PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 30 JUNE 2023

THE RESULTS FOR THE FIRST HALF OF 2023 CONFIRM THAT INTESA SANPAOLO IS ABLE TO GENERATE SUSTAINABLE PROFITABILITY EVEN IN COMPLEX ENVIRONMENTS THANKS TO ITS WELL-DIVERSIFIED AND RESILIENT BUSINESS MODEL, WITH NET INCOME OF €4.2 BILLION DRIVEN BY NET INTEREST INCOME AND EXPECTED TO RISE WELL ABOVE €7 BILLION IN THE FULL YEAR, WITH NET INTEREST INCOME EXPECTED TO EXCEED €13.5 BILLION IN 2023 AND GROW FURTHER IN 2024 AND 2025.

THE SOLID PERFORMANCE OF INCOME STATEMENT AND BALANCE SHEET IN H1 2023 TRANSLATED INTO SIGNIFICANT VALUE CREATION FOR ALL STAKEHOLDERS, ALSO GROUNDED IN THE GROUP'S STRONG ESG COMMITMENT: SPECIFICALLY, AROUND €3 BILLION DIVIDENDS ACCRUED, €2.6 BILLION TAXES GENERATED (AROUND €590 MILLION MORE THAN IN H1 2022, DERIVING FROM THE NET INTEREST INCOME GROWTH), EXPANDING THE FOOD AND SHELTER PROGRAMME FOR PEOPLE IN NEED (OVER 28.1 MILLION INTERVENTIONS IN THE PERIOD 2022 – H1 2023), ENHANCING INITIATIVES TO FIGHT INEQUALITIES AND FOSTER FINANCIAL, SOCIAL, EDUCATIONAL AND CULTURAL INCLUSION (AROUND €12 BILLION OF SOCIAL LENDING AND URBAN REGENERATION IN THE PERIOD 2022 – H1 2023).

INTESA SANPAOLO CONTINUES TO OPERATE AS A GROWTH ACCELERATOR IN THE REAL ECONOMY IN ITALY: IN H1 2023, MEDIUM/LONG-TERM NEW LENDING GRANTED BY THE GROUP TO ITALIAN HOUSEHOLDS AND BUSINESSES AMOUNTED TO AROUND €19 BILLION. IN H1 2023, THE GROUP FACILITATED THE RETURN TO PERFORMING STATUS OF MORE THAN 1,900 COMPANIES, THUS SAFEGUARDING MORE THAN 9,500 JOBS. THIS BROUGHT THE TOTAL TO MORE THAN 139,000 COMPANIES SINCE 2014, WITH MORE THAN 695,000 JOBS SAFEGUARDED OVER THE SAME PERIOD.

INTESA SANPAOLO IS FULLY EQUIPPED TO CONTINUE SUCCEEDING IN THE FUTURE GIVEN THE GROUP'S KEY STRENGTHS, NOTABLY RESILIENT PROFITABILITY, A SOLID CAPITAL POSITION, THE "ZERO-NPL" BANK STATUS AND HIGH FLEXIBILITY IN MANAGING OPERATING COSTS.

TECHNOLOGY REPRESENTS A FURTHER KEY FACTOR TO SUCCEED, WITH THE NEW CLOUD-NATIVE TECH PLATFORM, THE DIGITAL CHANNELS OF ISYBANK AND FIDEURAM DIRECT AND ARTIFICIAL INTELLIGENT SOLUTIONS THAT ARE EXPECTED TO GENERATE ADDITIONAL CONTRIBUTION TO 2025 GROSS INCOME OF AROUND €500 MILLION, NOT ENVISAGED IN THE 2022-2025 BUSINESS PLAN.

THE IMPLEMENTATION OF THE 2022-2025 BUSINESS PLAN IS PROCEEDING AT FULL SPEED AND THE KEY INDUSTRIAL INITIATIVES ARE WELL UNDERWAY, WITH PROSPECTS OF 2024-2025 NET INCOME TO EXCEED NET INCOME ENVISAGED FOR 2023, IN LIGHT OF EXPECTATIONS OF REVENUE GROWTH, COST REDUCTION, LOW COST OF RISK AND LOWER LEVIES AND OTHER CHARGES CONCERNING THE BANKING INDUSTRY.

THE CAPITAL POSITION AS AT 30 JUNE 2023 WAS SOLID AND WELL ABOVE REGULATORY REQUIREMENTS: FULLY LOADED COMMON EQUITY TIER 1 RATIO WAS 13.7% AFTER DEDUCTING FROM CAPITAL THE DIVIDENDS ACCRUED IN H1 2023 AND NOT TAKING INTO ACCOUNT A BENEFIT OF AROUND 120 BASIS POINTS DERIVING FROM THE ABSORPTION OF DEFERRED TAX ASSETS (DTAs), OF WHICH AROUND 30 BASIS POINTS WITHIN THE Q3 2023 - 2025 HORIZON.

GROSS INCOME WAS UP 61% AND OPERATING MARGIN WAS UP 28.5% ON H1 2022, WITH OPERATING INCOME UP 15.3% AND OPERATING COSTS RISING SLIGHTLY (UP 0.9%).

CREDIT QUALITY:
- **NPLs WERE DOWN 3.6% NET AND 2.5% GROSS ON YEAR-END 2022;**
- **NPL RATIO WAS 1.2% NET AND 2.3% GROSS, RESPECTIVELY 1% AND 1.9% ACCORDING TO THE EBA METHODOLOGY;**
- **ANNUALISED COST OF RISK IN H1 2023 STOOD AT 25 BASIS POINTS;**
- **EXPOSURE TO RUSSIA FURTHER REDUCED, DOWN BY OVER 75% SINCE JUNE 2022 TO 0.2% OF THE GROUP'S TOTAL CUSTOMER LOANS.**

- **NET INCOME OF €4,222M IN H1 2023, UP 80% COMPARED WITH €2,346M IN H1 2022**
- **GROSS INCOME UP 61% ON H1 2022**
- **OPERATING MARGIN UP 28.5% ON H1 2022**
- **OPERATING INCOME UP 15.3% ON H1 2022**
- **OPERATING COSTS SLIGHTLY UP (0.9%) ON H1 2022**
- **CREDIT QUALITY:**
  - **NPL STOCK DOWN 3.6% NET AND 2.5% GROSS ON YEAR-END 2022**
  - **NPL RATIO OF 1.2% NET AND 2.3% GROSS, RESPECTIVELY 1% AND 1.9% ACCORDING TO THE EBA METHODOLOGY**
  - **ANNUALISED COST OF RISK IN H1 2023 AT 25 BASIS POINTS (FROM 70 BASIS POINTS IN 2022, 30 BASIS POINTS WHEN EXCLUDING ADJUSTMENTS FOR THE EXPOSURE TO RUSSIA AND UKRAINE, FOR OVERLAYS AND TO FAVOUR DE-RISKING, NET OF THE PARTIAL RELEASE OF GENERIC PROVISIONS WHICH WERE SET ASIDE IN 2020 FOR FUTURE COVID-19 IMPACTS)**
- **A SOLID CAPITAL POSITION, WELL ABOVE REGULATORY REQUIREMENTS:**
  - **COMMON EQUITY TIER 1 RATIO AS AT 30 JUNE 2023, AFTER DEDUCTING FROM CAPITAL (°) AROUND €3BN OF DIVIDENDS ACCRUED IN H1 2023, AT 13.7% FULLY LOADED (°°) WITHOUT TAKING INTO ACCOUNT THE BENEFIT OF AROUND 120 BASIS POINTS DERIVING FROM THE ABSORPTION OF DEFERRED TAX ASSETS (DTAs) OF WHICH AROUND 30 BASIS POINTS WITHIN THE Q3 2023 - 2025 HORIZON**

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(°) Deducting from capital also the coupons accrued on the Additional Tier 1 issues.

(°°) Estimated pro-forma fully loaded Common Equity Tier 1 ratio of 15.1%, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs related to the acquisition of UBI Banca and the agreement with the trade unions of November 2021, and the expected distribution on the H1 2023 net income of insurance companies.

HIGHLIGHTS:

OPERATING INCOME:	Q2 2023	+4.7%	TO €6,341M FROM €6,057M IN Q1 2023
	H1 2023	+15.3%	TO €12,398M FROM €10,755M IN H1 2022
OPERATING COSTS:	Q2 2023	+5.5%	TO €2,675M FROM €2,536M IN Q1 2023
	H1 2023	+0.9%	TO €5,211M FROM €5,164M IN H1 2022
OPERATING MARGIN:	Q2 2023	+4.1%	TO €3,666M FROM €3,521M IN Q1 2023
	H1 2023	+28.5%	TO €7,187M FROM €5,591M IN H1 2022
GROSS INCOME:	Q2 2023	€3,381M	FROM €3,363M IN Q1 2023
	H1 2023	€6,744M	FROM €4,188M IN H1 2022
NET INCOME:	Q2 2023	€2,266M	FROM €1,956M IN Q1 2023
	H1 2023	€4,222M	FROM €2,346M IN H1 2022

CAPITAL RATIOS: COMMON EQUITY TIER 1 RATIO AFTER DIVIDENDS ACCRUED IN H1 2023 (°): 13.7% FULLY LOADED (°°)

(°) Deducting from capital also the coupons accrued on the Additional Tier 1 issues.

(°°) Estimated pro-forma fully loaded Common Equity Tier 1 ratio of 15.1%, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs related to the acquisition of UBI Banca and the agreement with the trade unions of November 2021, and the expected distribution on the H1 2023 net income of insurance companies.

Turin - Milan, 28 July 2023 – At its meeting today, the Board of Directors of Intesa Sanpaolo approved the consolidated half-yearly report as at 30 June 2023 (*).

The results for the first half of 2023 confirm that the Intesa Sanpaolo Group is able to generate sustainable profitability even in complex environments thanks to its well-diversified and resilient business model, with net income of €4.2bn driven by net interest income.

The solid performance of income statement and balance sheet in the first half of the year translated into significant value creation for all stakeholders, also grounded in the Group's strong ESG commitment: specifically, around **€3bn dividends** accrued, **€2.6bn taxes** (°) generated and **increased by around €590m on H1 2022** (°°) as a consequence of the net interest income growth which has driven the increase of around €1.9bn in net income, **expanding the food and shelter programme for people in need** (over **28.1 million interventions** in the period 2022 - H1 2023), **enhancing initiatives to fight inequalities and foster financial, social, educational and cultural inclusion** (around **€12bn of social lending and urban regeneration** in the period 2022 - H1 2023).

Intesa Sanpaolo is fully equipped to continue operating successfully in the future given the Group's key strengths, notably resilient profitability, a solid capital position, the "zero-NPL" Bank status and high flexibility in managing operating costs. The exposure to **Russia** (^) was further reduced and was down by over 75% (over €2.7bn) on end of June 2022 to 0.2% of the Group's total customer loans. Cross-border loans to Russia were largely performing and classified in Stage 2.

Technology is a further key factor to succeed, generating **additional contribution to 2025 gross income of around €500m, not envisaged in the 2022-2025 Business Plan** (^^):

- **new cloud-native technological platform (isytech)**, already available to mass market retail clients with the recent launch of the digital bank, Isybank, and to be progressively extended to the entire Group: **around €1.8bn in IT investments already deployed and over 1,200 IT specialists already hired**, with an **additional contribution to 2025 gross income of** around **€150m**, not envisaged in the Business Plan;
- **new digital channels**:
  - the launch of **Isybank** successfully completed, **the Group's digital bank** with a **lower-than-30% cost/income** business model, around **5m clients by 2025** (over **2.5m by the first quarter of 2024**) and an **additional contribution to gross income of** around **€200m by 2025**, not envisaged in the Business Plan;
  - the launch of **Fideuram Direct** successfully completed, **the digital Wealth Management platform for Private Banking**, with around **150,000 clients in 2025 (around 20% of the current Fideuram client base)**;
- **artificial intelligence**, with around **140 Apps and 300 specialists in 2025** and an **additional contribution to 2025 gross income of** around **€100m**, not envisaged in the Business Plan, **without taking into account potential upside** from the adoption of **Generative AI** solutions.

(*) Methodological note on the scope of consolidation on page 30.

(°) Direct and indirect taxes.

(°°) Entirely in direct taxes.

(^) On-balance credit exposure, both cross-border and at the Russian subsidiary Banca Intesa, net of guarantees by Export Credit Agencies and after adjustments. As at 30 June 2023, after adjustments, the on-balance cross-border credit exposure to Russia amounted to €0.79bn of which €0.75bn to customers, net of €0.8bn guarantees by Export Credit Agencies (no off-balance to customers and off-balance of €0.1bn to banks, net of €0.5bn guarantees by ECA) and the on-balance credit exposure of the subsidiaries amounted to €0.76bn, of which €0.14bn to customers, for Banca Intesa in Russia and €0.08bn, to banks, for Pravex Bank in Ukraine (off-balance, to customers, of €0.06bn for the Russian subsidiary and €0.04bn for the Ukrainian subsidiary). The credit exposure to Russian counterparties currently included in the SDN lists of names to which sanctions apply amounted to €0.35bn.

(^^) Additional contribution to 2025 gross income from isytech, Isybank, Fideuram Direct and Artificial Intelligence, which offsets the impact from higher inflation and the renewal of the labour contract.

The implementation of the Plan is proceeding at full speed, with the key industrial initiatives well underway:

- **massive de-risking, slashing cost of risk**:
  - massive deleveraging, with a €4.8bn gross NPL stock reduction in 2022/H1 2023, reducing the net NPL ratio to 1% (°);
  - focus on modular approach and sectorial forward looking, factoring in macroeconomic scenario, and on proactive credit management;
  - focus on the action plan dedicated to the Banca dei Territori Division, with strong management of underlying cost of risk and NPL inflows from performing loans, and new solutions for new needs arising in the current scenario;
  - risk management capabilities enhanced: comprehensive and robust Risk Appetite Framework encompassing all the key risk dimensions of the Group;
  - credit assessment capabilities further strengthened with the introduction of a Sectorial Framework which assesses the forward-looking profile of each economic sector on a quarterly basis across different countries. The sectorial view, approved by a specific management committee, feeds all the credit processes in order to prioritise credit decisions and action plans.
  - cybersecurity anti-fraud protection extended to new products and services for retail customers, including the use of Artificial Intelligence; adoption of Open Source Intelligence solutions to empower Cyber Threat Intelligence capability;
  - enhanced protection of both the remote access to company applications and the access to corporate workstations enabling multi-factor authentication, improving at the same time user experiences through frictionless processes;
  - enhanced protection from cyber-attacks in terms of detection and recovery and improved internal awareness of cyber-attacks (phishing);
  - security levels of the digital services (including the new digital bank) further enhanced also through the adoption of advanced solutions and technologies for the remote biometric recognition of users, improving the user experience;
  - set-up of the Anti Financial Crime Digital Hub (AFC Digital Hub), aimed at becoming a national and international centre open to other financial institutions and intermediaries in the system, with the goal of combating money laundering and terrorism through new technologies and Artificial Intelligence, based on a public-private collaboration model which enables the introduction of innovation (applied research) in business processes;
  - set-up of the new Anti Financial Crime model based on an international platform and competence centres specialised in Transaction Monitoring and Know Your Customers;
  - the Active Credit Portfolio Steering (ACPS) unit continued expanding the credit risk hedging schemes to optimise capital absorption. In Q2 2023, two new synthetic securitisation transactions finalised for a total amount of around €4.4bn (on a USD corporate loan portfolio and on a new loan portfolio to support the sustainability and development plans of Italian SMEs). At the end of H1 2023, the outstanding volume of synthetic securitisation transactions, included in the GARC Programme (Active Credit Risk Management), was equal to around €26.4bn.
  - the ACPS unit also strengthened the capital efficiency initiatives and extended the scope of credit strategy application, shifting €20bn of new lending in 2022 and around €8.7bn in H1 2023 to more sustainable economic sectors with the best risk/return profile;
  - winner of the "Innovation of the Year" category in the ESG Securitisation Awards of Structured Credit Investor for applying proprietary ESG Scoring model to its risk transfer transactions;
  - scale up of the Originate-to-Share business model, increasing the distribution capabilities to optimise the return on capital;

(°) In accordance with the EBA methodology.

- **structural cost reduction enabled by technology**:
  - isytech already operational with around 390 dedicated specialists, contract with Thought Machine finalised and technological masterplan defined. The Isybank offering structure and functionalities defined.
  - new head of Isybank, new head of isytech and new head of Sales & Marketing Digital Retail hired and operative;
  - the Isybank Family&Friends initiative completed with the involvement of Intesa Sanpaolo people and selected external "friends";
  - commercial launch of Isybank on 15 June 2023 and release of the App on iOS and Android stores, go live of the new official Isybank showcase website;
  - the plan for the business unit transfer from Intesa Sanpaolo to Isybank defined;
  - insourcing of core capabilities in IT ongoing with around 950 people already hired;
  - AI Lab in Turin already operational (set-up of Centai Institute);
  - around 790 branches closed since Q4 2021 in light of the launch of the new Digital Bank;
  - digital platform for analytical cost management up and running, with 33 efficiency initiatives already identified;
  - tools implemented to support the negotiation and scouting activities of potential suppliers and the programme of procurement analytics started;
  - rationalisation of real estate in Italy in progress, with a reduction of around 425,000 square meters since Q4 2021;
  - around 3,300 voluntary exits in 2022 and H1 2023;
  - implementation of digital functions and services completed in Serbia, Hungary and Romania; ongoing implementation in Slovakia: roll-out phase started in June with gradual releases on a monthly basis until September;
  - "go live" of the new core banking system in Egypt and alignment of digital channels;
  - ongoing activities to progressively release applications for the target platform in the remaining countries where the International Subsidiary Banks Division operates;
  - Digital Process Transformation: processes identified and E2E transformation activities activated (specifically involving procurement processes, customer onboarding, hereditary succession process management, bank account closing process and control management processes). The E2E transformation activities will leverage both on Process Intelligent Automation (e.g. with Artificial Intelligence and/or Robotic Process Automation) and traditional reengineering methods.
  - in line with SkyRocket plan, the new Cloud Region in Turin is fully operational (in addition to the Milan Cloud Region made available in June 2022) and has enabled the Isybank launch with an entirely Italy-based infrastructure (disaster recovery included);
  - the Intesa Sanpaolo Mobile App recognised by Forrester as the "Global Mobile Banking Apps Leader", ranking first worldwide among all banking apps evaluated;
- **growth in commissions, driven by Wealth Management, Protection & Advisory**:
  - Direct Advisory launched as part of the Fideuram Direct digital offering, which allows customers to build investment portfolios with the advisory of direct bankers operating remotely and supported by Black Rock's Aladdin Robo4Advisory platform. Direct Advisory completes the existing offer which also includes "Advanced Trading" (to operate in over 50 cash and derivatives markets), and "In-Self Investments" (to independently operate on a selected set of sustainable funds and wealth management products created by Fideuram Asset Management); Alpian, the first Swiss private digital Bank, is fully operational as a mobile-only platform providing multi-currency, wealth management and financial advisory services with experienced consultants;
  - new dedicated service model for Exclusive clients fully implemented;

- enhancement of the product offering (new AM/Insurance products) and further growth of the advanced advisory service “Valore Insieme” for Affluent and Exclusive clients: around 27,600 new contracts and €8.7bn in Customer financial asset inflows in H1 2023, also thanks to a new range of products introduced during H1 2023;
- in March 2023, the first co-badge debit card in Italy launched (in eco-sustainable material), dedicated to business customers, equipped with a dual circuit (BANCOMAT®, PagoBANCOMAT® and MasterCard or Visa) and Instant Issuing service that can be activated from the website and App; the Instant Issuing function was extended at the end of June to the sale of cards in branches and through the remote offerings;
- introduction of new functionalities of Robo4Advisor by BlackRock to generate investment advice on selected products (funds, insurance products and certificates) to support relationship managers;
- adoption of the BlackRock Aladdin Wealth and Aladdin Risk platforms for investment services: Aladdin Wealth module for the Banca dei Territori Division and Fideuram (first and second release), Aladdin Risk and Aladdin Enterprise module for Fideuram Asset Management and Fideuram Asset Management Ireland, for Eurizon Capital SA, Eurizon SLJ Capital, Eurizon Capital SGR, Eurizon Capital Asia Limited, Epsilon, Eurizon Asset Management Croatia, Eurizon Asset Management Hungary and Eurizon Asset Management Slovakia;
- new features for UHNWI (Ultra High Net Worth Individuals) client advisory tools; strengthening of service model for family offices. Both the new “We Add” advanced advisory service for the Intesa Sanpaolo Private Banking network and the new Aladdin Robo4advisory functions for the Fideuram networks released. The integration of ESG principles into the current advisory models is progressively evolving. The process to define the new single divisional consultancy model has been launched, which will natively envisage the full integration of sustainability principles.
- second closing of the alternative fund compliant with Art. 8 Fideuram Alternative Investments Sustainable Private Markets completed, and ongoing enrichment of the alternative funds offering from leading international players through partnerships with specialised platforms;
- on 1 January 2023 the merger of the two Private Banks in Luxembourg was completed, with the new Intesa Sanpaolo Wealth Management (ISWM) fully operational. Together with the Division’s Swiss Hub, ISWM will contribute to the growth of fee income abroad.
- a strategic partnership signed with Man Group to create innovative investment opportunities for Fideuram - Intesa Sanpaolo Private Banking clients. Man Group will acquire 51% of Asteria Investments Managers SA, an ESG-oriented asset manager, currently 100% owned by Reyl. The partnership will focus on a broad range of alternative and strictly long-term investment strategies using cutting-edge technologies.
- Eurizon offering dedicated to captive and third-party distributors enriched and multiple new asset management and insurance products launched (e.g. dedicated offer for clients with excess liquidity, capital protection, protected mutual funds with predefined amount at maturity, PIR compliant mutual funds, thematic mutual funds, fixed income mutual funds); Eurizon acquired new traditional and private market mandates from institutional third parties;
- continued enhancement of ESG product offering for asset management and insurance, with a penetration of around 70% on Eurizon total assets under management;
- continued commitment of Eurizon to ESG training activities (towards distributors and in the academic field) and stewardship (activated the Voting Disclosure Service on Eurizon website);
- the new organisational set-up of the IMI Corporate & Investment Banking Division launched, with focus on strengthening client advisory activities and Originate-to-Share business;
- continued focus on origination and distribution activities in Italy and abroad, with acceleration of the Originate-to-Share model, also through the development of dedicated initiatives;

- launch of “Soluzione Domani”, a commercial offer dedicated to Senior customers (over 65 years old and family caregivers). The offer is focused on ad hoc solutions for protection, asset management (with decumulation options and capital protection guarantees) and financing, enriched with social welfare services.
- purchase of 26.2% of Intesa Sanpaolo RBM Salute shares approved, bringing forward the exercise of the two call options, initially set for 2026 and 2029;
- InSalute Servizi, an Intesa Sanpaolo Insurance Division company, is becoming fully operational thanks to the contribution of a business unit by Blue Assistance (a Reale Group company), which includes a technological platform, a network of affiliated healthcare facilities, know-how and a team of specialised personnel. With this contribution, Blue Assistance has acquired a 35% stake in InSalute Servizi, with the remaining 65% stake held by Intesa Sanpaolo Vita.
- digital platform "IncentNow" launched to provide information to Italian companies and institutions on the opportunities offered by public tenders related to the National Recovery and Resilience Plan;
- webinars and workshops with clients launched, aimed at educating and sharing views on key topics (e.g. digital transition);
- commercial initiatives developed to support clients in different sectors (e.g. Energy, TMT, Infrastructure) to optimise the incorporation of European and Italian post-pandemic recovery plans;
- the Group’s first Private Debt Fund launched, a partnership between Intesa Sanpaolo and Eurizon Capital Real Asset (ECRA), to support the development of SMEs through innovative financial solutions that support the real economy and sustainable transition processes;
- “go live” of Cardea, an innovative and digital platform for financial institutions;
- strengthening of the corporate digital platform (Inbiz) in the European Union with focus on Cash & Trade, leveraging the partnership approach with Fintechs;
- ongoing upgrade of Global Markets IT platforms (e.g. equity) and commercial activities launched to strengthen the equity business;
- an ESG value proposition initiative launched for the corporate and SME segments of the Group’s banks in Slovakia, Hungary, Croatia, Serbia and Egypt. Priority sectors have been identified for which the definition of a commercial strategy is underway, aimed at improving the ESG offer in the markets where the International Subsidiary Banks Division operates.
- ongoing development of synergies - in Global Markets, Structured Finance and Investment Banking - between the IMI Corporate & Investment Banking Division and the Group’s banks in Slovakia, the Czech Republic, Hungary and Croatia with a significant increase in business and pipeline since the start of the Business Plan. The expansion of the Synergy Project of the IMI Corporate & Investment Banking Division to other markets is in progress.
- ESG advisory to corporates to steer the energy transition through a scalable approach, with a focus on Energy, Infrastructure and Automotive & Industrials sectors, also through supply chain agreements with specialised partners;
- the Master Cooperation Agreement with a leading insurance group finalised to distribute bancassurance products in Slovakia, Croatia, Hungary, Serbia and Slovenia and the Local Distribution Agreements signed;
- launch of the factoring product “Confirming” in five additional markets: Slovakia, Serbia, Romania, Slovenia and Albania;
- a project between the International Subsidiary Banks Division (ISBD) and the Banca dei Territori Division launched to further enhance the cross-border business opportunities for mid-corporates operating in markets where foreign subsidiaries are present. In the first phase, the programme involves the banks in Slovakia, Hungary and Romania, the Agribusiness Department and some Regional Governance Centres of the Banca dei Territori Division. It will be progressively extended to other geographic areas and Regional Governance Centres.

- a project between the International Subsidiary Banks Division (ISBD) and the Private Banking Division launched for the definition and implementation of a new Service model for High Net Worth Individuals (HNWI) of ISBD, specifically tailored for entrepreneurs with advanced asset management needs;

- **significant ESG commitment, with a world-class position in social impact and strong focus on climate** and reinforcement of the ESG governance, with the Risks Committee which in April 2022 became the Risks and Sustainability Committee with enhanced ESG responsibilities:
  - **unparalleled support to address social needs**:
    - **expanding food and shelter programme for people in need** to counter poverty by providing concrete aid throughout the Italian territory and abroad supporting the humanitarian emergency in Ukraine, with over **28.1 million interventions** carried out in the period 2022-H1 2023, providing around 21.9 million meals, over 2.9 million beds, around 3.1 million medicine prescriptions and over 278,400 items of clothing;
    - **employability**:
      - "**Giovani e Lavoro**" programme aimed at **training and introducing more than 3,000 young people to the Italian labour market** over the 2022-2025 Business Plan horizon: in H1 2023, around 5,150 students aged between 18 and 29 applied for the programme, over 1,200 students were interviewed and around 550 trained/in training through 24 courses (over 3,500 trained/in training since 2019) and over 2,350 companies involved since its inception in 2019; the **third edition of the Generation4Universities programme,** started in May 2023, **involves 94 students, 36 universities and 22 Italian corporations** as partners;
      - the first three editions of **"Digital Re-start" -** the Private Banking Division programme aimed at training and placing in the labour market **unemployed people aged between 40 and 50** through the financing of 75 scholarships for the Master in **Data Analysis** which trains professionals to analyse and manage data and information to support the decision-making process - were concluded in H1 2023, involving 75 participants, 49 of whom have obtained a new job;
    - **inequalities and educational inclusion**:
      - **educational inclusion** programme: **partnerships strengthened with main Italian universities and schools**: in H1 2023 over 450 schools and around 1,700 students were involved to promote educational inclusion, supporting merit and social mobility (over 1,500 schools involved in the period 2022-H1 2023);
      - in April 2023, a new programme was launched, "**Futura**", promoted by Save the Children, Forum *Disuguaglianze e Diversità* and Yolk, with the collaboration of Intesa Sanpaolo, against female educational poverty, educational failure and early school leaving. The pilot project started and will run for two years in three territorial areas with socio-economic disadvantages. It will promote growth and autonomy paths through personalised training courses for 300 girls and young women, including 50 young mothers. Over 70 training courses already activated.
    - **social housing**: the Group's ongoing initiatives in terms of promoting housing units have been enhanced, also identifying some new partnerships with leading operators in the sector, to achieve the Business Plan targets (promotion of the development of 6-8 thousand units of social housing and student bed places);
  - **strong focus on financial inclusion**:
    - **€2.7bn in social lending and urban regeneration** granted in H1 2023 (around €12bn in the period 2022-H1 2023, a target of €25bn cumulative flows announced in the Business Plan):
      - **lending to the third sector**: in H1 2023, loans **granted** for a total of **€133m** supporting non-profit organisations (€471m in 2022-H1 2023);
      - **Fund for Impact**: in H1 2023, **€30m made available** to support the needs of people and families to ensure wider and more sustainable access to credit, with dedicated programmes such as "**Per Merito**" (line of credit without collateral to be reimbursed in 30 years

dedicated to university students, studying in Italy or abroad), "**MAMMA@WORK**" (loan to discourage new mothers from leaving work and support motherhood in children's early years of life), "**per Crescere**" (funds allocated to vulnerable families for the training and education of school-age children) "**per avere Cura**" (lending to support families taking care of non-self-sufficient people) and other solutions (e.g. "**Obiettivo Pensione**", "**per Esempio**");
▫ **lending for urban regeneration**: **in H1 2023**, **€500m** in new loans **committed** to support investments in **housing**, **services and sustainable infrastructure**, in addition to the most important urban regeneration initiatives underway in Italy (over €1.1bn in 2022-H1 2023);

□ **continuous commitment to culture**:
- **Gallerie d'Italia**, the four venues of Intesa Sanpaolo's museum in Milan, Naples, Turin and Vicenza, in H1 2023:
  ▫ over **400,000 visitors** (free admission for people under 18);
  ▫ five new exhibition projects inaugurated: in Milan *Una collezione inattesa* (featuring 20th century artworks owned by Intesa Sanpaolo), in Naples *Mario Schifano*, in Turin *Déplacé.e.s* and *Mimmo Jodice*, in Vicenza *EX Illustri Elena Xausa*;
  ▫ free inclusive and educational activities: **2,380 school workshops** (involving **54,780 students**), **285 courses** for fragile people (**4,050 participants**), **570 tours and activities for adults and families** and **200 cultural initiatives (28,720 participants)**;
  ▫ opening of **new dining and social areas**: the Anthill cocktail bar in Naples, the fine-dining restaurants 177 Toledo in Naples and Scatto in Turin;
- **partnerships**:
  ▫ Intesa Sanpaolo is the main partner of the **Bergamo Brescia Italian Capital of Culture 2023** (almost 5m visitors); support for the exhibition at Palazzo del Quirinale of the Ministry of Culture dedicated to the Bronzes of San Casciano;
  ▫ shared projects with Fondazione Compagnia di San Paolo, Fondazione Cariplo, Fondazione Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Forlì, Fondazione Cassa di Risparmio di Pistoia e Pescia;
  ▫ support to **Miart** fair in **Milan**, Festival Archivissima, Filarmonica Teatro Regio and **Polo del '900 in Turin** and to museums **Castello di Rivoli, CAMERA in Turin**, **Pinacoteca di Brera** and **Museo Poldi Pezzoli in Milan**, **Fondazione Brescia Musei**, **Fondazione Palazzo Strozzi in Florence**, **Museo Archeologico Nazionale** and **Museo e Real Bosco di Capodimonte in Naples**;
  ▫ promotion of books and reading: **Salone Internazionale del Libro di Torino, Napoli Città Libro, Circolo dei Lettori** in **Milan, La Grande Invasione** in **Ivrea, Una Basilica di Libri** in **Vicenza**;
- *Restituzioni*: organisation of the **20th edition** (2025) involving **115 works of art** of the national heritage to be restored, **50 protection bodies under the Ministry of Culture**;
- **Intesa Sanpaolo's Art Collection**: **288 artworks on loan** to 49 exhibitions in Italy and abroad;
- **training and projects for young people in the professions of art and culture**:
  ▫ two advanced training courses of the *Gallerie d'Italia Academy*: the third edition of the **Course in "Management of Artistic Cultural Heritage and Corporate Collections"** was completed (30 students, 8 scholarship holders), the **Course "Naples-Florence. The art of Exhibition-making"** launched (24 students);
  ▫ the **Euploos Project** continues to digitalise works from the Uffizi Galleries-Cabinet of Drawings and Prints;
  ▫ projects in Turin with students of design institutes (**IED - Istituto Europeo di Design, IAAD - Istituto d'Arte Applicata e Design)** and with **Scuola Holden** concluded;

□ **promoting innovation**:

- **innovation projects: 99 innovation projects released in H1 2023 by Intesa Sanpaolo Innovation Center, for a total of 300 released since 2022** (around 800 innovation projects expected in the 2022-2025 Business Plan);
- **initiatives for start-up growth and the development of innovation ecosystems**:
  - **Turin**: acceleration ended of the ten start-ups selected for the fourth class of the "**Torino Cities of the Future Accelerator**" programme managed by Techstars; since its start in 2019, 45 start-ups accelerated (11 Italian teams), over 50 proofs of concept and other contractual collaborations, over €80m in capital raised and around 500 new resources hired;
  - **Florence**: acceleration ended of the six start-ups selected for the second class of the three-year "**Italian Lifestyle Acceleration Program**" managed by Nana Bianca; since launch in 2021, 12 Italian start-ups accelerated, over 30 proofs of concept and other contractual collaborations, over €2m in capital raised;
  - **Naples**: acceleration in progress of the seven start-ups selected (over 130 candidates) for the second class of the three-year acceleration programme on Bioeconomy "**Terra Next**" started in 2022, with Cassa Depositi e Prestiti, Cariplo Factory, local corporates and scientific partners and the patronage of the Ministry of Environment and Energy Security; since 2022 eight start-ups accelerated, over 20 proofs of concept and other contractual collaborations, around €0.4m in capital raised and over 20 new resources hired after acceleration;
  - **Venice**: acceleration in progress of the eight start-ups (over 350 candidates) of the first class of the three-year programme "**Argo**" (Hospitality and Tourism), sponsored by the Banca dei Territori Division and Intesa Sanpaolo Innovation Center, developed by Cassa Depositi e Prestiti, LVenture and with the collaboration of the Ministry of Tourism;
  - Intesa Sanpaolo Innovation Center is supporting the Banca dei Territori Division in the programme "**Next Age**" (focused on Silver Economy) and "**Faros**" (on Blue Economy), both promoted by Cassa Depositi e Prestiti;
  - **In Action ESG Climate**, second edition of the initiative developed by the **Insurance Division** with the support of Intesa Sanpaolo Innovation Center, to promote the development of new solutions to combat climate change and support the green transition through technological innovation and development of new business models. In July, the four best projects presented (around 140 candidates), awarded with a total amount of around €600,000.
  - **Up2Stars**: second edition of the initiative aimed at 40 start-ups on four vertical pillars (Watertech, Renewable energy and energy efficiency, Artificial Intelligence for business transformation, IoT, Infrastructure and mobility). The candidate selection for the first call on "Watertech" completed, with the acceleration process to be completed by September. Main numbers of the first edition: around 500 candidates, 40 start-ups accelerated.
- **development of multi-disciplinary applied research projects**:
  - 10 projects in progress (eight in neuroscience field and two in Artificial Intelligence and robotics fields);
  - in H1 2023, **two projects launched** and **four projects completed** one of which in the neuroscience field focused on technostress and cognitive load that led to a training programme available for all Group employees. This programme was mentioned in the "Top employees e-Book 2023". Moreover **2 patents** obtained (one in Q2 2023) for industrial inventions in the field of artificial intelligence.
- **business transformation**: since 2022, 33 corporates involved in open innovation programmes, four of which involved in projects focused on Circular Economy transformation (two completed in 2022 and two in Q1 2023). Two tech tours for corporates/start-ups completed in Tel Aviv (Smart Mobility Tech Tour) and in San Francisco (in connection with SMAU, at INNOVIT, with the collaboration of ITA - Italian Trade Agency).

- **diffusion of innovation mindset/culture**: in H1 2023, 17 positioning and match-making events made (eight in Q2 2023) with around 1,200 participants; since 2022, 49 events with around 3,300 participants; in H1 2023, six innovation reports on technologies and trends released (21 since 2022), and contributed to the drafting of the White Paper 2023 ***Valore Acqua per l'Italia*** with other partners, and to the 2nd "United Nations Environment Program - Finance Initiative" report;
- **Neva SGR** investments in start-ups of around €20m in H1 2023 (around €9m in Q2 2023), over €74m since 2022. In 2022, Neva successfully completed the **€250m** fundraising for its "Fondo Neva First" (launched in 2020) and "Fondo Neva First Italia" (launched in 2021), and launched "Fondo Sviluppo Ecosistemi di Innovazione" aimed at supporting the development of innovation ecosystems, raising €15m with the first investment in Tech4Planet, a tech transfer initiative in collaboration with CDP, Politecnico Milano, Politecnico Torino and Politecnico Bari and the support of Circular Economy Lab.

□ **accelerating commitment to net-zero emissions**:
- following the Group's participation in the **NetZero Banking Alliance (NZBA)**, the **Net Zero Asset Managers Initiative (NZAMI)**, the **Net Zero Asset Owner Alliance (NZAOA)** and **the Net Zero Insurance Alliance (NZIA)**:
  - ▫ in February 2022, interim 2030 targets set for four high-emitting sectors (Oil & Gas, Power Generation, Automotive and Coal Mining - over 60% of financed emissions for Non-Financial Corporates in NZBA sectors as at 30 June 2021) were published in the 2022-2025 Business Plan; in April 2022, Intesa Sanpaolo's commitment to the SBTi validation was published on the SBTi website. The first annual reporting as at 31 December 2022 on the four sectors' absolute financed emissions shows a decrease of 60% compared with 2021 (see dedicated chapter in 2022 TCFD Report which also includes a high-level Transition Plan under the GFANZ - Glasgow Financial Alliance for Net-Zero - guidelines).
  - ▫ in October 2022, Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland and the Intesa Sanpaolo Vita Insurance Group published their first interim targets;
- ongoing **active engagement**, which includes:
  - ▫ participation in workgroups/workstreams of the **GFANZ, NZBA, NZAOA, NZIA, Institutional Investors' Group on Climate Change**, with contribution to relevant publications and dedicated case studies. In Q2 2023, the Insurance Division participation in NZAOA working groups focused particularly on those dedicated to the development of new methodologies in government securities, reporting and engagement.
  - ▫ activation by Fideuram of the **individual and collective engagement** process through the participation in the **Net Zero Engagement Initiative (NZEI)** and the second phase of **Climate Action 100+**;
  - ▫ in June 2022, Intesa Sanpaolo became an **investor signatory of CDP** (the non-profit organisation that provides companies and countries with a global system of climate change information);
  - ▫ in October 2022, Eurizon joined the **CDP Science-Based Targets Campaign**, promoting the environmental transparency of companies;
- in November 2022, Intesa Sanpaolo was the only Italian Bank which participated in the COP27 in Sharm El Sheik;
- new Group proposition in the voluntary carbon market designed, aimed at supporting clients in reducing gross CO_2 emissions, managing residual emissions and protecting and safeguarding forestland;

□ **supporting clients through the ESG/climate transition**:
- **around €37.6bn disbursed** in the period 2021-H1 2023, out of the €76bn in new lending available **for the green economy, circular economy and green transition** in relation to the 2021-2026 National Recovery and Resilience Plan;

- in H1 2023, around **€0.7bn of Green Mortgages** (€3.3bn in the period 2022-H1 2023) out of the €12bn of new Green lending to individuals over the 2022-2025 Business Plan;
- **€8bn circular economy credit facility** announced in the 2022-2025 Business Plan: in H1 2023, 204 projects assessed and validated for an amount of over €6.6bn, around €2.6bn granted for 112 transactions (of which €1.6bn related to green criteria) and €2.8bn disbursed, taking into account amounts previously granted (of which €2.5bn related to green criteria). Overall, since 2022, 624 projects assessed and validated for an amount of over €15.6bn, 342 transactions for an amount of over €7.3bn granted (of which €4.2bn related to green criteria) and €5.8bn disbursed taking into account amounts previously granted (of which €4.7bn related to green criteria); in April, criteria updated for accessing the plafond in the circular framework, according to the criteria of the Ellen MacArthur Foundation, and for the green framework, in line with Intesa Sanpaolo's Green, Social Sustainability Bond Framework. The support activities envisaged in the partnership agreement with the Ellen MacArthur Foundation and the Intesa Sanpaolo Innovation Center activities envisaged in the collaboration agreement with Cariplo Factory in the Circular Economy Lab area continue.
- **11 ESG Laboratories** activated (in Venice, Padua, Brescia, Bergamo, Cuneo, Bari-Taranto, Rome, Naples-Palermo and Milan), physical and virtual meeting points to support SMEs in approaching sustainability, and evolution of advisory services offered by partners (e.g. Circularity, Nativa, CE Lab and others);
- continued success of the **S-Loan** product range dedicated to SMEs to finance projects aimed at improving their sustainability profile (five product lines: S-Loan ESG, S-Loan Diversity, S-Loan Climate Change, S-Loan Agribusiness and S-Loan Tourism), with around €0.9bn disbursed in H1 2023 (around €4.4bn since launch in July 2020);
- **Digital Loans** (D-Loans) aimed at improving the digitalisation of companies, with €23m disbursed since launch in October 2021;
- **Suite Loans** aimed at incentivising investments in the redevelopment/improvement of hotel facilities and accommodation services: €12m disbursed since launch in December 2021;
- **the implementation of ESG/Climate evolution of the Non-Financial Corporate credit framework completed**, leveraging on EGS sectorial assessments and EGS sectorial strategy, EGS scoring at counterparty level and new guidelines on sustainable products; methodology of analysis defined for the transition plan of Oil & Gas customers and gradual extension to other priority sectors;
- ongoing projects to verify the alignment of existing portfolios (mortgages, bonds, non-financial corporate lending) to the EU taxonomy criteria for the purpose of steering the Green Asset Ratio;
- **ESG advisory to corporates** to steer the energy transition through a scalable approach, with a focus on Energy, Infrastructure and Automotive & Industrials sectors;
- an ESG value proposition initiative defined for the corporate, SME and retail segments in all the banks of the International Subsidiary Banks Division (excluding Moldova and Ukraine);
- enhancement of **ESG investment products** for asset management, with penetration increasing to around 70% of total assets under management for Eurizon; increase in investment options (articles 8 and 9 of SFDR) underlying the insurance products available to customers to around 75%;
- continuous commitment to Stewardship activities: in H1 2023, Eurizon Capital SGR took part in 1,123 shareholders' meetings (of which 93% are issuers listed abroad) and 292 engagements (of which 46% on ESG issues);
- **Fideuram advisory model** revised to incorporate ESG principles in need-based financial planning and a comprehensive ESG certification training programme launched for financial advisors (over 38,500 hours delivered to around 1,300 participants in H1 2023) and for employed private bankers and agents (around 3,800 hours delivered to around 800 participants in H1 2023).

Intesa Sanpaolo is the **only Italian bank listed in the Dow Jones Sustainability Indices, in the CDP Climate A List 2022 and in the 2023 Corporate Knights "Global 100 Most Sustainable Corporations in the World Index"** and ranks **first among the banks of the peer group by** Sustainalytics and Bloomberg (ESG Disclosure Score) **international assessments**. Furthermore, Intesa Sanpaolo:

- has been included **for the sixth consecutive year in the Bloomberg Gender-Equality Index 2023**, **obtaining a score well above the average** of the global financial sector and of Italian companies;
- has been recognised **in the Refinitiv Global Diversity and Inclusion Index 2022** as the **first bank in Europe,** the **second worldwide, and** the **only one in Italy** among the **top 100 companies for diversity and inclusion**;
- has been the **first major Italian banking group to obtain the certification for gender parity "Prassi di Riferimento (PDR) 125:2022"** envisaged by the National Recovery and Resilience Plan, thanks to its commitment to diversity and inclusion;
- has undergone a mid-term audit, with successful outcome, to maintain **the Gender Equality European & International Standard (GEEIS-Diversity)** certification achieved in 2021: appreciation for the results obtained was confirmed, with improvements in opinions regarding the application of the Group's inclusion policy and practices for pay-equity, work-life balance and the dissemination of an inclusive culture;

- **Group's people are its most important asset**:
  - around 2,200 professionals hired since 2021;
  - around 3,000 people reskilled in 2022 and H1 2023; around 16.5m training hours delivered since 2022;
  - over 200 talented people have already completed their development path as part of the International Talent Program, which is still ongoing for around other 270 people: 20 new talented people were selected and hired from the external market and started the Program in April 2023;
  - around 470 key people selected mostly among middle management for dedicated development and training initiatives;
  - a dedicated platform to foster employee well-being (physical, emotional, mental and social dimension) with video contents, podcasts, articles, tools and Apps. Digital and on-site initiatives and events, corporate gyms, and Employee Assistance Program (psychological support service).
  - the new long-term incentive plan implemented to support the Business Plan targets and foster individual entrepreneurship;
  - the creation of the new leading education player in Italy completed through the combination between Intesa Sanpaolo Formazione and Digit'Ed, a Nextalia Fund company;
  - in May 2023, new organisational framework agreed with the Trade Unions, which further improves flexibility in terms of daily work schedule, smart working and introduction of the four-day working week on a voluntary basis with no change in remuneration;
  - 2023 diversity & inclusion goals defined and shared for every organisational unit, including the implementation of the new commitment related to gender equality access to senior leadership roles; monitoring of the 2023 goals launched for each Division and Governance Area; collaboration strengthened with ISPROUD, the first employee-based community within the Group, currently welcoming over 600 LGBTQ+ people and allies;
  - Intesa Sanpaolo has been recognised as Top Employer 2023 for the second consecutive year by Top Employers Institute and has received the Best Talent Acquisition Team prize in the 2023 LinkedIn Talent Awards;
  - in 2022, one-off contribution of around €80m to Intesa Sanpaolo people, excluding managers, to mitigate the impact of inflation.

In the first half of 2023, the Group recorded:

- **growth in net income of 80% to €4,222m** from €2,346m in H1 2022;
- **growth in gross income** of 61% to €6,744m from €4,188m in H1 2022;
- **growth in operating margin** of 28.5% on H1 2022;
- **growth in operating income** of 15.3% on H1 2022;
- **increase in operating costs** of 0.9% on H1 2022;
- **high level of efficiency**, with a **cost/income of 42%** in H1 2023, **a level among the best in the top tier European banks**;
- annualized **cost of risk** in H1 2023 at **25bps** (from 70bps in 2022, 30bps when excluding adjustments for the exposure to Russia and Ukraine, for overlays and to favour de-risking, net of release from generic provisions set aside in 2020 for future COVID-19 impacts), with **overlays of €0.9bn**;
- **credit quality** (°):
  - **NPL stock** at end of June 2023 (°°) **decreased 3.6% net** and 2.5% gross on end of December 2022;
  - **NPL ratio** was **1.2% net** and 2.3% gross. According to the **EBA methodology**, **the NPL ratio** was **1% net** and 1.9% gross;
- **sizeable NPL coverage**:
  - **NPL cash coverage ratio of 49%** at end of June 2023, **with a cash coverage ratio of 68.2% for the bad loan component**;
  - **robust reserve buffer on performing loans**, amounting to 0.6% at end of June 2023;

(°) No material payment suspension at end of June 2023. The amount of loans backed by a state guarantee was of around €28bn (around €4.5bn from SACE and around €23.5bn from SME Fund).

(°°) NPLs at the end of June 2023 did not include portfolios classified as ready to be sold, accounted under non-current assets held for sale and discontinued operations, which amounted to around €0.3bn gross and were no material net.

- **<u>very solid capital position</u>**, with capital ratios well above regulatory requirements. As at 30 June 2023, after deducting from capital (°) around €3bn of dividends accrued in H1 2023, the **fully loaded Common Equity Tier 1 ratio came in at 13.7% (°°) without taking into account the benefit of around 120bps from the DTA absorption, of which around 30bps within the Q3 2023 - 2025 horizon**. This compares with a SREP requirement, comprising Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer (*), for 2023 equal to 8.95% (**). An impact of around 60bps from regulatory headwinds was recorded in H1 2023. An impact of around 30bps came from the voluntary deduction from capital regarding the calendar provisioning carried out in Q2 2023 for the subsequent benefits in terms of a reduced Pillar 2 requirement and a cost of risk in the period 2024-2025 lower than originally envisaged in the 2022-2025 Business Plan (^).
- **<u>strong liquidity position and funding capability</u>**, with **liquid assets of €284bn** and **high available unencumbered liquid assets of €183bn at end of June 2023. The Basel 3 requirements for the Liquidity Coverage Ratio (at 171% (^^)) and the Net Stable Funding Ratio (at 126%) have been comfortably complied with**. The refinancing operations with the ECB to optimise the cost of funding and support businesses in their investment amounted to around €45bn as at 30 June 2023 and consisted entirely of TLTROs III.
- **<u>support provided to the real economy</u>**, with around **€29bn of medium/long-term new lending** in H1 2023. **Loans** amounting to around **€19bn were granted in Italy**, of which around **€18bn was granted to households and SMEs**. **In H1 2023**, the Group facilitated the return from non-performing **to performing status** of more than **1,900 companies thus safeguarding more than 9,500 jobs**. This brought the total to more than **139,000 companies since 2014**, **thus safeguarding more than 695,000 jobs over the same period**.

(°) Deducting from capital also the coupons accrued on the Additional Tier 1 issues.

(°°) Estimated pro-forma fully loaded Common Equity Tier 1 ratio of 15.1%, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs related to the acquisition of UBI Banca and the agreement with the trade unions of November 2021, and the expected distribution on the H1 2023 net income of insurance companies.

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

(**) Applying the regulatory change introduced by the ECB with effect from 12 March 2020, which establishes that the capital instruments not qualifying as Common Equity Tier 1 may be partially used to meet the Pillar 2 requirement.

(^) Assumptions of loan adjustments with a view to subsequently disposing of exposures impacted by the calendar provisioning.

(^^) Last twelve-month average.

The income statement for the second quarter of 2023

The consolidated income statement for Q2 2023 recorded **net interest income** of €3,584m, up 10.1% from €3,254m in Q1 2023 and 71.3% from €2,092m in Q2 2022.

Net fee and commission income amounted to €2,216m, up 3.7% from €2,137m in Q1 2023. Specifically, commissions on commercial banking activities were up 5% and commissions on management, dealing and consultancy activities were up 0.7%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 4.4% increase in portfolio management (no performance fees in both Q2 2023 and Q1 2023), a 1.8% increase in distribution of insurance products and a 16.1% decrease in dealing and placement of securities. Net fee and commission income for Q2 2023 was down 1.7% from €2,255m in Q2 2022. Specifically, commissions on commercial banking activities were down 2.7% and those on management, dealing and consultancy activities were down 0.1%. The latter recorded a 5.2% decrease in in portfolio management (performance fees contributed €4m in Q2 2022), a 4.3% decrease in distribution of insurance products and a 26.1% increase in dealing and placement of securities.

Income from insurance business amounted to €459m, compared with €397m in Q1 2023 and €449m in Q2 2022.

Profits on financial assets and liabilities at fair value amounted to €75m, compared with €262m of Q1 2023. Contributions from customers amounted to €80m from €89m, those from capital markets recorded a negative balance of €68m versus a positive balance of €65m, those from trading and treasury decreased from €107m to €63m and those from structured credit products were null versus a positive balance of €1m. Profits of €75m for Q2 2023 are compared with profits of €560m of Q2 2022 when contributions from customers amounted to €88m, those from capital markets were negative for €78m, those from trading and treasury amounted to €568m and those from structured credit products were negative for €18m.

Operating income amounted to €6,341m, up 4.7% from €6,057m in Q1 2023 and 18.7% from €5,344m in Q2 2022.

Operating costs amounted to €2,675m, up 5.5% from €2,536m in Q1 2023, due to increases of 4.2% in personnel expenses and 13.5% in administrative expenses and a decrease of 3.9% in adjustments. Operating costs for Q2 2023 were up 1.3% from €2,640m in Q2 2022, due to increases of 0.7% in personnel expenses, 1.8% in administrative expenses and 3.2% in adjustments.

As a result, **operating margin** amounted to €3,666m, up 4.1% from €3,521m in Q1 2023 and 35.6% from €2,704m in Q2 2022. The cost/income ratio was 42.2% in Q2 2023 versus 41.9% in Q1 2023 and 49.4% in Q2 2022.

Net adjustments to loans amounted to €367m (including recoveries of €115m relating to the exposure to Russia and Ukraine), compared with €189m in Q1 2023 (including recoveries of around €50m relating to the exposure to Russia and Ukraine) and €730m Q2 2022 (including €292m for the exposure to Russia and Ukraine).

Net provisions and net impairment losses on other assets amounted to €121m (including €20m for the exposure to Russia and Ukraine), compared with €70m in Q1 2023 (including €19m for the exposure to Russia and Ukraine) and €62m in Q2 2022.

Other income amounted to €203m (including a capital gain of €157m deriving from the sale of the stake held in Zhong Ou Asset Management), compared with €101m in Q1 2023 (including a capital gain of €116m deriving from the sale of the acquiring business in Croatia) and €147m in Q2 2022 (including a capital gain of €194m deriving from the sale of Intesa Sanpaolo Formazione and a one-off contribution of €48m to Intesa Sanpaolo people to mitigate the impact of inflation).

Income (Loss) from discontinued operations was nil, the same as in Q1 2023 and Q2 2022.

Gross income amounted to €3,381m, compared with €3,363m in Q1 2023 and €2,059m in Q2 2022.

Consolidated net income amounted to €2,266m, after recording:
- taxes on income of €1,000m;
- charges (net of tax) for integration and exit incentives of €44m;
- negative effect of purchase price allocation (net of tax) of €44m;
- levies and other charges concerning the banking industry (net of tax) of €11m, deriving from the following pre-tax figures: recoveries of €7m in relation to the resolution fund, charges of €6m in relation to contributions to the deposit guarantee scheme concerning the international network and €6m in relation to levies incurred by international subsidiaries, and negative fair value differences of €9m regarding the *Atlante* fund. In Q1 2023, this caption amounted to €228m, deriving from the following pre-tax figures: charges of €330m in relation to the ordinary contribution to the resolution fund estimated for full-year 2023, €2m in relation to contributions to the deposit guarantee scheme concerning the international network and €6m in relation to levies incurred by international subsidiaries, and positive fair value differences of €8m regarding the *Atlante* fund. In Q2 2022, this caption amounted to €12m, deriving from the following pre-tax figures: recoveries of €3m in relation to the resolution fund and charges of €11m in relation to contributions to the deposit guarantee scheme concerning the international network, €6m in relation to levies incurred by international subsidiaries and €2m in relation to the Voluntary Scheme of the Interbank Deposit Protection Fund;
- minority interests of €16m.

Net income of €2,266m in Q2 2023 is compared with €1,956m in Q1 2023 and €1,303m in Q2 2022.

The income statement for the first half of 2023

The consolidated income statement for H1 2023 recorded **net interest income** of €6,838m, up 68.9% from €4,049m in H1 2022.

Net fee and commission income amounted to €4,353m, down 4.2% from €4,544m in H1 2022. Specifically, commissions on commercial banking activities were down 0.6% and commissions on management, dealing and consultancy activities were down 4.2%. The latter, which include portfolio management, distribution of insurance products, dealing and placement of securities, etc., recorded a 9.1% decrease in portfolio management (no performance fees in H1 2023 versus €12m in H1 2022), a 3% decrease in distribution of insurance products and an 11% increase in dealing and placement of securities.

Income from insurance business amounted to €856m, compared with €841m in H1 2022.

Profits on financial assets and liabilities at fair value amounted to €337m, compared with €1,329m in H1 2022. Contributions from customers amounted to €169m from €178m, those from capital markets recorded a negative balance reduced to €3m versus a negative balance of €89m, those from trading and treasury decreased from €1,262m to €170m and those from structured credit products recorded a positive balance of €1m versus a negative balance of €22m.

Operating income amounted to €12,398m, up 15.3% from €10,755m in H1 2022.

Operating costs amounted to €5,211m, up 0.9% from €5,164m in H1 2022, due to increases of 1.7% in administrative expenses and 4.5% in adjustments and a decrease 0.1% in personnel expenses.

As a result, **operating margin** amounted to €7,187m, up 28.5% from €5,591m in H1 2022. The cost/income ratio was 42% in H1 2023 versus 48% in H1 2022.

Net adjustments to loans amounted to €556m (including recoveries of around €165m relating to the exposure to Russia and Ukraine), compared with €1,432m in H1 2022 (including €1,093m for the exposure to Russia and Ukraine and around €300m release of generic provisions set aside in 2020 for future COVID-19 impacts).

Net provisions and net impairment losses on other assets amounted to €191m (including €39m for the exposure to Russia and Ukraine), compared with €114m in H1 2022.

Other income amounted to €304m (including capital gains of €157m deriving from the sale of the stake held in Zhong Ou Asset Management and €116m deriving from the sale of the acquiring business in Croatia), compared with €143m in H1 2022 (including a capital gain of €194m deriving from the sale of Intesa Sanpaolo Formazione and a one-off contribution of €48m to Intesa Sanpaolo people to mitigate the impact of inflation).

Income (Loss) from discontinued operations was nil, the same as in H1 2022.

Gross income amounted to €6,744m, compared with €4,188m in H1 2022.

Consolidated net income amounted to €4,222m, after recording:
- taxes on income of €2,084m;
- charges (net of tax) for integration and exit incentives of €86m;
- negative effect of purchase price allocation (net of tax) of €90m;
- levies and other charges concerning the banking industry (net of tax) of €239m, deriving from pre-tax charges of €323m in relation to the contribution to the resolution fund, €8m in relation to contributions to the deposit guarantee scheme concerning the international network and €12m in relation to levies incurred by international subsidiaries, and negative fair value differences of €1m regarding the *Atlante* fund. In H1 2022, this caption amounted to €278m, deriving from pre-tax charges of €362m in relation to the resolution fund, €17m in relation to contributions to the deposit guarantee scheme concerning the international network, €12m in relation to levies incurred by international subsidiaries, €2m in relation to the Voluntary Scheme of the Interbank Deposit Protection Fund, and negative fair value differences of €7m regarding the *Atlante* fund;
- minority interests of €23m.

Net income of €4,222m in H1 2023 is compared with €2,346m in H1 2022.

Balance sheet as at 30 June 2023

With regard to the consolidated balance sheet figures, as at 30 June 2023 **loans to customers** amounted to €437bn, down 2.1% on year-end 2022 and 7.2% on 30 June 2022 (down 1.4% on Q1 2023 and 4.2% on H1 2022 when taking into account quarterly and half-yearly average volumes (*)). Total **non-performing loans** (bad, unlikely-to-pay, and past due) amounted - net of adjustments - to €5,298m, down 3.6% compared with €5,496m at year-end 2022. In detail, bad loans amounted to €1,175m compared with €1,131m at year-end 2022, with a bad loan to total loan ratio of 0.3% (0.3% at year-end 2022 as well), and a cash coverage ratio of 68.2% (69.2% at year-end 2022). Unlikely-to-pay loans decreased to €3,601m from €3,952m at year-end 2022. Past due loans amounted to €522m from €413m at year-end 2022.

Customer financial assets amounted to €1,252bn, up 4% on year-end 2022. Under customer financial assets, **direct deposits from banking business** amounted to €554bn, up 1.7% on year-end 2022 and 0.9% on 30 June 2022. **Direct deposits from insurance business** amounted to €174bn, up 0.3% on year-end 2022. Indirect customer deposits amounted to €693bn, up 5.6% on year-end 2022 and 5.5% on 30 June 2022. **Assets under management** amounted to €438bn, up 1.8% on year-end 2022 and 0.3% on 30 June 2022. As for bancassurance, in H1 2023 the new business for life policies amounted to €8.6bn. Assets held under administration and in custody amounted to €255bn, up 12.8% on year-end 2022 and 15.8% on 30 June 2022.

Capital ratios as at 30 June 2023, fully loaded and deducting from capital (°) around €3bn of dividends accrued in H1 2023, were as follows:
- Common Equity Tier 1 ratio at 13.7% (13.5% at year-end 2022),
- Tier 1 ratio at 16.2% (16% at year-end 2022),
- total capital ratio at 19.3% (19% at year-end 2022).

* * *

(*) Excluding the loan to the banks in compulsory administrative liquidation (formerly Banca Popolare di Vicenza and Veneto Banca).

(°) Deducting from capital also the coupons accrued on the Additional Tier 1 issues.

As a result of the strategic decisions taken, **Intesa Sanpaolo** has maintained its position as **one of the most solid international banking Groups**. In addition to the asset quality and level of capital ratios commented on above, the Group has continued to build on its key strengths: **robust liquidity** and **low leverage**.

Specifically, with regard to the components of the Group's **liquidity**:

- the high level of available unencumbered liquid assets (including eligible assets with Central Banks received as collateral and excluding eligible assets currently used as collateral) amounted to €183bn at end of June 2023;
- the high level of liquid assets (comprising available unencumbered liquid assets, excluding eligible assets received as collateral, and eligible assets currently used as collateral) amounted to €284bn at end of June 2023;
- liquidity indicators well above regulatory requirements: Liquidity Coverage Ratio at 171% (°) and Net Stable Funding Ratio at 126%;
- refinancing operations with the ECB to optimise the cost of funding and support businesses in their investment amounted to around €45bn as at 30 June 2023 and consisted entirely of TLTROs III;
- the sources of funding were stable and well diversified, with retail funding representing 80% of direct deposits from banking business (including securities issued);
- medium/long-term wholesale funding was €13.1bn in H1 2023 and included benchmark transactions of Tier 2 of €1bn, green senior non-preferred of €2.25bn and of £600m, green senior preferred of €2.25bn, social senior preferred of £750m, senior preferred of €1.5bn and $1.25bn, senior non-preferred of $1.5bn and covered bonds of €1.25bn (around 91% was placed with foreign investors).

The Group's **leverage ratio** as at 30 June 2023 (which includes exposures to the European Central Bank) was 5.7% fully loaded, best in class among major European banking groups.

* * *

As at 30 June 2023, the Intesa Sanpaolo Group's **operating structure** had a total network of 4,316 branches, consisting of 3,371 branches in Italy and 945 abroad, and employed 94,874 people.

* * *

(°) Last twelve-month average.

Breakdown of results by Business Area

The **Banca dei Territori** Division includes:
- Retail customers (individuals and enterprises with less complex financial needs);
- Exclusive customers (individuals with more complex financial needs);
- Enterprise customers (enterprises with more complex financial needs, generally Small and Medium Enterprises);
- customers that are non-profit organisations.

The division includes Isybank, the digital bank subsidiary (which also operates in instant banking through Mooney, the partnership with the ENEL Group).

In the second quarter of 2023, the Banca dei Territori Division recorded:
- operating income of €2,914m, +4.6% versus €2,785m in Q1 2023;
- operating costs of €1,573m, +4.7% versus €1,503m in Q1 2023;
- operating margin of €1,341m, +4.6% versus €1,282m in Q1 2023;
- a cost/income ratio of 54%, in line with Q1 2023;
- net provisions and adjustments of €456m versus €216m in Q1 2023;
- gross income of €885m versus €1,066m in Q1 2023;
- net income of €576m versus €695m in Q1 2023.

In the first half of 2023, the Banca dei Territori Division recorded:
- operating income of €5,699m, +29.9% versus €4,388m in H1 2022, contributing approximately 46% of the consolidated operating income (41% in H1 2022);
- operating costs of €3,076m, -0.8% versus €3,101m in H1 2022;
- operating margin of €2,623m, +103.8% versus €1,287m in H1 2022;
- a cost/income ratio of 54% versus 70.7% in H1 2022;
- net provisions and adjustments of €672m versus €296m in H1 2022;
- gross income of €1,951m versus €1,002m in H1 2022;
- net income of €1,272m versus €662m in H1 2022.

The **IMI Corporate & Investment Banking** Division comprises:

- Client Coverage & Advisory, including Institutional Clients which manages the relationship with financial institutions and Global Corporate which manages the relationship with corporate customers with a turnover higher than €350m, grouped, in accordance with a sector-based model, in the following seven industries: Automotive & Industrials; Basic Materials & Healthcare; Food & Beverage and Distribution; Retail & Luxury; Infrastructure & Real Estate Partners; Energy; Telecom, Media & Technology;
- Distribution Platforms & GTB, including Global Transaction Banking which manages transaction banking services and IMI CIB International Network which ensures the development of the Division and is responsible for foreign branches, representative offices and foreign subsidiaries carrying out corporate banking (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Brasil and Banca Intesa in the Russian Federation);
- Global Banking & Markets, which operates specifically in structured finance, primary markets and capital markets (equity and debt capital markets).

The Division also comprises the management of the Group’s proprietary trading.

In the second quarter of 2023, the IMI Corporate & Investment Banking Division recorded:

- operating income of €990m, +1.8% versus €972m in Q1 2023;
- operating costs of €370m, +10.8% versus €334m in Q1 2023;
- operating margin of €619m, -2.9% versus €638m in Q1 2023;
- a cost/income ratio of 37.4% versus 34.4% in Q1 2023;
- net recoveries of €43m versus net provisions and adjustments of €47m in Q1 2023;
- gross income of €662m versus €591m in Q1 2023;
- net income of €453m versus €395m in Q1 2023.

In the first half of 2023, the IMI Corporate & Investment Banking Division recorded:

- operating income of €1,962m, -22.9% versus €2,545m in H1 2022, contributing approximately 16% of the consolidated operating income (24% in H1 2022);
- operating costs of €705m, +5.9% versus €666m in H1 2022;
- operating margin of €1,257m, -33.1% versus €1,879m in H1 2022;
- a cost/income ratio of 35.9% versus 26.2% in H1 2022;
- net provisions and adjustments of €5m versus €1,132m in H1 2022;
- gross income of €1,252m versus €747m in H1 2022;
- net income of €848m versus €392m in H1 2022.

The **International Subsidiary Banks** Division is responsible for operations on international markets through commercial banking subsidiaries and associates, and provides guidelines, coordination and support for the Group's subsidiaries. It is responsible for defining the Group's development strategy related to its direct presence abroad, including exploring and analysing new growth opportunities in markets where the Group already has a presence, as well as in new ones. This division also coordinates operations of international subsidiary banks and their relations with the Parent Company's head office departments and the IMI Corporate & Investment Banking Division's branches and offices abroad. The division operates through the South-Eastern Europe HUB, comprising Privredna Banka Zagreb in Croatia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina and Intesa Sanpaolo Bank in Slovenia, the Danube HUB, comprising VUB Banka in Slovakia and in the Czech Republic and Intesa Sanpaolo Bank Romania, and through Intesa Sanpaolo Bank Albania, CIB Bank in Hungary, Banca Intesa Beograd in Serbia, Bank of Alexandria in Egypt, Pravex Bank in Ukraine and Eximbank in Moldova.

In the second quarter of 2023, the International Subsidiary Banks Division recorded:
- operating income of €752m, +13% versus €665m in Q1 2023;
- operating costs of €281m, +5% versus €268m in Q1 2023;
- operating margin of €470m, +18.3% versus €397m in Q1 2023;
- a cost/income ratio of 37.4% versus 40.3% in Q1 2023;
- net provisions and adjustments of €62m versus €5m in Q1 2023;
- gross income of €409m versus €513m in Q1 2023;
- net income of €313m versus €366m in Q1 2023.

In the first half of 2023, the International Subsidiary Banks Division recorded:
- operating income of €1,417m, +35.5% versus €1,046m in H1 2022, contributing approximately 11% of the consolidated operating income (10% in H1 2022);
- operating costs of €549m, +5.8% versus €519m in H1 2022;
- operating margin of €868m, +64.7% versus €527m in H1 2022;
- a cost/income ratio of 38.7% versus 49.6% in H1 2022;
- net provisions and adjustments of €67m versus €202m in H1 2022;
- gross income of €922m versus €327m in H1 2022;
- net income of €679m versus €166m in H1 2022.

The **Private Banking** Division serves the top customer segment (Private and High Net Worth Individuals) through Fideuram and its subsidiaries Intesa Sanpaolo Private Banking, IW Private Investments, SIREF Fiduciaria, Intesa Sanpaolo Wealth Management, Reyl Intesa Sanpaolo, Fideuram - Intesa Sanpaolo Private Banking Asset Management and Fideuram Asset Management Ireland.

In the second quarter of 2023, the Private Banking Division recorded:
- operating income of €812m, +7.7% versus €754m in Q1 2023;
- operating costs of €240m, +4.7% versus €229m in Q1 2023;
- operating margin of €573m, +9.1% versus €525m in Q1 2023;
- a cost/income ratio of 29.5% versus 30.4% in Q1 2023;
- net provisions and adjustments of €17m versus €12m in Q1 2023;
- gross income of €556m versus €513m in Q1 2023;
- net income of €358m versus €343m in Q1 2023.

In the first half of 2023, the Private Banking Division recorded:
- operating income of €1,566m, +35% versus €1,160m in H1 2022, contributing approximately 13% of the consolidated operating income (11% in H1 2022);
- operating costs of €469m, +4.5% versus €449m in H1 2022;
- operating margin of €1,097m, +54.3% versus €711m in H1 2022;
- a cost/income ratio of 29.9% versus 38.7% in H1 2022;
- net provisions and adjustments of €28m, versus net recoveries of €10m in H1 2022;
- gross income of €1,069m, versus €721m in H1 2022;
- net income of €701m versus €514m in H1 2022.

The **Asset Management** Division develops asset management solutions targeted at the Group's customers, commercial networks outside the Group and the institutional clientele through Eurizon Capital. Eurizon Capital controls Eurizon Capital S.A., a Luxembourg asset management company dedicated to development on international markets, Epsilon SGR, a company specialising in structured products, Eurizon Asset Management Slovakia, which heads up Eurizon Asset Management Hungary and Eurizon Asset Management Croatia (the asset management hub in Eastern Europe), Eurizon Capital Real Asset SGR focused on alternative asset classes, Eurizon SLJ Capital LTD, an English asset management company focused on macroeconomic and currency strategies, Eurizon Capital Asia Limited and the 49% of the Chinese asset management company Penghua Fund Management.

In the second quarter of 2023, the Asset Management Division recorded:
- operating income of €231m, -1.7% versus €235m in Q1 2023;
- operating costs of €59m, +13.6% versus €52m in Q1 2023;
- operating margin of €172m, -6.1% versus €183m in Q1 2023;
- a cost/income ratio of 25.6% versus 22.2% in Q1 2023;
- net recoveries of €2m versus net provisions and adjustments of €2m in Q1 2023;
- gross income of €173m versus €181m in Q1 2023;
- net income of €130m versus €129m in Q1 2023.

In the first half of 2023, the Private Banking Division recorded:
- operating income of €465m, -6.1% versus €495m in H1 2022, contributing approximately 4% of the consolidated operating income (5% in H1 2022);
- operating costs of €111m, +11% versus €100m in H1 2022;
- operating margin of €354m, -10.4% versus €395m in H1 2022;
- a cost/income ratio of 23.9% versus 20.2% in H1 2022;
- gross income of €354m versus €395m in H1 2022;
- net income of €260m versus €302m in H1 2022.

The **Insurance** Division develops insurance products tailored for the Group's customers; the Division includes Intesa Sanpaolo Vita (which also controls Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Intesa Sanpaolo RBM Salute and Intesa Sanpaolo Insurance Agency) and Fideuram Vita.

In the second quarter of 2023, the Insurance Division recorded:
- operating income of €444m, +15.5% versus €384m in Q1 2023;
- operating costs of €89m, +7.3% versus €83m in Q1 2023;
- operating margin of €355m, +17.8% versus €302m in Q1 2023;
- a cost/income ratio of 20% versus 21.5% in Q1 2023;
- net recoveries of €37m versus €2m in Q1 2023;
- gross income of €392m versus €304m in Q1 2023;
- net income of €276m versus €201m in Q1 2023.

In the first half of 2023, the Insurance Division recorded:
- operating income of €828m, +3.1% versus €803m in H1 2022, contributing approximately 7% of the consolidated operating income (7% in H1 2022 as well);
- operating costs of €171m, -3.4% versus €177m in H1 2022;
- operating margin of €657m, +5% versus €626m in H1 2022;
- a cost/income ratio of 20.7% versus 22% in H1 2022;
- net recoveries of €39m versus no net provisions and adjustments in H1 2022;
- gross income of €696m versus €626m in H1 2022;
- net income of €477m versus €462m in H1 2022.

Outlook

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

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

- revenue growth:
  - further net interest income growth;
  - recovery in commissions (well-diversified business model);
  - growth in income from insurance business driven by P&C;
  - rebound in profits from trading;
- cost reduction (°):
  - additional benefits from technology (e.g., accelerated/increased branch rationalisation, IT/processes streamlining);
  - voluntary exits already agreed;
  - easing inflation;
- low cost of risk:
  - low NPL stock;
  - overlays;
  - voluntary deduction of the calendar provisioning in Q2 2023 (around €0.4bn additional benefits expected for net income in the two-year period 2024-2025 versus the Business Plan assumptions (°°));
- lower levies and other charges concerning the banking industry:
  - no contribution to the resolution fund starting from 2024;
  - lower/no contribution to the deposit guarantee scheme starting from 2025.

A strong value distribution is envisaged:

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

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

* * *

(°) Taking into account the impact of the National Labour Contract.

(°°) Assumptions of loan adjustments with a view to subsequently disposing of exposures impacted by the calendar provisioning.

For consistency purpose:

- the income statement figures for the four quarters 2022 and the balance sheet figures for the fourth quarter 2022 are reported on a restated basis following the retrospective adoption of IFRS 17 and IFRS 9 by the Group's insurance companies as of 1 January 2022;
- the income statement figures for the first quarter 2022 were restated following the reallocation of some charges relating to the incentive system of the Banca dei Territori Division and Fideuram from personnel expenses to fee and commission expense;
- the income statement figures for the first two quarters 2022 were restated following the acquisition of the control of Quilvest (finalised at the end of June 2022) with the related items consolidated line by line and the corresponding net income attributed to minority interests, as well as the sale of the business line as part of the *Progetto Formazione* (finalised at the end of June 2022) with the related items deconsolidated line by line and the corresponding net income attributed to losses pertaining to minority interests.

* * *

In order to present more complete information on the results generated in the first half of 2023, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the report approved by the Board of Directors are attached. Please note that the auditing company in charge of performing the limited review of the half-yearly report has not yet completed its analysis.

* * *

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

* * *

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

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

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

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Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

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

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

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

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

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

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

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

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

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

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

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

(millions of euro)

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

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.06.2023	240,388	131,297	41,124	14,631	245	-	9,812	437,497
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
% change	-3.0	1.2	2.3	-3.1	-13.1	-	-27.6	-2.1
Direct deposits from banking business								
30.06.2023	271,418	105,935	54,152	45,636	17	-	77,249	554,407
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
% change	-6.8	11.8	-0.4	-9.5	-34.6	-	41.3	1.7

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