian legislation (Article 120 of the Consolidated Law on Finance) – are shown in the table below[47].

Shareholder	Ordinary shares	% held
Compagnia di San Paolo	1,188,947,304	5.951%
Fondazione Cariplo	961,333,900	4.812%

Transactions with related parties

1. Procedural features

The Board of Directors of Intesa Sanpaolo S.p.A. adopted, in compliance with the procedures set out by regulations, the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking.
These Procedures, most recently updated in June 2021, take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk-related activities and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008, as well as the rules established by Article 136 of the Consolidated Law on Banking.

The Procedures apply to the entire Intesa Sanpaolo Group with respect to the following aspects:
- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for risk-related activities in relation to associated entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by management body members, employees and company staff, including other than Associated Entities.

Pursuant to the Procedures, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Management Body Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.
The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be Associated Entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) management body members and their relative close family members up to the second degree and significant subsidiary entities.

[46] Pursuant to Article 119-bis, paragraph 7 of the Issuers' Regulation, companies and licensed parties holding shares as assets under management may use the exemption from the disclosure obligations if the managed shares are more than 3% and less than 5%.
[47] The 2021 Annual Report also stated that JP Morgan Chase & Co. had declared (Form 120 B) on 21 December 2021 that it held an aggregate interest of 4.571%, of which only 0.963% was represented by voting rights attached to shares, and that BlackRock Inc. had declared (Form 120 B) on 4 December 2020 that it held an aggregate investment of 5.066%, as assets under management.

As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as those on risk-related activities and conflicts of interest with Associated Entities to:

a) Intesa Sanpaolo shareholders and their groups that hold a stake in the share capital with voting rights of the Bank that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them with others;
b) companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or a position of significant influence;
c) companies which the Group has notable investments in and financial links with, attributable to at least two of the following indicators:
   - the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies;
   - an entity of the Intesa Sanpaolo Group holds a stake in the counterparty exceeding 10% of the voting rights;
   - significant credit exposure of the Group to the counterparty.

This approach allows closer monitoring of transactions with the main entities in potential conflict of interest risk.

The Procedures set forth the assessment process that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, to ensure appropriateness of the transactions. The Procedures also require detailed examination of the reasons and interests behind the transactions, their effects on the Bank's financials and the terms of the transaction.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full or partial exemptions from the application of the regulations is also envisaged.
With regard to the decision-making for transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250 thousand euro for individuals and 1 million euro for persons other than natural persons (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250 thousand euro for individuals and 1 million euro for persons other than natural persons) but lower than or equal to the most significant thresholds indicated below;
- most significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2.8 billion euro for the Intesa Sanpaolo Group);
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which meets the independence requirements laid down in the Corporate Governance Code for Listed Companies and Art. 148 of the Consolidated Law on Finance. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For most significant transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Procedures – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Board, upon recommendation by the Committee for Transactions with Related Parties.
The Procedures set out specific controls in the event that a less significant or most significant transaction is approved in spite of a negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Procedures also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the directors and the control body regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Transactions of less significant importance and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and are not carried out at market or standard conditions). For ordinary intragroup less significant transactions carried out at market conditions, reporting is on an aggregate annual basis.

Transactions undertaken by Italian subsidiary banks with Related Parties and Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

The Procedures also apply to transactions with Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian Banks of the Intesa Sanpaolo Group, including the Parent Company. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank management body members to contract obligations, directly or indirectly, with the bank of which they act as management body members.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
In particular, Article 2391 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.

In addition, Article 53 of the Consolidated Law on Banking requires banks' directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 30 June 2022 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.

	30.06.2022	
	Amount (millions of euro)	Impact (%)
Total financial assets (1)	3,188	0.3
Total other assets (2)	35	0.2
Total financial liabilities (3)	1,439	0.2
Total other liabilities (4)	582	0.4

(1) Includes captions 10, 20, 30, 35, 40, 45 and 70 of balance sheet assets.

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

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

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

	30.06.2022	
	Amount (millions of euro)	Impact (%)
Total interest income	38	0.7
Total interest expense (1)	10	-
Total fee and commission income	22	0.4
Total fee and commission expense	-28	2.1
Total operating costs (2)	-55	1.0

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

(2) Includes caption 190 of the income statement.

In relation to associates, in the period a total of around 7 million euro of writebacks to loans were recorded.
The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of operations with fully consolidated entities, with the category of Significant Shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management, as well as with the additional subjects included in the scope set as a form of self-regulation.
The following table does not show the impact of related party transactions on the Group's cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate rows by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 252 million euro.

(millions of euro)

	Subsidiaries not consolidated on a line-by-line basis	Companies subject to joint control and their subsidiaries	Associates and their subsidiaries	Board Members and General Managers, Key Managers and their related parties	Pension funds	TOTAL	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
Cash and cash equivalents	-	-	-	-	-	-	-	9	-
Financial assets measured at fair value through profit or loss	-	-	226	-	-	226	-	45	-
a) financial assets held for trading	-	-	-	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*226*	-	-	*226*	-	*45*	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	21	-	-
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	-	-	-	-	-	-	3	-	-
Financial assets measured at amortised cost	1	50	665	19	-	735	42	188	17
a) due from banks	-	-	-	-	-	-	-	-	-
b) loans to customers	*1*	*50*	*665*	*19*	-	*735*	*42*	*188*	*17*
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Other assets	18	-	16	-	1	35	-	-	-
Investments in associates and companies subject to joint control	63	34	1,805	-	-	1,902	-	-	-
Financial liabilities measured at amortised cost	96	16	675	26	203	1,016	256	157	4
a) due to banks	*1*	-	*1*	-	-	*2*	-	-	-
b) due to customers	*95*	*16*	*674*	*26*	*203*	*1,014*	*256*	*157*	*4*
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	5	-	-	5	-	1	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Other financial liabilities	3	-	25	21	519	568	13	1	-
Guarantees and committments given	20	21	624	8	1	674	10	171	1
Guarantees and committments received	-	9	3	9	-	21	13	18	-

(*) As a result of self-regulation, shareholders and their groups that hold a stake in the share capital that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them.

(**) As a result of self-regulation, companies that meet the conditions of at least two of these indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group to the counterparty.

(***) As a result of self-regulation, companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or on which those persons may exercise a significant influence.

For the sake of completeness, the Group's most significant associates included in the category of related parties in accordance with the version of IAS 24 in effect are: Back2Bonis, Intrum Italy S.p.A., RSCT Fund-Comparto Crediti, Zhong Ou A.M. Co Ltd, FI.NAV Comparto A1 Crediti, Penghua Fund Management Co. Ltd., Equiter S.p.A., Mooney Group S.p.A., Innolva S.p.A., Neva First-FCC, Camfin S.p.A., Alpian S.A., Cassa di Risparmio di Fermo S.p.A., Digit'Ed Holding S.p.A., 1875 Finance Holding A.G., and Bancomat S.p.A. The main joint ventures include: Mir Capital Sca Sicar, PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management and VUB Generali Dochodkova Spravcovska Spolocnost A.S.

3. Information on transactions with related parties
It is noted that transactions with fully consolidated intragroup related parties are not included in this document because they are netted at consolidated level.

Most significant transactions
During the period, the Intesa Sanpaolo Group did not carry out any transactions that qualified as non-ordinary "most significant transactions" and at non-market or non-standard conditions subject – in accordance with the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking – to the obligation to publish a market disclosure document.
Please note that the most significant transactions in the period are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 2.8 billion) or of the other indicators defined by the Consob regulation.

Other significant transactions
The transactions undertaken by the Intesa Sanpaolo Group with related parties generally fall within the scope of the Group's ordinary activities and are generally entered into at market conditions, based on considerations of mutual economic interest, in line with the internal procedures mentioned above.
The main less significant transactions concluded during the period by Intesa Sanpaolo Group Companies with related parties are reported below.

Relations between the Intesa Sanpaolo Group and the board members and general managers, key managers, their close family members and entities they have significant investments in refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With respect to transactions with Shareholders – which hold equity investments in Intesa Sanpaolo S.p.A. with voting rights greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated solely based on shares owned or under management, and with other significant shareholders because of the significant shareholding or financial relationships present – ordinary transactions were undertaken at market conditions.
These included the following in particular:
- transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with the companies of the JP Morgan Chase & Co and BlackRock Inc. groups;
- service agreements with BlackRock Investment Management (UK) Ltd, for the use of an IT platform to develop the climate risk management framework.

With regard to the transactions with jointly-controlled subsidiaries or associates, as well as with significant investees due to the presence of important equity and financial ties, mention should be made of:
- early terminations of securitisations relating to the vehicle companies UBI SPV Lease 2016 S.r.l. (for a value of 2.2 billion euro) and Brera Sec S.r.l. (for a value of 1.8 billion euro);
- the pro-rata subscription to the capital increase approved by Bank of Qingdao Co. Ltd, in addition to the negotiation for the purchase of a further equity investment up to a maximum share of 19%, for a maximum total outlay of 270 million euro. Following the subscription to the capital increase completed in February 2022, new shares were allotted to Intesa Sanpaolo S.p.A., for an outlay of 176 million euro, resulting in a total equity investment of 17.5%;
- the purchase for 23.5 million euro, by Mooney Group S.p.A., of the ordinary shares of IMEL Mooney S.p.A. held by Banca 5 as a result of the transfer of its business line to IMEL Mooney S.p.A. and the subsequent signing, with Mooney Group S.p.A., of a commercial agreement with Banca 5 and a supply agreement with Intesa Sanpaolo S.p.A. for the provision of the service of indirect participation in payment services;
- the sale of around 0.0666% of the Bank of Italy's capital (200 stakes at a unit price of 25 thousand euro), for a total of 5 million euro, as well as transactions in OTC financial instruments with Cassa di Risparmio di Fermo S.p.A.;
- as part of the Group's de-risking operations, the transfer of loans by Intesa Sanpaolo S.p.A. to Back2Bonis for a value of around 216 million euro;
- the subscription of shares of a closed venture capital fund focused on biotech initiatives*,* set up by Indaco Venture Partners SGR S.p.A., for a value of 20 million euro;
- the signing of a service agreement between Fideuram - Intesa Sanpaolo Private Banking S.p.A. and Alpian S.A. aimed at regulating the conditions for the development and use of the software by Fideuram on an exclusive basis in Italy and Luxembourg. The agreement was signed on 12 May 2022, effective until 2028 and for a value of 5 million euro. This agreement was a consequence of the subscription of a direct equity investment in the company of 14.9%, which resulted in the Intesa Sanpaolo Group having significant influence over Alpian S.A.;
- a shareholder loan of around 41 million euro granted to ISM Investimenti S.p.A.;
- the signing of several multi-year commercial agreements, for a total value of around 1.4 billion euro, with Digit'Ed S.p.A., under the broader transaction for the sale of Intesa Sanpaolo Formazione;
- the signing of an agreement with Destination Gusto for the supply of prizes to be used in customer loyalty programmes for a value of 2 million euro;
- the modification of an existing commercial agreement with Forvalue S.p.A.

The operations with pension funds included transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with the Fondo Pensioni per il Personale Cariplo.

Lastly, credit facilities were granted and extended in favour of Bonifiche Ferraresi S.p.A., ISM Investimenti S.p.A., Camfin S.p.A., Cotril S.p.A., Intermarine S.p.A., Trasporti Romagna S.p.A., VUB Generali Dochodkova Spravcocska Spolocnost A.S., Duomo Funding PLC, Società per l'Aeroporto Civile di Bergamo Orio al Serio S.p.A. and Altaformazione S.p.A.

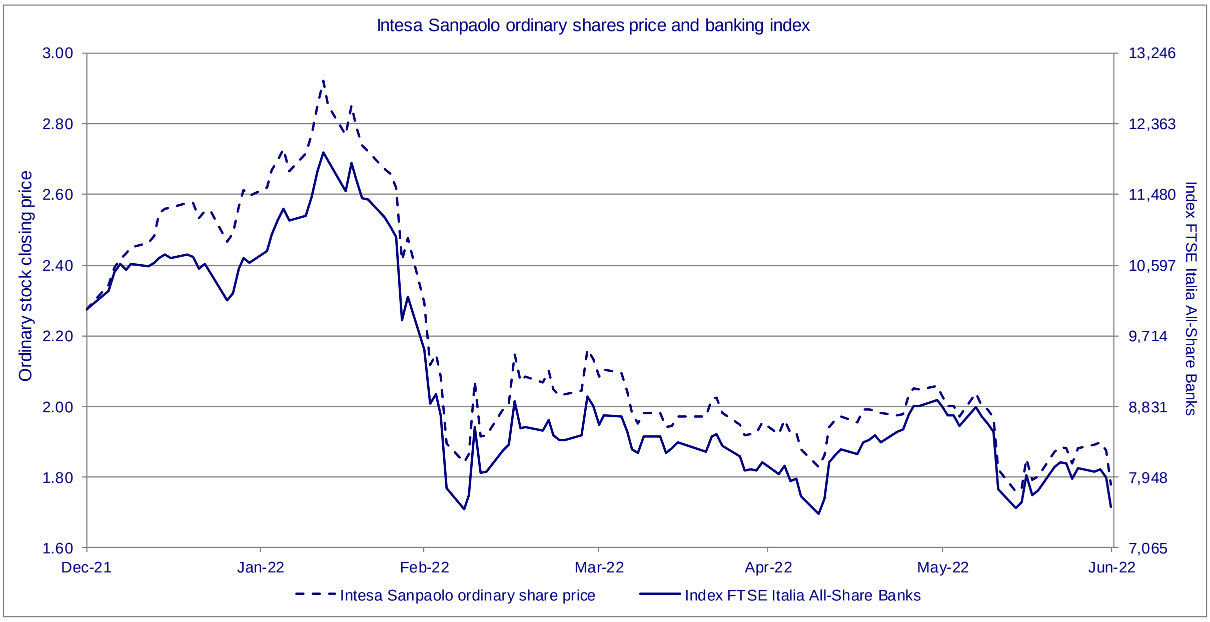
Other significant information

With regard to companies carried at equity, adjustments were posted in the equity investment in Mir Capital S.C.A. SICAR.

Stock price performance

The first half of 2022 was characterised by growing concerns about the outlook for the business cycle and a general increase in investor risk aversion due to increased inflationary pressures, bottlenecks in global supply chains and restrictive monetary policies of central banks, in the context of the conflict between Russia and Ukraine. In the first six months of the year, the European banking index posted negative performance of 20.3%, substantially in line with the Euro Stoxx index (-20.1%).
During the same period, the Italian banking index fell by 24.6%, driven by concerns about the outlook for the economy (despite the absence of clear signs of deterioration in asset quality) and the widening of the sovereign spread, underperforming the European segment by 4.3% and the FTSE MIB index by 2.5%.

The price of Intesa Sanpaolo ordinary shares in the first half of 2022 moved in correlation with the banking sector indices, with an upward trend until the first ten days of February, a sharp decline until the beginning of March and a fluctuating trend thereafter, closing the half year 21.7% lower than at the end of 2021.
Intesa Sanpaolo's capitalisation dropped to 35.6 billion euro at the end of June 2022, from 44.2 billion euro at the end of 2021.



Earnings per share

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

	30.06.2022	30.06.2021
	Ordinary shares	Ordinary shares
Weighted average number of shares	19,400,527,970	19,370,331,364
Income attributable to the various categories of shares (millions of euro)	2,354	3,023
Basic EPS (euro)	0.12	0.16
Diluted EPS (euro)	0.12	0.16
Basic EPS annualised (*) (euro)	0.24	0.31
Diluted EPS annualised (*) (euro)	0.24	0.31

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

Price/book value

(millions of euro)

	30.06.2022	1st half 2022	2021	2020	2019	2018
Market capitalisation	35,560	43,431	44,535	34,961	36,911	44,947
Shareholders' equity	64,017	63,896	64,823	60,920	54,996	53,646
Price / book value	**0.56**	**0.68**	**0.69**	**0.57**	**0.67**	**0.84**

The index reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. Although it measures the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, the index is significantly affected by the external factors that influence stock prices.
Also for the Intesa Sanpaolo Group, the level and performance of the index – as at 30 June 2022 calculated on both average figures and half year-end figures – were influenced by the dynamics of the market and its industry sector. The comparative figures for the years 2018 to 2021 are annual averages.

Rating

During the first half of 2022, the ratings assigned by the international agencies to Intesa Sanpaolo S.p.A. did not change. The ratings, which were unchanged as at the date of approval of this Report, are therefore the same as those indicated in the 2021 Annual Report, as set out below.

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

(1) Stable Trend.

Note that on 26 July 2022, S&P Global Ratings revised Italy's outlook to stable (from positive) and confirmed its "BBB/A-2" ratings.

Dividends paid

On 25 May 2022 (with coupon presentation on 23 May and record date on 24 May), the remaining dividend for the year 2021 was paid in the total amount of 1,532 million euro, corresponding to 7.89 euro cents[48] for each of the 19,415,679,213 ordinary shares outstanding on the record date (thus excluding the 14,784,092 own shares held by the Bank on the same date, to which no dividends are due).
You are reminded that, on 24 November 2021 (with coupon presentation on 22 November and record date on 23 November), an interim dividend of 7.21 euro cents was paid out for each of the 19,399,837,165 ordinary shares outstanding on the record date (excluding the 30,626,140 own shares held by the Bank), for a total amount of 1,399 million euro.
The dividend for the year 2021 was therefore 15.1 euro cents per share, for a total dividend of 2,931 million euro and a payout ratio of 70% of consolidated net income.

[48] Of which 1.20 euro cents per share as a partial distribution of the free portion of the Share Premium Reserve.

Forecast for the year

The economic scenario is made particularly uncertain by the Russian-Ukrainian conflict and its repercussions on relations between Russia and the European Union, especially in the energy field. If Russian energy supplies continue in the coming months, and if fiscal policy continues to partially offset the effects of higher oil and gas prices, growth in services will offset the contraction in manufacturing, averting the risk of recession. On the other hand, if there is a disruption in the gas supply, the fall in economic activity could be significant, starting from the autumn quarter. In the first case, inflation would already have peaked in this cycle and would fall sharply in the remainder of 2022. In the second, it would be set to rise further. Moreover, the combination of energy shocks and monetary restriction increases the risk of a global recession, which would presumably also affect Italy.
In the coming months, an acceleration of the rise in US official interest rates is expected, which the markets see as reaching the level of 3.25-3.50% by the end of the year. In the Eurozone, markets are factoring in over 160 basis points of ECB official interest rate hikes by the end of 2022, including 50 basis points already made on 21 July.
Italy is preparing to renew its parliament on 25 September. The early end of the government's term has already increased the risk premiums on sovereign debt, despite the low volume of issuances expected in the second half of the year and the reduction in the debt-to-GDP ratio. Uncertainty about post-election changes in economic policy will continue to weigh on the markets in the second half of 2022.
With regard to the economies in the countries with ISP subsidiaries, like for most of the world's economies, the performance will be influenced by the unknowns related to the development of the Russian-Ukrainian conflict and the sharp rise in inflation rates, in addition to fears about the possible spread of new variants of COVID-19.
The high-frequency indicators released in the major economies in the second quarter of the year confirm the overall difficulties in the recovery of the major countries, which was still expected to be 3.6% at global level and 3.8% in the emerging markets in the World Economic Outlook published by the IMF last April.
In the countries with ISP subsidiaries, GDP growth is expected to slow down overall in the CEE/SEE area, due to the fallout from the conflict, price movements and possible restrictions in the supply of energy commodities (gas and oil), and the restrictive monetary policy adopted by the central banks to cope with the rise in inflation rates (well above the targets desired by the monetary authorities). In the MENA region, the Egyptian economy is also expected to slow down slightly. In contrast, a significant fall in GDP is expected in the countries directly affected by the conflict in the EE Area, in Russia and particularly in Ukraine.
With regard to the Italian banking industry, for the remainder of 2022, the modest growth in loans to businesses is expected to continue, essentially driven by needs related to ordinary operations in a situation of high increases in production costs and a restriction in conditions for access to financial markets, and bond markets in particular. Loans to households are expected to maintain relatively stronger growth than loans to businesses, although with a slowdown as a result of lower demand for mortgages, partly due to rising interest rates. The stance of banking supply will, moreover, continue to be influenced in a prudential sense by the perception of increased risks.
Customer deposits should see continued good growth, but with a gradual slowdown. Conditions will remain for moderate growth in current accounts, mainly due to a continued climate of uncertainty. For businesses, on the other hand, the accumulation of current account liquidity should continue to shrink. Households are expected to gradually shift their portfolios towards higher-yielding forms of investment. Bank funding costs and interest rates on loans will start to reflect the impacts of the monetary policy normalisation and the higher risk premium on sovereign debt.
For the asset management and life insurance industry, even though the underlying factors remain positive, the second half of the year may be affected by an unfavourable environment in the financial markets and rising interest rates.

For the Intesa Sanpaolo Group, the industrial initiatives of the 2022-2025 Business Plan are well underway and the net income target of 6.5 billion euro in 2025 is confirmed.
For 2022, a best-in-class profitability is envisaged:
- net income of more than 4 billion euro assuming no critical changes to commodity / energy supplies;
- net income well above 3 billion euro even assuming, on a very conservative basis, a coverage of around 40% on the Russia-Ukraine exposure, which implies the transfer of most of the exposure to Stage 3.

A solid capital position is envisaged, with a fully phased-in Common Equity Tier 1 ratio target above 12% over the 2022-2025 Business Plan horizon, in accordance with Basel 3 / Basel 4 regulations.
A strong value distribution is envisaged:
- a payout ratio of 70% of the consolidated net income in each year of the Business Plan (1,648 million euro already accrued on the net income for the first half of 2022);
- the Board of Directors today envisaged the distribution of a cash interim dividend of at least 1.1 billion euro on the 2022 results. The Board will discuss the resolution regarding the interim dividend on 4 November 2022, when it meets to approve the consolidated results as at 30 September 2022, in relation to both the results of the third quarter 2022 and those foreseeable for the fourth quarter of 2022;

- additional distribution to shareholders of 3.4 billion euro through a buyback(*), of which 1.7 billion euro underway and 1.7 billion euro to be executed subject to resolution, by the date of approval of the results as at 31 December 2022, of the Board of Directors;
- any additional distribution to be evaluated on a yearly basis starting from 2023.

The outlook for 2022 is subject to fine-tuning in the coming months based on the evolution of the events involving Russia and Ukraine.

The Board of Directors

Milan, 29 July 2022

(*) Amount equivalent to the 2019 suspended dividend.

Certification of the Half-yearly condensed consolidated financial statements pursuant to Article 154-bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina, as Managing Director and CEO, and Fabrizio Dabbene, as Manager responsible for preparing the Company's financial reports of Intesa Sanpaolo, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, hereby certify:
   - the adequacy in relation to the Company's features and
   - the actual application of the administrative and accounting procedures employed to draw up the Half-yearly condensed consolidated financial statements, in the first half of 2022.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Half-yearly condensed consolidated financial statements as at 30 June 2022 was based on methods defined by Intesa Sanpaolo consistently with the COSO and, as to the IT component, COBIT models, which are internationally accepted frameworks for internal control systems[49].

3. The undersigned also certify that:

   3.1. the Half-yearly condensed consolidated financial statements as at 30 June 2022:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 of 19 July 2002;
   - correspond to the results of the accounting books and records;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2. The Half-yearly report on operations contains a reliable analysis of the most significant events in the first six months of the year and their impact on the Half-yearly condensed consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The Half-yearly report on operations also includes a reliable analysis of significant transactions with related parties.

Milan, 29 July 2022

Carlo Messina
Managing Director and CEO

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

[49] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors’ Report

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

To the Shareholders of
Intesa Sanpaolo S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and the related explanatory notes of Intesa Sanpaolo S.p.A. (hereafter the "Bank") and its subsidiaries (the "Intesa Sanpaolo Group") as at 30 June 2022 and for the six months then ended. The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of the Bank's personnel responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Intesa Sanpaolo Group as at 30 June 2022 and for the six months then ended are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 3 August 2022

EY S.p.A.
Signed by: Guido Celona, Auditor

This report has been translated into the English language solely for the convenience of international readers

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and adjusted consolidated balance sheet as at 31 December 2021

Reconciliation between published consolidated income statement for the period ended 30 June 2021 and adjusted income statement for the period ended 30 June 2021

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and restated consolidated balance sheet as at 31 December 2021

Reconciliation between published consolidated income statement for the period ended 30 June 2021 and restated consolidated income statement for the period ended 30 June 2021

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reclassified consolidated income statement – Reconciliation with redetermined figures

Reclassified consolidated income statement - Reconciliation with redetermined figures

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and adjusted consolidated balance sheet as at 31 December 2021

The published consolidated balance sheet as at 31 December 2021 did not require any adjustments.

Reconciliation between published consolidated income statement for the period ended 30 June 2021 and adjusted income statement for the period ended 30 June 2021

The published consolidated income statement as at 30 June 2021 did not require any adjustments.

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and restated consolidated balance sheet as at 31 December 2021

(millions of euro)

Assets		31.12.2021	Changes in the scope of consolidation (a)	31.12.2021 Restated
10.	Cash and cash equivalents	14,756	937	15,693
20.	Financial assets measured at fair value through profit or loss	52,731	2	52,733
	a) financial assets held for trading	*47,181*	*2*	*47,183*
	b) financial assets designated at fair value	*4*	-	*4*
	c) other financial assets mandatorily measured at fair value	*5,546*	-	*5,546*
30.	Financial assets measured at fair value through other comprehensive income	67,580	217	67,797
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,800	-	206,800
40.	Financial assets measured at amortised cost	668,866	635	669,501
	a) due from banks	*163,937*	*18*	*163,955*
	b) loans to customers	*504,929*	*617*	*505,546*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	-	85
50.	Hedging derivatives	1,732	-	1,732
60.	Fair value change of financial assets in hedged portfolios (+/-)	392	-	392
70.	Investments in associates and companies subject to joint control	1,652	-	1,652
80.	Technical insurance reserves reassured with third parties	208	-	208
90.	Property and equipment	10,792	4	10,796
100.	Intangible assets	9,342	3	9,345
	of which:			
	- goodwill	*3,574*	-	*3,574*
110.	Tax assets	18,808	-	18,808
	a) current	*3,555*	-	*3,555*
	b) deferred	*15,253*	-	*15,253*
120.	Non-current assets held for sale and discontinued operations	1,422	-	1,422
130.	Other assets	13,837	15	13,852
Total assets		**1,069,003**	**1,813**	**1,070,816**

(a) The restatement refers to the entry of the Quilvest Group.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2021	Changes in the scope of consolidation (a)	31.12.2021 Restated
10.	Financial liabilities measured at amortised cost	710,055	1,699	711,754
	a) due to banks	*165,258*	*12*	*165,270*
	b) due to customers	*458,239*	*1,687*	*459,926*
	c) securities issued	*86,558*	*-*	*86,558*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,146	-	2,146
20.	Financial liabilities held for trading	56,306	*2*	56,308
30.	Financial liabilities designated at fair value	3,674	-	3,674
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	-	84,770
40.	Hedging derivatives	4,868	-	4,868
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	53	-	53
60.	Tax liabilities	2,285	7	2,292
	a) current	*363*	*7*	*370*
	b) deferred	*1,922*	*-*	*1,922*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	30	-	30
80.	Other liabilities	15,639	16	15,655
90.	Employee termination indemnities	1,099	-	1,099
100.	Allowances for risks and charges	5,716	1	5,717
	a) commitments and guarantees given	*508*	*-*	*508*
	b) post-employment benefits	*290*	*-*	*290*
	c) other allowances for risks and charges	*4,918*	*1*	*4,919*
110.	Technical reserves	118,296	-	118,296
120.	Valuation reserves	-709	-	-709
125.	Valuation reserves pertaining to insurance companies	476	-	476
130.	Redeemable shares	-	-	-
140.	Equity instruments	6,282	-	6,282
150.	Reserves	17,706	-	17,706
155.	Interim dividend (-)	-1,399	-	-1,399
160.	Share premium reserve	27,286	-	27,286
170.	Share capital	10,084	-	10,084
180.	Treasury shares (-)	-136	-	-136
190.	Minority interests (+/-)	291	88	379
200.	Net income (loss) (+/-)	4,185	-	4,185
Total liabilities and shareholders' equity		**1,069,003**	**1,813**	**1,070,816**

(a) The restatement refers to the entry of the Quilvest Group.

Reconciliation between published consolidated income statement for the period ended 30 June 2021 and restated consolidated income statement for the period ended 30 June 2021

(millions of euro)

		30.06.2021	Change in the scope of consolidation (a)	Reclassifications of incentive systems for employees of the distribution networks (b)	30.06.2021 Restated
10.	Interest and similar income	5,207	9	-	5,216
	of which: interest income calculated using the effective interest rate method	*5,073*	-	-	*5,073*
20.	Interest and similar expense	-1,174	-2	-	-1,176
30.	**Interest margin**	**4,033**	**7**	**-**	**4,040**
40.	Fee and commission income	5,884	25	-	5,909
50.	Fee and commission expense	-1,264	-5	-13	-1,282
60.	**Net fee and commission income**	**4,620**	**20**	**-13**	**4,627**
70.	Dividend and similar income	82	-	-	82
80.	Profits (Losses) on trading	409	7	-	416
90.	Fair value adjustments in hedge accounting	45	-	-	45
100.	Profits (Losses) on disposal or repurchase of:	522	-	-	522
	a) financial assets measured at amortised cost	*123*	-	-	*123*
	b) financial assets measured at fair value through other comprehensive income	*428*	-	-	*428*
	c) financial liabilities	*-29*	-	-	*-29*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	99	-	-	99
	a) financial assets and liabilities designated at fair value	*-31*	-	-	*-31*
	b) other financial assets mandatorily measured at fair value	*130*	-	-	*130*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,362	-	-	2,362
120.	**Net interest and other banking income**	**12,172**	**34**	**-13**	**12,193**
130.	Net losses/recoveries for credit risks associated with:	-1,076	-	-	-1,076
	a) financial assets measured at amortised cost	*-1,066*	-	-	*-1,066*
	b) financial assets measured at fair value through other comprehensive income	*-10*	-	-	*-10*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-2	-	-	-2
140.	Profits (Losses) on changes in contracts without derecognition	-19	-	-	-19
150.	**Net income from banking activities**	**11,075**	**34**	**-13**	**11,096**
160.	Net insurance premiums	4,989	-	-	4,989
170.	Other net insurance income (expense)	-6,532	-	-	-6,532
180.	**Net income from banking and insurance activities**	**9,532**	**34**	**-13**	**9,553**
190.	Administrative expenses:	-5,650	-33	13	-5,670
	a) personnel expenses	*-3,362*	*-31*	*13*	*-3,380*
	b) other administrative expenses	*-2,288*	*-2*	-	*-2,290*
200.	Net provisions for risks and charges	-141	-	-	-141
	a) commitments and guarantees given	*60*	-	-	*60*
	b) other net provisions	*-201*	-	-	*-201*
210.	Net adjustments to / recoveries on property and equipment	-320	-1	-	-321
220.	Net adjustments to / recoveries on intangible assets	-410	-1	-	-411
230.	Other operating expenses (income)	475	-	-	475
240.	**Operating expenses**	**-6,046**	**-35**	**13**	**-6,068**
250.	Profits (Losses) on investments in associates and companies subject to joint control	41	2	-	43
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-4	-	-	-4
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	189	-	-	189
290.	**Income (Loss) before tax from continuing operations**	**3,712**	**1**	**-**	**3,713**
300.	Taxes on income from continuing operations	-725	-	-	-725
310.	**Income (Loss) after tax from continuing operations**	**2,987**	**1**	**-**	**2,988**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**2,987**	**1**	**-**	**2,988**
340.	Minority interests	36	-1	-	35
350.	**Parent Company's net income (loss)**	**3,023**	**-**	**-**	**3,023**

(a) The restatement refers to the economic results of the first five months of 2021 of Reyl Group.

(b) The restatement refers to charges relating to several incentive systems for employees of the distribution networks correlated with fee and commission income generated by the networks, with equivalent accounting treatment as the incentive systems for non-employee financial advisors.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.06.2022	31.12.2021 Restated	Changes amount	Changes %
10.	Cash and cash equivalents	18,370	15,693	2,677	17.1
20.	Financial assets measured at fair value through profit or loss	53,131	52,733	398	0.8
	a) financial assets held for trading	*47,165*	*47,183*	*-18*	*-0.0*
	b) financial assets designated at fair value	*1*	*4*	*-3*	*-75.0*
	c) other financial assets mandatorily measured at fair value	*5,965*	*5,546*	*419*	*7.6*
30.	Financial assets measured at fair value through other comprehensive income	60,363	67,797	-7,434	-11.0
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	180,637	206,800	-26,163	-12.7
40.	Financial assets measured at amortised cost	657,716	669,501	-11,785	-1.8
	a) due from banks	*140,800*	*163,955*	*-23,155*	*-14.1*
	b) loans to customers	*516,916*	*505,546*	*11,370*	*2.2*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85	-5	-5.9
50.	Hedging derivatives	8,012	1,732	6,280	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-6,313	392	-6,705	
70.	Investments in associates and companies subject to joint control	1,902	1,652	250	15.1
80.	Technical insurance reserves reassured with third parties	199	208	-9	-4.3
90.	Property and equipment	10,655	10,796	-141	-1.3
100.	Intangible assets	9,310	9,345	-35	-0.4
	of which:				
	- goodwill	*3,673*	*3,574*	*99*	*2.8*
110.	Tax assets	18,745	18,808	-63	-0.3
	a) current	*3,623*	*3,555*	*68*	*1.9*
	b) deferred	*15,122*	*15,253*	*-131*	*-0.9*
120.	Non-current assets held for sale and discontinued operations	1,303	1,422	-119	-8.4
130.	Other assets	18,205	13,852	4,353	31.4
Total assets		**1,032,315**	**1,070,816**	**-38,501**	**-3.6**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2022	31.12.2021 Restated	Changes amount	%
10.	Financial liabilities measured at amortised cost	690,781	711,754	-20,973	-2.9
	a) due to banks	*152,420*	*165,270*	*-12,850*	*-7.8*
	b) due to customers	*460,455*	*459,926*	*529*	*0.1*
	c) securities issued	*77,906*	*86,558*	*-8,652*	*-10.0*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,304	2,146	158	7.4
20.	Financial liabilities held for trading	55,227	56,308	-1,081	-1.9
30.	Financial liabilities designated at fair value	4,753	3,674	1,079	29.4
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,454	84,770	-10,316	-12.2
40.	Hedging derivatives	3,933	4,868	-935	-19.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-5,069	53	-5,122	
60.	Tax liabilities	2,806	2,292	514	22.4
	a) current	*301*	*370*	*-69*	*-18.6*
	b) deferred	*2,505*	*1,922*	*583*	*30.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	92	30	62	
80.	Other liabilities	28,251	15,655	12,596	80.5
90.	Employee termination indemnities	906	1,099	-193	-17.6
100.	Allowances for risks and charges	4,803	5,717	-914	-16.0
	a) commitments and guarantees given	*561*	*508*	*53*	*10.4*
	b) post-employment benefits	*168*	*290*	*-122*	*-42.1*
	c) other allowances for risks and charges	*4,074*	*4,919*	*-845*	*-17.2*
110.	Technical reserves	104,809	118,296	-13,487	-11.4
120.	Valuation reserves	-1,603	-709	894	
125.	Valuation reserves pertaining to insurance companies	-523	476	-999	
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,204	6,282	922	14.7
150.	Reserves	18,208	17,706	502	2.8
155.	Interim dividend (-)	-	-1,399	-1,399	
160.	Share premium reserve	28,056	27,286	770	2.8
170.	Share capital	10,369	10,084	285	2.8
180.	Treasury shares (-)	-48	-136	-88	-64.7
190.	Minority interests (+/-)	248	379	-131	-34.6
200.	Net income (loss) (+/-)	2,354	4,185	-1,831	-43.8
Total liabilities and shareholders' equity		**1,032,315**	**1,070,816**	**-38,501**	**-3.6**

Restated consolidated income statement

(millions of euro)

		30.06.2022	30.06.2021 Restated	Changes amount	Changes %
10.	Interest and similar income	5,472	5,216	256	4.9
	of which: interest income calculated using the effective interest rate method	*5,155*	*5,073*	*82*	*1.6*
20.	Interest and similar expense	-1,389	-1,176	213	18.1
30.	**Interest margin**	**4,083**	**4,040**	**43**	**1.1**
40.	Fee and commission income	5,759	5,909	-150	-2.5
50.	Fee and commission expense	-1,360	-1,282	78	6.1
60.	**Net fee and commission income**	**4,399**	**4,627**	**-228**	**-4.9**
70.	Dividend and similar income	140	82	58	70.7
80.	Profits (Losses) on trading	193	416	-223	-53.6
90.	Fair value adjustments in hedge accounting	46	45	1	2.2
100.	Profits (Losses) on disposal or repurchase of:	78	522	-444	-85.1
	a) financial assets measured at amortised cost	*210*	*123*	*87*	*70.7*
	b) financial assets measured at fair value through other comprehensive income	*-124*	*428*	*-552*	
	c) financial liabilities	*-8*	*-29*	*-21*	*-72.4*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	551	99	452	
	a) financial assets and liabilities designated at fair value	*557*	*-31*	*588*	
	b) other financial assets mandatorily measured at fair value	*-6*	*130*	*-136*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	-122	2,362	-2,484	
120.	**Net interest and other banking income**	**9,368**	**12,193**	**-2,825**	**-23.2**
130.	Net losses/recoveries for credit risks associated with:	-1,264	-1,076	188	17.5
	a) financial assets measured at amortised cost	*-1,217*	*-1,066*	*151*	*14.2*
	b) financial assets measured at fair value through other comprehensive income	*-47*	*-10*	*37*	
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-113	-2	111	
140.	Profits (Losses) on changes in contracts without derecognition	-1	-19	-18	-94.7
150.	**Net income from banking activities**	**7,990**	**11,096**	**-3,106**	**-28.0**
160.	Net insurance premiums	4,858	4,989	-131	-2.6
170.	Other net insurance income (expense)	-3,566	-6,532	-2,966	-45.4
180.	**Net income from banking and insurance activities**	**9,282**	**9,553**	**-271**	**-2.8**
190.	Administrative expenses:	-5,488	-5,670	-182	-3.2
	a) personnel expenses	*-3,217*	*-3,380*	*-163*	*-4.8*
	b) other administrative expenses	*-2,271*	*-2,290*	*-19*	*-0.8*
200.	Net provisions for risks and charges	-106	-141	-35	-24.8
	a) commitments and guarantees given	*-74*	*60*	*-134*	
	b) other net provisions	*-32*	*-201*	*-169*	*-84.1*
210.	Net adjustments to / recoveries on property and equipment	-335	-321	14	4.4
220.	Net adjustments to / recoveries on intangible assets	-456	-411	45	10.9
230.	Other operating expenses (income)	486	475	11	2.3
240.	**Operating expenses**	**-5,899**	**-6,068**	**-169**	**-2.8**
250.	Profits (Losses) on investments in associates and companies subject to joint control	204	43	161	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-3	-4	-1	-25.0
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	14	189	-175	-92.6
290.	**Income (Loss) before tax from continuing operations**	**3,598**	**3,713**	**-115**	**-3.1**
300.	Taxes on income from continuing operations	-1,239	-725	514	70.9
310.	**Income (Loss) after tax from continuing operations**	**2,359**	**2,988**	**-629**	**-21.1**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**2,359**	**2,988**	**-629**	**-21.1**
340.	Minority interests	-5	35	-40	
350.	**Parent Company's net income (loss)**	**2,354**	**3,023**	**-669**	**-22.1**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets			30.06.2022	31.12.2021 Restated
Cash and cash equivalents			**18,370**	**15,693**
	Caption 10	Cash and cash equivalents	18,370	15,693
Due from banks			**138,555**	**162,139**
	Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	138,528	162,101
	Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
	Caption 20b (partial)	Financial assets designated at fair value - Due from banks	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	27	38
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	-
Loans to customers			**471,649**	**465,871**
Loans to customers measured at amortised cost			***469,338***	***464,075***
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	462,391	457,032
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	6,947	7,043
Loans to customers at fair value through other comprehensive income and through profit or loss			***2,311***	***1,796***
	Caption 20a (partial)	Financial assets held for trading - Loans to customers	85	19
	Caption 20b (partial)	Financial assets designated at fair value - Loans to customers	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers	1,076	1,038
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	1,150	739
Financial assets measured at amortised cost which do not constitute loans			**49,850**	**43,325**
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	2,272	1,854
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	47,578	41,471
Financial assets at fair value through profit or loss			**51,943**	**51,638**
	Caption 20a (partial)	Financial assets held for trading	47,080	47,164
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	4
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,862	4,470
Financial assets at fair value through other comprehensive income			**59,213**	**67,058**
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	59,213	67,058
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39			**180,637**	**206,800**
	Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	180,637	206,800
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39			**80**	**85**
	Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85
Investments in associates and companies subject to joint control			**1,902**	**1,652**
	Caption 70	Investments in associates and companies subject to joint control	1,902	1,652
Property, equipment and intangible assets			**19,965**	**20,141**
Assets owned			***18,389***	***18,616***
	Caption 90 (partial)	Property and equipment	9,079	9,271
	Caption 100	Intangible assets	9,310	9,345
Rights of use acquired under leases			***1,576***	***1,525***
	Caption 90 (partial)	Property and equipment	1,576	1,525
Tax assets			**18,745**	**18,808**
	Caption 110	Tax assets	18,745	18,808
Non-current assets held for sale and discontinued operations			**1,303**	**1,422**
	Caption 120	Non-current assets held for sale and discontinued operations	1,303	1,422
Other assets			**20,103**	**16,184**
	Caption 50	Hedging derivatives	8,012	1,732
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-6,313	392
	Caption 80	Technical insurance reserves reassured with third parties	199	208
	Caption 130	Other assets	18,205	13,852
Total Assets			**1,032,315**	**1,070,816**

(millions of euro)

Liabilities			30.06.2022	31.12.2021 Restated
Due to banks at amortised cost			**152,413**	**165,262**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	152,420	165,270
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-7	-8
Due to customers at amortised cost and securities issued			**536,958**	**545,101**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	460,455	459,926
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	77,906	86,558
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,403	-1,383
Financial liabilities held for trading			**55,227**	**56,308**
	Caption 20	Financial liabilities held for trading	55,227	56,308
Financial liabilities designated at fair value			**4,753**	**3,674**
	Caption 30	Financial liabilities designated at fair value	4,753	3,674
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39			**2,297**	**2,139**
	Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,304	2,146
	- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-7	-7
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39			**74,454**	**84,770**
	Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	74,454	84,770
Tax liabilities			**2,806**	**2,292**
	Caption 60	Tax liabilities	2,806	2,292
Liabilities associated with non-current assets held for sale and discontinued operations			**92**	**30**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	92	30
Other liabilities			**28,532**	**21,974**
	Caption 40	Hedging derivatives	3,933	4,868
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-5,069	53
	Caption 80	Other liabilities	28,251	15,655
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	7	8
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,403	1,383
	Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	7	7
Technical reserves			**104,809**	**118,296**
	Caption 110	Technical reserves	104,809	118,296
Allowances for risks and charges			**5,709**	**6,816**
	Caption 90	Employee termination indemnities	906	1,099
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	561	508
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	168	290
	Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	4,074	4,919
Share capital			**10,369**	**10,084**
	Caption 170	Share capital	10,369	10,084
Reserves			**46,216**	**44,856**
	Caption 130	Redeemable shares	-	-
	Caption 150	Reserves	18,208	17,706
	Caption 160	Share premium reserve	28,056	27,286
	- Caption 180	Treasury shares	-48	-136
Valuation reserves			**-1,603**	**-709**
	Caption 120	Valuation reserves	-1,603	-709
Valuation reserves pertaining to insurance companies			**-523**	**476**
	Caption 125	Valuation reserves pertaining to insurance companies	-523	476
Interim dividend			**-**	**-1,399**
	Caption 155	Interim dividend (-)	-	-1,399
Equity instruments			**7,204**	**6,282**
	Caption 140	Equity instruments	7,204	6,282
Minority interests			**248**	**379**
	Caption 190	Minority interests	248	379
Net income (loss)			**2,354**	**4,185**
	Caption 200	Net income (loss) (+/-)	2,354	4,185
Total Liabilities and Shareholders' Equity			**1,032,315**	**1,070,816**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

		30.06.2022	30.06.2021 Restated
Net interest income		**4,047**	**4,013**
Caption 30	Interest margin	4,083	4,040
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-12	-18
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	5	4
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	42	-
+ Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	27	20
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	1	6
+ Caption 80 (partial)	Hedging swap differentials	-89	-32
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-10	-7
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		**4,529**	**4,764**
Caption 60	Net fee and commission income	4,399	4,627
- Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	144	124
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	2	2
- Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	-27	-20
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	25	27
+ 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)	49	25
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-8	3
+ Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-28	-
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	-27	-24
Income from insurance business		**867**	**811**
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	-122	2,362
Caption 160	Net insurance premiums	4,858	4,989
Caption 170	Other net insurance income (expense)	-3,566	-6,532
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	12	18
+ Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	-144	-124
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-85	-26
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-104	-1
- Caption 160 (partial)	Net premiums (Policies: claims covered with premiums issued)	-97	-
- Caption 160 (partial)	Net premiums (Policies: prospective claims in excess of premiums accruing)	-	58
- Caption 170 (partial)	Other net insurance income (expense) (Policies: provisions for settled and open claims)	116	-
- Caption 170 (partial)	Other net insurance income (expense) (Policies: settled and open claims in excess of premiums)	-	68
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	-1	-1

(millions of euro)

		30.06.2022	30.06.2021 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**1,323**	**1,140**
Caption 80	Profits (Losses) on trading	193	416
Caption 90	Fair value adjustments in hedge accounting	46	45
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	557	-31
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	-6	130
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	-124	428
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-8	-29
+ 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)	140	82
- 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)	-1	-6
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-25	-27
- Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	85	26
- Caption 80 (partial)	Hedging swap differentials	89	32
- Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	-	10
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	361	154
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-	-29
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-49	-25
- Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	60	-20
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	7	2
- Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	-6	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-2	-16
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	6	-2

		30.06.2022	(millions of euro) 30.06.2021 Restated
Other operating income (expenses)		**-10**	**65**
Caption 70	Dividend and similar income	140	82
Caption 230	Other operating expenses (income)	486	475
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-5	-4
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-2	-2
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-13	-
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	-140	-82
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-11	-13
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-465	-445
- Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	15	6
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-	-1
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	3	-
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-6	2
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-6	-2
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-24	-12
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-2	-2
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	20	63
Operating income		**10,756**	**10,793**
Personnel expenses		**-3,181**	**-3,324**
Caption 190 a)	Personnel expenses	-3,217	-3,380
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-50	49
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	10	7
- Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	28	-
- Caption 190 a) (partial)	Personnel expenses (Donations to personnel)	48	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Other administrative expenses		**-1,307**	**-1,354**
Caption 190 b)	Other administrative expenses	-2,271	-2,290
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	26	22
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	391	419
- Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	27	24
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	6	2
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	38	11
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	465	445
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	11	13
Adjustments to property, equipment and intangible assets		**-623**	**-606**
Caption 210	Net adjustments to / recoveries on property and equipment	-335	-321
Caption 220	Net adjustments to / recoveries on intangible assets	-456	-411
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	1	1
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	27	17
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	1	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	24	12
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	45	60
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	68	34
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	2	2
Operating costs		**-5,111**	**-5,284**
Operating margin		**5,645**	**5,509**

(millions of euro)

		30.06.2022	30.06.2021 Restated
Net adjustments to loans		**-1,432**	**-1,007**
Caption 140	Profits/losses from changes in contracts without derecognition	-1	-19
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	-74	60
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-154	-31
+ 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)	3	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	51	50
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	6	-
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-1,181	-1,083
+ 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)	-10	7
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-6	2
+ Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-66	7
Other net provisions and net impairment losses on other assets		**-123**	**-351**
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-113	-2
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-3	-4
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-32	-201
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-39	17
+ 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)	-24	9
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	-2	1
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-41	-12
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	104	1
+ Caption 160 (partial)	Net premiums (Policies: claims covered with premiums issued)	97	-
+ Caption 160 (partial)	Net premiums (Policies: prospective claims in excess of premiums accruing)	-	-58
+ Caption 170 (partial)	Other net insurance income (expense) (Policies: provisions for settled and open claims)	-116	-
+ Caption 170 (partial)	Other net insurance income (expense) (Policies: settled and open claims in excess of premiums)	-	-68
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	2	-
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-2	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-11	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	66	-7
- Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (Provisions/Releases linked to Profits (Losses) on financial assets and liabilities designated at fair value)	-	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-1	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-	1
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-8	-28
Other income (expenses)		**143**	**191**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	204	43
Caption 280	Profits (Losses) on disposal of investments	14	189
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	361	154
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-	-
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-361	-154
+ Caption 190 a) (partial)	Personnel expenses (Donations to personnel)	-48	-
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	-15	-6
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-20	-63
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	-	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	8	28
Income (Loss) from discontinued operations		**-**	**-**
Caption 320	Income (Loss) after tax from discontinued operations	-	-
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Gross income (loss)		**4,233**	**4,342**

		30.06.2022	30.06.2021 Restated
			(millions of euro)
Taxes on income		**-1,456**	**-921**
Caption 300	Taxes on income from continuing operations	-1,239	-725
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	-38	-11
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-10	-41
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-47	-15
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-122	-129
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Charges (net of tax) for integration and exit incentives		**-39**	**-107**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	50	-49
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-26	-22
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	2	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-27	-17
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-45	-60
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-3	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	10	41
Effect of purchase price allocation (net of tax)		**-101**	**-34**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-42	-
+ Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	-	-10
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-51	-50
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-	29
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	2	16
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	11	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Effect of purchase price allocation)	-68	-34
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	47	15
Levies and other charges concerning the banking industry (net of tax)		**-278**	**-292**
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-7	-2
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-2	-
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-391	-419
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	122	129
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
Caption 270	Goodwill impairment	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
Minority interests		**-5**	**35**
Caption 340	Minority interests	-5	35
Net income (loss)		**2,354**	**3,023**

Reclassified consolidated income statement – Reconciliation with redetermined figures

Reclassified consolidated income statement – Reconciliation with redetermined figures

(millions of euro)

	30.06.2022	30.06.2021 Restated	Going concerns object of disposal	Inclusion insurance companies	30.06.2021 Redetermined figures
Net interest income	4,047	4,013	-66	-	3,947
Net fee and commission income	4,529	4,764	-94	-	4,670
Income from insurance business	867	811	-	43	854
Profits (Losses) on financial assets and liabilities designated at fair value	1,323	1,140	-1	-	1,139
Other operating income (expenses)	-10	65	-	-14	51
Operating income	**10,756**	**10,793**	**-161**	**29**	**10,661**
Personnel expenses	-3,181	-3,324	65	-14	-3,273
Other administrative expenses	-1,307	-1,354	13	-20	-1,361
Adjustments to property, equipment and intangible assets	-623	-606	-	-2	-608
Operating costs	**-5,111**	**-5,284**	**78**	**-36**	**-5,242**
Operating margin	**5,645**	**5,509**	**-83**	**-7**	**5,419**
Net adjustments to loans	-1,432	-1,007	6	-	-1,001
Other net provisions and net impairment losses on other assets	-123	-351	-	-3	-354
Other income (expenses)	143	191	-	-	191
Income (Loss) from discontinued operations	-	-	58	-	58
Gross income (loss)	**4,233**	**4,342**	**-19**	**-10**	**4,313**
Taxes on income	-1,456	-921	6	-7	-922
Charges (net of tax) for integration and exit incentives	-39	-107	-	-	-107
Effect of purchase price allocation (net of tax)	-101	-34	-	-	-34
Levies and other charges concerning the banking industry (net of tax)	-278	-292	13	-	-279
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	-5	35	-	17	52
Net income (loss)	**2,354**	**3,023**	**-**	**-**	**3,023**

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

Glossary

The following are definitions of some terms used in financial statement and/or Pillar 3 disclosures, with the exclusion of terms that have entered the common Italian lexicon or are used in a context that already clarifies their meaning.

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

Acquisition finance or Leverage and acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

AIRB (Advanced Internal Rating Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. In this case, the Bank uses its own internal estimates for all inputs (PD, LGD, EAD and Maturity) for credit risk assessment, whereas for Foundation IRB it only estimates PD.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

Alternative investment
Alternative investments comprise a wide range of investment products, including private equity and hedge funds (see definitions below).

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

AMA – Advanced Measurement Approach
An approach introduced by Basel 2 to determine the operational risk capital requirement based on internal estimation and valuation models. AMA internal models normally consist of two components:
(i) a quantitative component based on internal and external loss data;
(ii) a qualitative component based on questionnaires with an ordinal score linked to the perception of the risk level of the loss events.

Arrangement fee
A fee paid for professional consulting and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset encumbrance
In legal terms, it represents a real right held by a creditor to an asset owned by another counterparty, which may be the debtor or a third party. It typically takes the form of a mortgage on real property or the creation of collateral in repurchase agreements and loans with the central bank.

Asset management – Wealth management
The various activities relating to the management and administration of different customer assets.

Eligible assets
Assets that may be used as collateral with the ECB to obtain liquidity at subsidised rates. There are three types of eligible assets:
(i) credit claims (bank loans);
(ii) securitisations (see entry) and covered bonds (see entry);
(iii) debt securities
which must meet some minimum quality requirements in terms of:
(i) eligible debtors;
(ii) counterparty rating.
The amount of the liquidity that may be obtained is determined by applying a haircut (reduction) to the nominal value as a function of the quality and type of rate.

AT1 – Additional Tier 1
Additional Tier 1 capital. In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Discounting
Process of determining the present value of a payment or payment flows to be received in the future.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

AVA (Additional Valuation Adjustment)
Additional valuation adjustments necessary to adjust the fair value to the prudent value of the positions. To perform a prudent valuation of the positions measured at fair value, the EBA envisages two approaches for calculating the AVA (the Simplified approach and Core approach). The prudent valuation requirements apply to all positions measured at fair value regardless of whether they are held in the trading book or not, where the term 'positions' refers solely to financial instruments and commodities.

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (front office).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
This is the difference between the buying and selling price of a given financial instrument or set of financial instruments.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting standards with an extensive meaning and not as a synonym of "logo" or "name". It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

Business model
The business model within which financial assets are managed.
With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed: Hold to Collect (HTC), Hold to Collect and Sell (HTCS), Others/Trading.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, the CAGR is calculated as follows: (Ending value/Beginning value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
- Equity Tranche: the riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
- Mezzanine Tranche: the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.

- Senior/Supersenior Tranche: the tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to “networks” or companies that operate exclusively with their parent company or group customers.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999, as amended.

Synthetic securitisations
“Synthetic securitisations” are different from traditional securitisations because, under the latter, the loans are physically transferred to the vehicle company and derecognised from the originator’s financial statements, but in the former, the risk on the loans is simply transferred, through derivative contracts on loans or guarantees, and the loans remain in the originator’s financial statements.

STS Securitisations
Securitisations, except for ABCP programmes and ABCP transactions, that meet the requirements set out in Articles 20, 21 and 22 of Regulation 2017/2402, are considered Simple, Transparent and Standardised Securitisations. For ABCP transactions and programmes, the requirements are set out in Articles 24 and 25-26 of that Regulation. As a result of their characteristics, STS securitisations can benefit from lighter prudential treatment in accordance with Regulation 2017/2401, which allows lower risk-weight floors than for other securitisations.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

CCF - Credit Conversion Factor
In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):
a) 100% if it is a full risk item;
b) 50% if it is a medium-risk item;
c) 20% if it is a medium/low-risk item;
d) 0% if it is a low-risk item.

CCP - Central Counterparty Clearing House
A central counterparty is an institution interposed in securities trades between the two contracting parties, protecting the latter against default risk and guaranteeing the successful execution of the transaction. The central counterparty protects itself against its own risk by taking securities or cash collateral (margins) commensurate with the value and risk of the contracts guaranteed. Central counterparty services can be provided not only in the markets that expressly provide for them but also in respect of over-the-counter trading outside regulated markets.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.

For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract. Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
These are CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Commercial paper
Short-term notes issued in order to collect funds as an alternative to other forms of indebtedness.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the normally lower funding cost compared to market parameters.

Common Equity Tier 1 Ratio (CET1 Ratio)
The ratio of Common Equity Tier 1 capital (CET1) to total risk-weighted assets.

Corporate
Customer segment consisting of medium- and large-sized companies (mid-corporate, large corporate).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Transaction costs
Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. IT is a cost that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Coverage ratio
It represents the percentage coverage of the value adjustment with respect to the gross exposure.

Covered bonds
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle (case governed by Art. 7-bis of Law 130 of 30 April 1999).

CPPI (Constant Proportion Portfolio Insurance)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivatives contracts the underlying for which is the creditworthiness of a certain issuer/borrower, measured by a rating agency or defined on the basis of objective criteria, in order to transfer credit risk. The main function of credit risk derivatives is to manage the credit risk associated with a certain asset (bond and/or loan) without the asset itself being transferred. They also allow credit risk (the possibility that the borrower defaults and does not make its payments) of a certain asset to be separated from other types of risk, for example interest rate risk (the possibility that market rates may move in a direction unfavourable to the lender).

Credit enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

Credit risk adjustment
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CRM – Credit Risk Mitigation
Techniques used by institutions to reduce the credit risk associated with their exposures.

CRP (Country Risk Premium)
Country risk premium; it expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a particular country (namely the risk associated with financial, political and monetary instability).

CSA (Credit Support Annex)
A document through which counterparties trading in an over-the-counter derivative instrument establish the terms of contribution and transfer of the underlying guarantees to mitigate credit risk in the event of in-the-money position of the instrument. This document, although not mandatory for the transaction, is one of the four components that contribute to the establishment of the Master Agreement according to the standards established by the International Swaps and Derivatives Association (ISDA).

Reclassification date
The first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

Desk
It usually designates an operating unit dedicated to a particular activity.

Held for trading (HFT)
Financial assets or financial liabilities that:
- are acquired or incurred principally for the purpose of selling or repurchasing them in the near term;
- on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- are derivatives other than those entered into as a designated, effective hedging instrument.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

EAD – Exposure At Default
Relating to on- or off-balance sheet positions, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach (see entry) are entitled to estimate EAD. The others are required to make reference to regulatory estimates.

ECAI – External Credit Assessment Institution
An external credit assessment institution.

ECL – Expected Credit Loss
The adoption of IFRS 9 led to a revision of the methods of determining adjustments to loans from the notion of incurred credit loss to expected credit loss. Adjustments are quantified by including forward-looking scenarios and differs as a function of the deterioration of credit quality, with a one-year time horizon for positions classified to Stage 1 and for the lifetime (lifetime ECL) of the instrument for those included in Stages 2 and 3.

EHQLA – Extremely High Quality Liquid Assets
Encumbered assets that are notionally eligible to be classified as extremely high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area. Since 2 October 2019, the Eonia rate has been calculated as the €STR (Euro Short-Term Rate, the overnight rate for euro money markets) plus 8.5 basis points. The Eonia calculated according to this method was published until 3 January 2022. It was then permanently replaced by €STR plus a fixed spread of 8.5 basis points, quantified and made official by the ECB based on historical information.

ERP (equity risk premium)
Risk premium requested by investors on the market of reference, i.e. the expected return in excess of risk-free assets. To test goodwill for impairment, ISP uses that calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2021) by New York University - Stern School of Business.

ETDs – Exchange-Traded Derivatives
Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

EVA – Economic Value Added
An indicator that measures the value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The value at which an asset could be tradedor a liability settled, in a current transaction between willing parties.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item.

Fair Value Option (FVO)
The Fair Value Option is an option for classifying a financial instrument. When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

FIFO: First In First Out
Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering units to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Forward Rate Agreement – Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

FVTOCI: Fair Value Through Other Comprehensive Income
Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss
Method of recognition of changes in the fair value of financial assets through profit or loss.

Gross Book Value (GBV)
The accounting value of a loan, considered gross of adjustments.

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

GMSLA – Global Master Securities Lending Agreement
These are margining agreements used to mitigate counterparty risk in securities lending transactions.

GMRA – Global Master Repurchase Agreement
These are margining agreements used to mitigate counterparty risk in repurchase agreements.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Grandfathering
Period of transition for the entry into force of the new composition of own funds under Basel 3 and other less significant measures. Specifically, it concerns the gradual exclusion from own funds of the old instruments admitted to Basel 2 regulatory capital and no longer contemplated by Basel 3.

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge funds
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HQLA (High Quality Liquid Asset)
Encumbered assets that are notionally eligible to be classified as high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB), the body responsible for issuing international accounting standards. The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

ICAAP (Internal Capital Adequacy Assessment Process)
The "Second Pillar" provisions require that banks implement processes and instruments of Internal Capital Adequacy Assessment Process (ICAAP), to determine the amount of internal capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRS-IC (International Financial Reporting Standards Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA – Internal Models Approach
Approach for calculating the capital requirement for market risk using internal models.

IMM – Internal Model Method
Method for calculating Exposure at Default (see entry), within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.
Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
a) deductible temporary differences;
b) the carryforward of unused tax losses; and
c) the carryforward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base. There are two types of temporary difference:
a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled;
b) deductible temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Index-linked
Policies, including life policies, whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator. Policies may guarantee capital or offer a minimum return.

Internal dealing
Persons performing functions of administration, control or management (relevant persons) at a listed issuer, as well as those with close ties to such persons, must report transactions in listed financial instruments issued by the company or in derivatives of such instruments and must also abide by the restrictions on transactions in such instruments, according to the terms laid down in Art. 19 of Regulation (EU) 596/2014 on market abuse (MAR) and delegated legislation (Regulations (EU) 2016/522 and 2016/523).
The European legislation supplemented the provisions of Art. 114, paragraph 7, of Legislative Decree 58/1998 (Consolidated Law on Finance) with regard to the obligation to report transactions in securities for those who hold at least 10% of the share capital of a listed issuer and persons closely related to them.

Intraday
This refers to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (see entry) (e.g., not less than BBB- on S&P Global's index).

IRC – Incremental Risk Charge
The maximum potential loss in the trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

ISDA - International Swaps and Derivatives Association
An association of participants in the over-the-counter derivatives market. It is based in New York and has created a standard contract for entering into derivatives transactions.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g
Difference between the cash flow discounting rate and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

LCR – Liquidity Coverage Ratio
A prudential requirement intended to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that may be converted into cash to meet its liquidity needs within a period of 30 days under conditions of severe stress. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net outflows of liquidity over a stress period of 30 calendar days.

LDA - Loss Distribution Approach
Method of quantitative assessment of the operational risk profile through actuarial analysis of individual internal and external loss events; by extension, the term Loss Distribution Approach also refers to the calculation model for the historical capital per business unit.

Lead manager - Bookrunner
Lead bank of a bond issue syndicate. The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

LGD – Loss Given Default
It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
LTV measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

M–Maturity
The remaining time of an exposure, calculated according to prudential rules. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Macro-hedging
Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

Mark-down
Difference between the 1-month Euribor and interest rates on household and business current accounts.

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month Euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate customers for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

NBV – Net Book Value
The accounting value of a loan, considered net of adjustments.

Non Performing Exposure (NPE) – Non Performing Loan (NPL)
Terms used to indicate non-performing loans, i.e. loans with irregular performance. On the other hand, "performing" refers to regularly performing credit exposures.
Non-performing loans are classified into three categories:
(i) *bad loans*: loans the full collection of which is not certain because the borrowers are in a state of insolvency (including where not yet judicially established) or substantially equivalent situations;
(ii) *unlikely to pay*: exposures other than bad loans for which the bank deems it improbable that the borrower will fulfil all its credit obligations (by way of principal and/or interest) without recourse to actions such as enforcement of guarantees, regardless of the presence of any past-due instalments or amounts;
(iii) *past-due exposures*: exposures past due by more than 90 days exceeding a pre-determined materiality threshold.
The EBA has also added an additional category, transversal to the foregoing: that of exposures subject to forbearance measures. Such exposures may be forborne non performing loans or forborne performing loans. Forbearance measures consist of concessions

towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ('financial difficulties') and include, for example, the renegotiation of the terms of the contract or total/partial refinancing of the debt.

NSFR – Net Stable Funding Ratio
A prudential requirement aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. The requirement is equal to the ratio of the stable funding available to the entity to the stable funding required to the entity and is expressed as a percentage.

OIS – Overnight Indexed Swap
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

O-SII (Other Systemically Important Institutions)
These are institutions whose systematic importance, referring essentially to the systemic risk they may generate in the event of bankruptcy, is defined not at the global level but at a narrower geographical level, such as the individual country level. O-SIIs must maintain a capital buffer as a percentage of their total risk-weighted exposures. In the Italian context, O-SIIs are identified by the Bank of Italy which, pursuant to the provisions of CRD IV (Directive 2013/36/UE, is required to explain the criteria for its decision, which must comply with the EBA guidelines.
G-SIIs, on the other hand, are Global Systemically Important Institutions. The method for identifying and classifying G-SIIs to the various subcategories is defined in European Commission Delegated Regulation EU/2014/1222. Classification consists of five subcategories of G-SIIs in increasing order of systemic importance, associated with increasing percent capital buffers to be maintained once fully in force.

OTC – Over The Counter
It designates transactions carried out directly between the parties outside organised markets.

Outsourcing
The transfer of business processes to external providers.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

PD – Probability of Default
The likelihood that a debtor will default within a period of one year or equal to the expected life of the financial instrument.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

POCI - Purchased or Originated Credit-Impaired Asset
Purchased or originated assets for which the lifetime expected losses are recognised upon initial recognition and which are automatically classed as Stage 3.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Pricing
Broadly speaking, it generally refers to the methods used to determine the prices of financial instruments and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure (see entry) to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Private banking
Business designed to provide primary customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Asset-backed commercial paper programme or ABCP programme
A programme of securitisations the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less, as defined by Regulation (EU) 2017/2402.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk These

evaluations cover, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be distributed.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk-free
Return on risk-free investments: for the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on 10-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE – Return On Equity
It expresses the return on equity in terms of net income. IT is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

RTS – Regulation Technical Standards
Regulatory technical standards.

RWA – Risk Weighted Assets
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the prudential rules issued by regulatory authorities on the calculation of capital ratios.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR – Società di gestione del risparmio (Asset management companies)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SICR – Significant Increase in Credit Risk
Criterion used to verify the transition between stages: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the lifetime expected credit losses of the instrument (lifetime ECL). The bank establishes whether there has been a significant increase in credit risk based on qualitative and quantitative information:
- the variation (beyond set thresholds) of the lifetime probability of default (PD) compared to the time of initial recognition of the financial instrument. This is an assessment made on a "relative" basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have "significantly increased" and the exposure is therefore transferred to Stage 2 (when the exposure was previously included in Stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between stages where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

SPE/SPV
A Special Purpose Entity or Special Purpose Vehicle is a company established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB- on the S&P Global index)

SPPI (Solely Payment of Principal and Interest) Test
One of the two classification drivers (the other is the "business model") that the classification of the financial assets and the measurement basis depend on. The objective of the SPPI test is to identify the instruments, which can be defined as "basic lending arrangements" in accordance with the standard, whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets with contractual characteristics other than SPPI must be mandatorily measured at FVTPL (see entry).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SRT – Significant Risk Transfer
The originator institution of a traditional securitisation may exclude underlying exposures from its calculation of risk-weighted exposure amounts where significant credit risk associated with the underlying exposures has been transferred to third parties. According to Article 244 of Regulation (EU) 2017/2401 there is a significant transfer of credit risk in any of the following cases: (i) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in the securitisation; and (ii) if there are no mezzanine securitisation positions, the originator institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation. Article 245 of Regulation (EU) 2017/2401 sets out similar conditions for significant risk transfer through funded or unfunded credit protection securitisations also for synthetic securitisations.

Stage 1
Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

Stage 2
Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

Stage 3
Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (strike price).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export financing sector.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value (LTV) ratio is high.
On the other hand, prime mortgage loans are those which both the criteria used to grant the loan (LTV, debt-to-income, etc.) and to assess the borrower's history are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g) (see entry).

Tier 1
Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

Tier 1 Capital Ratio
The ratio of Tier 1 capital (see entry) to total risk-weighted assets (RWAs; see entry).

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to AIRB approaches (see entry).
Specific transitional provisions (grandfathering; see entry) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2; see entries). It is represented by the ratio of own funds to total risk-weighted assets (RWAs; see entry).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
It is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change (increase or decrease) in volatility.

Vintage
Term used to indicate the seniority of NPEs/NPLs (see entry). It also refers to the date of generation of the collateral underlying the securitisation, as an important factor in judging the collateral's risk level.

Expected life
This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank’s exposure to credit losses to the contractual notice period. The expected life for these credit facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional ‘maturity factor’ may be incorporated to reflect the full estimated life, based upon other experienced cases or similar cases of peers. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default (see entry) until they occur.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO’s cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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Financial calendar

Approval of the Interim Statement as at 30 September 2022:	4 November 2022