INTESA SANPAOLO

Interim Statement as at 30 September 2023

This is an English translation of the original Italian document "Resoconto intermedio al 30 settembre 2023". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.

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

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

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

Interim Statement as at 30 September 2023

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

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1,079

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705

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727

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625

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213

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

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية

BANCA INTESA

BANCA INTESA Beograd

CIB BANK

EXIMBANK

INTESA SANPAOLO BANK Albania

INTESA SANPAOLO BANK LUXEMBOURG

INTESA SANPAOLO BANK Romania

INTESA SANPAOLO BANK Slovenia

INTESA SANPAOLO BANKA Bosna i Hercegovina

INTESA SANPAOLO BANK IRELAND

INTESA SANPAOLO BRASIL SA

INTESA SANPAOLO WEALTH MANAGEMENT Luxembourg

PRAVEX BANK

PRIVREDNA BANKA ZAGREB

REYL INTESA SANPAOLO

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

AUSTRALIA/OCEANIA

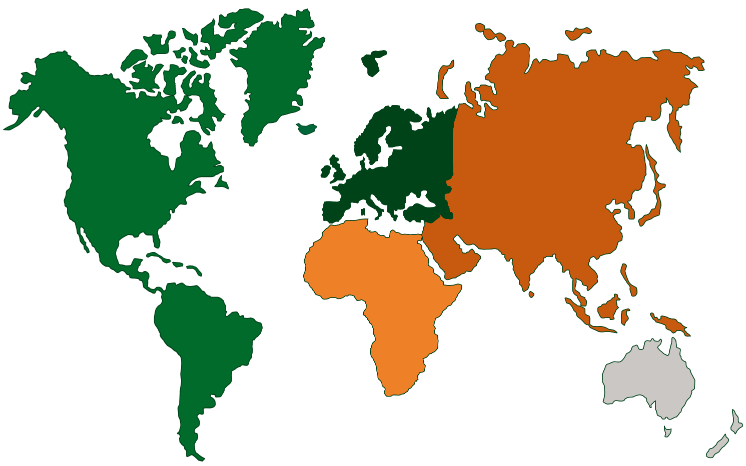
Direct Branches
Sydney

ASIA

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

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	34
Belgium	Intesa Sanpaolo Wealth Management	2
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	44
Croatia	Privredna Banka Zagreb	142
Czech Republic	VUB Banka	1
Hungary	CIB Bank	60
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Intesa Sanpaolo Wealth Management	2
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
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Cairo	Egypt	Bank of Alexandria	173

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Product Companies

EURIZON ASSET MANAGEMENT

FIDEURAM ASSET MANAGEMENT IRELAND

INTESA INVEST Beograd

INTESA SANPAOLO LIFE

意才 YI TSAI

Wealth Management

CIB LEASING

INTESA LEASING Beograd

PBZ LEASING

VÚB OPERATING LEASING

Leasing

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

Board of Directors

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

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

Introduction

As is known, Legislative Decree 25 of 15 February 2016, which implemented the Transparency Directive (2013/50/EU), eliminated the obligation to publish interim statements and gave Consob the option of establishing any additional disclosure obligations with respect to the annual and half-yearly reports. By Resolution 19770 dated 26 October 2016, Consob, pursuant to regulatory delegation provided for in said Decree, approved the changes to the Issuers' Regulation on periodic additional financial disclosure, which have applied since 2 January 2017. Under this Regulation, listed companies have the right to select whether or not to publish periodic additional financial disclosure.
In announcing to the market the 2023 financial calendar, Intesa Sanpaolo confirmed, pursuant to Art. 65-bis and Art. 82-ter of the Issuers' Regulation, its decision to disclose – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly reports. This information consists of interim statements approved by the Board of Directors.
As illustrated in detail in the chapter "Criteria for the preparation of the Interim Statement", the Interim Statement as at 30 September 2023 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS-IC) and endorsed by the European Commission, as provided for by Regulation (EC) no. 1606 of 19 July 2002.

The Interim Statement contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Accounting policies, and the Report on operations. It is also complemented by information on significant events which occurred during the period in question and the main risks and uncertainties. The document contains financial information taken from or attributable to the financial statements, as well as other information – for example, figures on quarterly trends, and certain Alternative Performance Measures – not directly attributable to the financial statements. See the chapter Alternative Performance Measures in the Report on operations accompanying the 2022 Consolidated Financial Statements for details of these measures and their calculation methods[1], confirming that, with specific regard to the military conflict between Russia and Ukraine, in line with the ESMA guidance, no new measures have been added, nor have any changes been made to the measures used.

Just as the Interim Statement as at 31 March 2023 and the Half-yearly Report as at 30 June 2023, the Interim Statement as at 30 September 2023 has also been drawn up by applying IFRS 17 Insurance Contracts, published by the IASB in May 2017 and subsequently amended, endorsed by Regulation (EU) no. 2036/2021 of 19 November 2021. At the same time, the Insurance Companies of the Intesa Sanpaolo Group also apply IFRS 9 Financial Instruments, the application of which was deferred by virtue of the Deferral Approach.
In relation to that, in the chapter "Criteria for the preparation of the Interim Statement", a specific section of information was prepared, containing the following:
- with regard to the insurance companies' transition to the accounting standards IFRS 17 and IFRS 9, the illustration of the provisions of the standards, the choices made by the Group and the impacts deriving from the application of IFRS 17 and IFRS 9 for the insurance companies;
- the statements of reconciliation between the account statements published in the 2022 Financial Statements applying IFRS 4 and IAS 39 to the insurance area and the new accounting statements set out in Circular 262 applying IFRS 17 and IFRS 9 (with the exception of the impairment model, applied starting on 1 January 2023), and the reconciliation of Shareholders' equity;
- an extract of the accounting policies published in the 2022 Annual Report as far as updated in relation to the application of IFRS 17 and the introduction of IFRS 9 by the insurance companies.

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

To support the comments on results for the period, the Interim Statement also presents and illustrates the reclassified consolidated income statement and balance sheet schedules.
In the reclassified statements, the figures are restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through "restated" figures, which include/exclude the values of the companies that entered or left the scope of consolidation.

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

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

Breakdowns of restatements and reclassifications as compared to the accounting schedules established in Bank of Italy Circular 262 are provided in separate reconciliation tables included in the attachments to this report, as also required by Consob in its Communication 6064293 of 28 July 2006.
With reference to the application of IFRS 17 and the related end of the period of application of the Deferral Approach for IFRS 9 for the Group's insurance companies, it was ensured that the reclassified schedules were in line with the approach adopted in the past, for both the captions of the Balance Sheet and those of the Income Statement. In line with the adjustment, within the consolidated financial statements, of the comparative figures as a result of the retrospective application of the two standards, the comparative figures in the reclassified financial statements have also been adjusted on a like-for-like basis, as well as the comparative figures for the summary data and indicators presented at the beginning of the opening chapter of this Statement, unless otherwise stated.

The consolidated financial statements[3] are subject to a limited review by the Independent Auditors EY S.p.A. for the sole purpose of issuing the certification required by Art. 26, paragraph 2 of European Union Regulation 575/2013 and European Central Bank Decision 2015/656.

[3] Consolidated balance sheet, Consolidated income statement, Statement of consolidated comprehensive income, Changes in consolidated shareholders' equity and related Accounting policies.

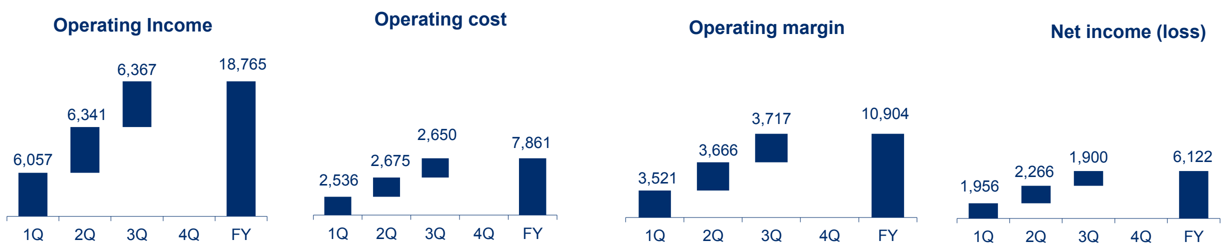
Overview of the nine months of 2023

Income statement figures and Alternative Performance Measures(°)

Consolidated income statement figures (millions of euro)	30.09.2023	30.09.2022	Changes amount	Changes %
Net interest income	10,651	6,436	4,215	65.5
Net fee and commission income	6,448	6,697	-249	-3.7
Income from insurance business	1,275	1,280	-5	-0.4
Profits (Losses) on financial assets and liabilities designated at fair value	389	1,380	-991	-71.8
Operating income	18,765	15,773	2,992	19.0
Operating costs	-7,861	-7,804	57	0.7
Operating margin	10,904	7,969	2,935	36.8
Net adjustments to loans	-913	-1,928	-1,015	-52.6
Net income (loss)	6,122	3,303	2,819	85.3

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

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

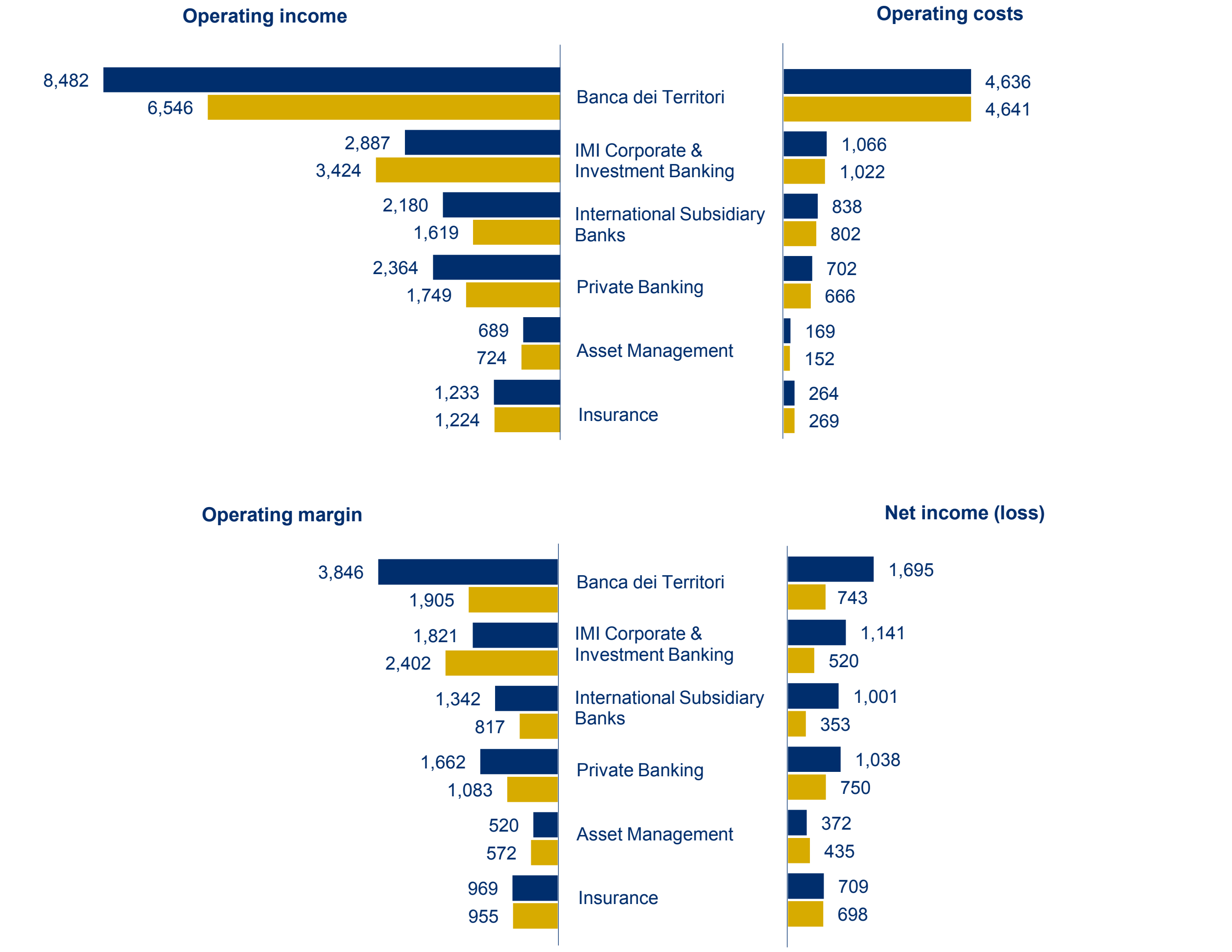


30.09.2023

30.09.2022

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

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



(*) Excluding Corporate Centre

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

Balance sheet figures and Alternative Performance Measures(°)

Consolidated balance sheet figures (millions of euro)	30.09.2023	31.12.2022	Changes amount	Changes %
Financial assets	163,588	147,244	16,344	11.1
Financial assets pertaining to insurance companies	168,364	172,847	-4,483	-2.6
Loans to customers	433,710	446,854	-13,144	-2.9
Total assets	947,134	974,587	-27,453	-2.8
Direct deposits from banking business	557,884	545,386	12,498	2.3
Direct deposits from insurance business	167,975	173,672	-5,697	-3.3
Indirect deposits:	683,541	656,663	26,878	4.1
of which: Assets under management	*428,642*	*430,165*	*-1,523*	*-0.4*
Shareholders' equity	64,511	61,103	3,408	5.6
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	77.7%	81.9%		

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

	Loans to customers 30.09.2023	Loans to customers 31.12.2022	Direct deposits from banking business 30.09.2023	Direct deposits from banking business 31.12.2022
Banca dei Territori	236,098	247,913	274,002	291,089
IMI Corporate & Investment Banking	130,426	129,791	105,976	94,785
International Subsidiary Banks	41,867	40,212	55,707	54,364
Private Banking	14,411	15,104	44,413	50,447
Asset Management	235	282	17	26
Insurance	-	-	-	-

(*) Excluding Corporate Centre

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

30.09.2023

31.12.2022

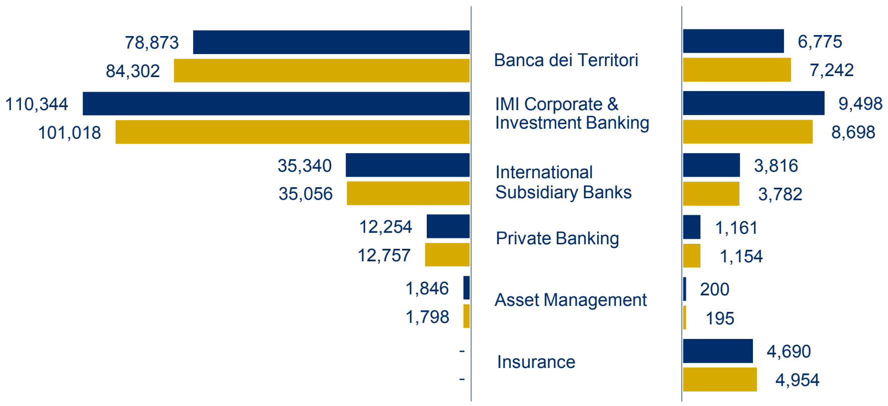
(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report. The application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9 resulted in a change in the information content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

Alternative Performance Measures and other measures(°)

Consolidated capital ratios (%)	30.09.2023	31.12.2022
Common Equity Tier 1 capital (CET1) net of regulatory adjustments / Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.6	13.8
TIER 1 Capital / Risk-weighted assets	16.2	16.2
Total own funds / Risk-weighted assets	19.2	19.1
Risk-weighted assets (millions of euro)	298,282	295,443
Absorbed capital (millions of euro)	29,333	29,513

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

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



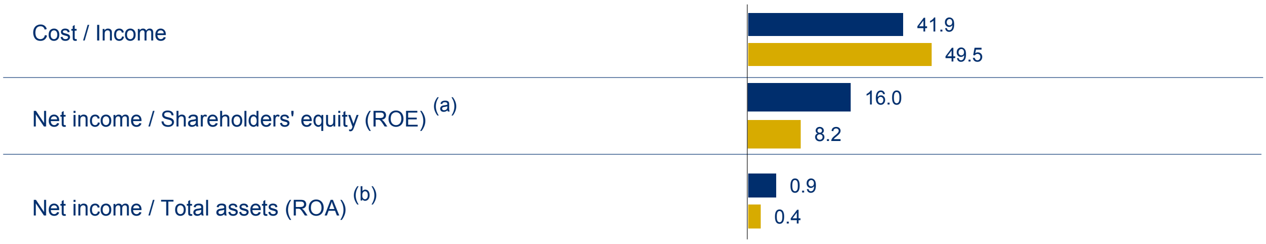
(*) Excluding Corporate Centre

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

30.09.2023
31.12.2022

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

Consolidated profitability ratios (%)



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

(a) Ratio of net income to shareholders’ equity at the end of the period. Shareholders’ equity does not include AT1 capital instruments and income for the period. The figure for the period has been annualised net of the gains recognised in 2023 on the sale of the PBZ Card acquiring business line to the Nexi Group and on the sale of Zhong Ou Asset Management. The comparative figure has not been restated.

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

Earnings per share (euro)

	30.09.2023	30.09.2022
Basic earnings per share (basic EPS) (c)	0.33	0.17
Diluted earnings per share (diluted EPS) (d)	0.33	0.17

Consolidated risk ratios (%)

	30.09.2023	31.12.2022
Net bad loans / Loans to customers	0.3	0.2
Net non-performing loans / Loans to customers	1.2	1.2
Cumulated adjustments on bad loans / Gross bad loans to customers	68.7	69.2
Cumulated adjustments on gross non-performing loans / Gross non-performing loans to customers	50.4	48.4

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

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

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

Operating structure	30.09.2023	31.12.2022	Changes amount
Number of employees (e)	**94,194**	**95,574**	**-1,380**
Italy	71,752	73,283	-1,531
Abroad	22,442	22,291	151
Number of financial advisors	**5,788**	**5,709**	**79**
Number of branches (f)	**4,293**	**4,565**	**-272**
Italy	3,349	3,611	-262
Abroad	944	954	-10

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

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

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

30.09.2023

30.09.2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

The nine months of 2023

Economic trends

In the third quarter of 2023, world trade continued to decrease and global GDP growth remained weak. The data were disappointing, especially in Europe and China. Indeed, the Chinese economy is suffering from weak global demand for manufactured goods and the crisis in the real estate market. After the end of the quarter, a new bloody conflict flared up between Israel and the Palestinians in Gaza. However, so far, the repercussions on the real economy and the markets have been minimal.

In the US, the economic data for the summer months were on average higher than expected. Although there were signs of a rebalancing of labour supply and demand, coupled with a slight rise in the unemployment rate, the GDP growth estimates indicate a clear re-acceleration in quarterly growth. Inflation continued to fall to 3.7% year-on-year in September, although more slowly in the final month. Fiscal policy has maintained an expansionary thrust not aligned to the current economic cycle: the level of the federal deficit is the highest ever recorded, except for the period of the pandemic crisis. The Federal Reserve raised the target range for the FED funds rate by 25 basis points to 5.25-5.50% last July, but then left the official rates unchanged. Despite the possibility that the FED has already reached the peak of the rate hike cycle, better-than-expected macroeconomic data and expansionary fiscal policy have generated tensions on medium- and long-term rates.

In the euro area, GDP decreased slightly in the third quarter (-0.1% compared to the second quarter), continuing the phase of substantial stagnation that began at the end of 2022. The data were weak overall and below expectations. In August, production in the manufacturing sector fell by 5.1% year-on-year, while the construction sector declined slightly (-0.1%). The economic surveys indicate that activity is also slowing down in the services sector. So far, the lack of growth has not been accompanied by a rise in unemployment.

In Italy, industrial production is expected to have risen in the summer quarter for the first time after four consecutive quarters of contraction. In the construction sector, available data and economic surveys are also consistent with a modest increase in production compared with the previous quarter. In the services sector, the economic indicators are signalling a stabilisation at normal levels after the post-pandemic rebound and, consequently, a slowdown in growth. The substantial stagnation of GDP reflects the tightening of financial conditions, further erosion of household purchasing power, the reduction of the fiscal stimulus, and the weakening of foreign demand. Nevertheless, the unemployment rate fell in August to 7.3%, the lowest since 2009. At the moment, despite low levels of unemployment, wage growth is moderate and lower than that seen in the rest of the Eurozone. Inflation is falling, albeit with a halt at the end of the summer quarter linked to the rebound in energy prices. The government announced a fiscal programme at the end of September that entails a very small reduction in the debt-to-GDP ratio over the next two years, and depends on the implementation of a divestment plan. With regard to the implementation of the NRRP, the progress of the actual expenditure is slipping back further.

The European Central Bank has continued the tightening of monetary policy. Official rates were raised by a total of 50 basis points between July and September, bringing the deposit rate to 4%. However, the ECB indicated that it may have reached the peak of its rate hike cycle. At the same time, the Central Bank started to reduce the APP portfolio by halting reinvestments. The excess reserves held by the euro area banking system were further reduced by the maturities of the long-term refinancing operations, which were only replaced to a minor extent by increased use of the ordinary refinancing facilities.
Medium- and long-term yields were affected by upward movements in the US markets. The negative slope of the IRS rate curve softened, with more pronounced rate increases on 10-30 year maturities. The ten-year spread between BTP and Bund rose sharply in September, reflecting less positive sentiment regarding Italy’s public finances. The euro/dollar exchange rate weakened over the summer months.

The countries with ISP subsidiaries experienced a slowdown in growth rates – especially in the second quarter – which was accompanied by still high levels of inflation, despite having declined in all areas during the year: in Central and Eastern Europe (CEE) from 17.3% in December 2022 to 8.5% in September 2023; in South and Eastern Europe (SEE) from 15.3% to 8.3%; and in Eastern Europe (EE) from 13.3% to 6.1%. Overall, in terms of economic growth, there was a downward revision of the forward-looking economic indicators (particularly for the manufacturing sector compared to the services sector), while on the inflationary front – in a downward trend favoured by the statistical base effect – price pressures remained above the central banks’ targets also due to the trend in commodity prices, especially those relating to the energy component. As a consequence, restrictive monetary policies were also adopted in these countries, with sharp increases in policy rates, which now appear to have peaked.

As a result of the transmission of monetary tightening, the decline in lending by Italian banks to the private sector, which started in April, continued. Rates on new loans to non-financial companies continued to rise, reaching the same levels recorded at the end of 2008. The tightening of supply conditions and the considerable fall in demand for credit, due to rising interest rates and reliance on self-financing, led to an increasingly sharp reduction in loans to non-financial companies, down to around -6.5% in September. In a scenario of a weakening residential property market, the double-digit decline in new mortgage lending for home purchases continued, although the pace of the fall did not worsen over the summer months. The adjustment of the floating rate on mortgages to rises in key interest rates, combined with the stabilisation of the fixed rate at a lower level than the floating rate, led to an upturn in renegotiations and a return of preference for fixed rates. The fall in new

lending caused a rapid slowdown in the dynamics of the stock of mortgage loans, which was still growing slightly at the end of the quarter. Despite the increase in debt costs, the credit quality indicators were still at their lowest.
As regards funding from customers, while overnight deposits were again down year-on-year, time deposits continued to increase, driven by the higher returns offered. In the two-month period August-September, the decline in overall deposits eased off from the low point reached in July. The double-digit growth in the stock of bank bonds continued. However, total funding from resident customers continued to decline. In the presence of high yields, the reallocation of savings towards government bonds and bank bonds continued. The stock of securities in custody continued to grow, reflecting, in particular, the success of Italian government bond issues aimed at retail investors. Within this context, asset management remained weak. Mutual funds recorded net outflows in the quarter. Life insurance saw a recovery in traditional policies, while unit-linked policies continued to decline at a double-digit rate.

Consolidated results of Intesa Sanpaolo

Like the Interim Statement as at 31 March 2023 and the Half-yearly Report as at 30 June 2023, the Interim Statement as at 30 September 2023 has also been prepared applying IFRS 17 Insurance Contracts. At the same time, the Insurance Companies of the Intesa Sanpaolo Group also apply IFRS 9 Financial Instruments, the application of which was deferred in the previous years by virtue of the Deferral Approach.
The commentary on the results for the first nine months of 2023 therefore refers to the reclassified consolidated income statement, which presents the comparative figures for the first nine months of 2022 adjusted in relation to the retrospective application of the two standards. For the aspects more closely related to the application of the two standards, see the section “Accounting Policies”. For the impacts on the structure and contents of the reclassified consolidated income statement and balance sheet, see the chapters “Economic results” and “Balance sheet aggregates” of the Report on operations.

The consolidated income statement for the first nine months of 2023 posted *net income* of 6,122 million euro, up significantly on 3,303 million euro for the same period of 2022 (+2,819 million euro; +85.3%). This growth continues to be driven by the positive operating performance, particularly on the revenue side, and by the lower adjustments to loans, following the significant provisions made in 2022 in relation to the exposures to Russia and Ukraine (in the first nine months of 2022, adjustments for risks towards the two countries, almost entirely on loans, were recognised totalling 1,341 million euro gross, equivalent to 1,083 million euro net of tax).

More specifically, *operating income* accelerated its growth to 18,765 million euro (+2,992 million euro; +19% compared to the first nine months of 2022).
In a scenario of repeated hikes in key interest rates decided by the ECB from July 2022 onwards[4], the aggregate was confirmed driven by net interest income, which rose by 65.5% to 10,651 million euro representing around 57% of total net income (around 41% in the 2022 comparison period). Within this caption, the net contribution from customer dealing increased by 59.2%, despite a progressive rise in the cost of funding through securities. Interest income on financial assets in the portfolio also increased significantly, by more than double, as did other net interest income. Only the negative differential on hedging derivatives, despite the reduction between the second and third quarters, and relations with banks, moved in the opposite direction. The positive contribution from relations with banks, which improved strongly on a quarterly basis, in the first nine months was at just over half that of 2022, mainly in connection with ordinary interbank business in a context of very different market interest rates in the two comparison periods.
The performance of net interest income described above more than offset the decreases in net fee and commission income and profits (losses) on financial assets and liabilities designated at fair value.
Net fee and commission income fell to 6,448 million euro (-3.7%). The decrease concerned: management, dealing and consultancy activities, which were affected by the market volatility which dampened the revenue items related to the assets under management; commercial banking activities, particularly guarantees and current accounts, although the segment showed substantial resilience overall in the third quarter; and other net fee and commission income, mainly the revenue component related to loans.
Profits (losses) on financial assets and liabilities designated at fair value fell by 71.8% to 389 million euro. This reduction should be interpreted together with the sharp increase in the net interest income, with reference to transactions in certificates, which generated positive effects on interest income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market interest rates.
The income from insurance business, amounting to 1,275 million, was down slightly (-0.4%), reflecting the substantial balance between the contribution of the technical margin and of the net investment result.
Lastly, the caption other operating income (expenses), which includes profits on investments carried at equity and other income/expenses from continuing operations, recorded a net positive balance of 2 million euro, compared to -20 million euro in the first nine months of 2022, having benefited from the increase in profits on investments carried at equity (38 million euro against 21 million euro in the comparison period) and lower net operating expenses.

Operating costs were up slightly to 7,861 million euro (+57 million euro; +0.7%) despite the inflationary environment and higher adjustments related to investments in technology and growth.
More specifically: (i) personnel expenses decreased slightly (-0.5%), thanks to the positive effects of the reduction in the average workforce (-1,912 people; -2%), which more than offset the higher operating costs, including the variable component of remuneration; (ii) administrative expenses, on the other hand, increased slightly (+1.9%), reflecting contrasting trends among the various expense captions; (iii) amortisation and depreciation also increased (+4.6%) in the intangible assets component, essentially on investments in technology, only marginally offset by the reduction in depreciation of property and equipment, essentially on rights of use acquired under leases due to the early termination of some contracts.

[4] The average of the 1-month Euribor rose from -0.33% in the first nine months of 2022 to +3.05% in the first nine months of 2023.

As a result of the revenue and cost performance described above, the *operating margin* increased to 10,904 million euro (+2,935 million euro; +36.8%) and the cost/income ratio fell by over 7 percentage points, from 49.5% to 41.9%.

Net adjustments to loans more than halved to 913 million euro, from 1,928 million euro in the first nine months of 2022 (-1,015 million euro; -52.6%), which included, inter alia, the valuation effects related to exposures to Russian and Ukrainian counterparties amounting to 1,289 million euro only partially mitigated by an initial reduction in the management overlays covering the vulnerability of the moratoria resulting from the pandemic. In contrast, in the first nine months of 2023, recoveries were recognised on exposures to Russia and Ukraine for a total of 171 million euro, essentially due to proceeds from redemptions or disposals during the period.
The lower adjustment requirements in 2023 were mainly made up of -255 million euro for Stage 3 non-performing loans, in particular unlikely-to-pay loans, -696 million euro for Stage 2 performing loans and -106 million euro for provisions for credit risk associated with commitments and financial guarantees given, offset by +45 million euro for Stage 1 performing loans.
The cost of risk, represented as the ratio of net adjustments to net loans, consequently fell, in annualised terms, to 28 basis points compared to 70 basis points for the full year 2022 (30 basis points when excluding adjustments for the Russia-Ukraine exposure and the additional adjustments for overlays and to favour de-risking, net of the partial release of generic provisions set aside in 2020 for expected COVID-19 impacts).
Other net provisions and net impairment losses on other assets rose by 52.6% to 238 million euro, made up of:
(i) 143 million euro related to net provisions (76 million euro in the first nine months of 2022), which included 32 million euro recognised in the second quarter as the estimated cost of the Reward prize contest “Intesa Sanpaolo 2024”, launched to increase customer loyalty and engagement and 71 million euro, in addition to the 80 million euro already allocated in December 2022, posted on consolidation of the investee Banca Intesa Russia in order to write off its equity contribution to the consolidated financial statements against the net income accrued during the period;
(ii) 95 million euro of net impairment losses on other assets (80 million euro in the comparison period, including 31 million euro for assessments of the Russia and Ukraine risk on securities and real estate).

Other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, made a positive contribution of 319 million euro, thanks to gains of 116 million euro from the sale of the PBZ Card acquiring business line to Nexi in the first quarter and 192 million euro from the sale of the stake held in Zhong Ou Asset Management[5], completed in the second quarter (in the first nine months of 2022, this caption totalled 147 million euro, which included the gain of 194 million euro from the sale of Intesa Sanpaolo Formazione and the one-off contribution to Intesa Sanpaolo’s people of 48 million euro to mitigate the impact of inflation, both of which relating to the second quarter).
As a result of the accounting entries described above, *gross income* showed significant improvement to 10,072 million euro (+4,040 million euro; +67%).

The change in the taxable base led to an increase in *taxes on income* for the period to 3,150 million euro (+54.8%), determining a tax rate of 31.3% (33.7% in the first nine months of 2022).
Net of tax, *charges for integration and exit incentives* were recorded of 142 million euro (2022 comparison figure of 62 million euro), around half of which attributable to depreciation and amortisation of property and equipment and intangible assets of the Parent Company, and *negative effects of purchase price allocation* of 126 million euro (96 million euro).
Charges aimed at maintaining the stability of the banking industry remained high, although decreasing: 503 million euro (737 million euro before tax) against 544 million euro (792 million euro before tax) recorded in the first nine months of 2022. These charges essentially consisted of: (i) 221 million euro net (323 million euro gross) of ordinary contributions, already recognised in the first half of the year and relating to the full year 2023, to the single resolution fund for the Group’s Italian and international banks[6], down from 249 million euro net (363 million euro gross) in the same period of 2022; and (ii) 272 million euro net (403 million euro gross) of the estimated contribution relating to the deposit guarantee funds, charged in the third quarter for the most significant portion, relating to the Group’s Italian banks (275 million euro after tax and 405 million euro before tax in 2022).
After the allocation of the net income of 29 million euro to minority interests (losses of 8 million euro in the first nine months of 2022), the consolidated income statement for the first nine months of 2023 closed, as already stated, with *net income* of 6,122 million euro, compared with 3,303 million euro for the same period of 2022 (+85.3%).

The consolidated income statement for the third quarter closed with net income of 1,900 million euro, including 264 million euro of levies paid to the banking industry, down 16.2% from 2,266 million euro recorded in the previous three months.
The positive performance of operations continued, although at a slower pace. Operating income increased overall to 6,367 million euro (+26 million euro; +0.4% compared to the second quarter). Within this caption, the growth in net interest income (+6.4%) – driven by almost all the components – offset the falls in the other revenue items: net fee and commission income (-5.5%), income from insurance business (-8.7%), profits (losses) on financial assets and liabilities designated at fair value (-30.7%) and the fall into negative territory of the balance of other operating income (expenses).
Overall, operating costs decreased to 2,650 million euro (-25 million euro; -0.9%), having benefited from a reduction in both administrative expenses (-2.9%) and personnel expenses (-0.8%), with the latter due to the decrease in the average workforce (-703 people; -0.7%), as well as the variable component. In contrast, amortisation and depreciation moved in the opposite direction (+2.8%).
The operating margin consequently improved to 3,717 million euro (+51 million euro; +1.4%), while the cost/income ratio fell to 41.6% from 42.2% in the second quarter.
Net adjustments to loans in the third quarter totalled 357 million euro, down slightly (-2.7%) from 367 million euro in the previous three months. These were mainly attributable to Stage 3 non-performing loans (363 million euro), as there were

[5] The gain shown takes into account the remaining amount received from the buyer, as consideration, following the payment of the Chinese local tax on the gain, made by Intesa Sanpaolo in September and recognised under the caption taxes. Considered net of tax, the capital gain contribution remained unchanged at 154 million euro, as already reported in the Half-yearly Report as at 30 June 2023.

[6] You are reminded that the initial period for the establishment of the Single Resolution Fund will end on 31 December 2023. However, Article 69 of Regulation 806/2014 envisages the collection of additional contributions after the end of the initial period if the amount of financial means available falls below 1% of the covered deposits.

practically no adjustments to performing loans overall, while small recoveries were recorded on the net provisions for credit risk associated with loan commitments and financial guarantees given.
Other net provisions and net impairment losses on other assets amounted to 47 million euro, a significant decrease compared to 121 million euro in the second quarter. This caption consisted almost entirely of net provisions, including 32 million euro for the write-off of the equity contribution from the Russian investee to the consolidated financial statements.
Other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, made a positive contribution of 15 million euro, after 203 million euro in the second quarter that included the already mentioned gain on the sale of Zhong Ou Asset Management.
As a result of the adjustments described, the gross income amounted to 3,328 million euro (-53 million euro; -1.6%).
After income taxes for the period of 1,066 million euro (which determined a tax rate of 32% compared to 29.6% in the second quarter), charges for integration and exit incentive costs of 56 million euro (from the previous 44 million euro) and negative effects of purchase price allocation of 36 million euro (44 million euro in the second quarter) were recognised, net of tax. As already mentioned, the charges aimed at maintaining the stability of the banking industry amounted to 264 million euro (393 million euro before tax) – essentially consisting of the estimated ordinary and extraordinary contribution to the deposit guarantee funds of the Group's Italian banks for the full year 2023 – compared with 11 million euro (14 million euro before tax) in the previous three months.
Taking into account the allocation to minority interests of net income of 6 million euro (16 million euro in the second quarter), the consolidated income statement for the third quarter closed – as already specified –with net income of 1,900 million euro, down 16.2% on 2,266 million euro for the second quarter.

With regard to the balance sheet aggregates, net loans to customers stood at 433.7 billion euro as at 30 September 2023, down 13.1 billion euro (-2.9%) from December and 3.8 billion euro (-0.9%) from June. The performance was mainly attributable to commercial banking loans, which decreased to 407.5 billion euro (-12.3 billion euro, -2.9% over the nine months; -3.4 billion euro, -0.8% over the three months). This segment continues to be affected by the progressive rise in interest rates, which is dampening demand, particularly from businesses, which are preferring to use available liquidity to limit their use of bank loans. In terms of technical forms, the decrease mainly involved medium/long-term loans, due to the predominance of repayments over new disbursements, but also the short-term segment of current accounts. Only the other short-term technical forms consisting of advances and loans showed modest growth.
The remaining components of the aggregate also declined: short-term loans of a financial nature, consisting of repurchase agreements, decreased to 15.2 billion euro (-1.2%), loans represented by securities fell to 5.8 billion euro (-6.5%), while non-performing loans, as a result of the continued de-risking actions, decreased further to 5.2 billion euro (-5.3%).
In terms of credit quality, the NPL ratio increased slightly to 2.4% in gross terms but remained stable at 1.2% in net terms (2.3% and 1.2% in both December 2022 and June 2023, respectively)[7]. Their coverage ratio rose from 48.4% at the end of 2022 to 50.4% in September 2023 (49% in June 2023).

The restrictive monetary policy stance is continuing to have an impact on the performance of funding from customers. At the end of September 2023, direct deposits from banking business totalled 557.9 billion euro, up 12.5 billion euro (+2.3%) in the first nine months and 3.5 billion euro (+0.6%) since June. The trend of the aggregate reflects the differing performance within the various technical forms. Current accounts and deposits, while remaining stable over the three months at 403.1 billion euro, continued to show a decline compared with the end of 2022 (-29.9 billion euro, -6.9%), reflecting the ongoing industry-wide trend, driven by both the use of liquidity by businesses and the diversification of savings by households. Nevertheless, their stock accounts for more than 72% of the aggregate, confirming their status as a strong point of the Group's liquidity position. The performance of current accounts and deposits was more than offset by the growth of bonds, which rose to 69.9 billion euro (+17.5 billion euro, +33.4% since December; +2.5 billion euro, +3.7% since June), and other funding, up at 59.1 billion euro (+14.9 billion euro, +33.7% over the nine months; +6.1 billion euro, +11.6% over the three months), in particular funding at fair value, almost all of which consisted of investment certificates and short-term institutional funding (commercial paper).
Subordinated liabilities, which fell to 12 billion euro following the maturity of a security in September, did not show any significant change compared to December. Certificates of deposit, amounting to 3 billion euro, recovered significantly over the nine months (+44.7%), but their level as a proportion of the total funding is still small. Lastly, with regard to the financial funding in the form of repurchase agreements, which by their nature are subject to fluctuations, this caption fell in the third quarter to 10.8 billion euro (-28.3%), compared with 1.3 billion euro outstanding at the end of 2022.

After remaining stable during the first half of the year, direct deposits from insurance business fell to around 168 billion euro as at 30 September 2023 (-5.7 billion euro, -3.3% since December; -6.1 billion euro, -3.5% since June). Following the adoption of IFRS 17 and its retrospective application to the comparison figures, the aggregate consisted of 68.8% of insurance liabilities, which decreased in the third quarter to 115.6 billion euro (-3.8 billion euro; -3.2%). The reduction of insurance liabilities is confirmed also in comparison with the end of 2022 (-2 billion euro, -1.7%), despite the strong performance in the placement of insurance policies, particularly in the life business.
Financial liabilities, affected by the market volatility, which slowed down new subscriptions, fell to 50.7 billion euro (-2.4 billion euro; -4.6% over the three months; -3.5 billion euro, -6.5% over the nine months). Entirely represented by unit-linked investment contracts included under Financial liabilities pertaining to insurance companies designated at fair value, they represent 30.2% of total direct deposits from insurance business.
Lastly, the remaining portion (1%) consists of other insurance deposits, included in the caption Financial liabilities pertaining to insurance companies measured at amortised cost, which also incorporates subordinated liabilities, amounting to 1.6 billion euro, which also decreased in the first nine months of the year (-0.2 billion euro, -12.8%).

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

At the end of the third quarter of 2023, indirect customer deposits, valued at market prices, amounted to 683.5 billion euro, showing a moderate decline compared to June (-9.7 billion euro, -1.4%), attributable to the sharper volatility of the markets during the period. In comparison with the end of 2022, however, the aggregate was up (+26.9 billion euro, +4.1%).
After the recovery seen in the first half of the year, assets under administration stabilised at 254.9 billion euro, however maintaining the significant growth from December (+28.4 billion euro, +12.5%).
Assets under management, which are more sensitive to the performance of the markets, decreased to 428.6 billion euro, cancelling out the growth in the first half of the year and returning to just below the year-end levels (-9.2 billion euro, -2.1% over the three months; -1.5 billion euro, -0.4% over the nine months). This trend involved funds in particular (-0.6% over the nine months to 148.8 billion euro), as well as insurance liabilities and insurance financial liabilities (-3.4% to 166.1 billion euro). In contrast, the other asset management captions posted increases: portfolio management schemes (+3.1% to 75.9 billion euro), relations with institutional customers (+8.1% to 24.8 billion euro), and pension funds (+9.1% to over 13 billion euro).

Highlights

The military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:
– *Joint-Stock Company Banca Intesa (Banca Intesa Russia)*, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International (Luxembourg). This is a Moscow-based corporate bank, part of the IMI Corporate & Investment Banking Division, which operates with 27 branches and 881 staff. The Group's presence in Russia dates back almost 50 years (at the time as a Representative Office)[8]. The bank has participated in the financing of large national and international Russian projects, also offering a full range of banking services for small and medium-sized enterprises, retail customers and companies. The regional branch network extends from Kaliningrad to Vladivostok;
– *Pravex Bank Joint-Stock Company*, 100%-owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 43 branches mainly in the Kyiv region and employs 713 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

The analyses made in the 2022 Annual Report concerning Intesa Sanpaolo's continued control over the two entities still apply – having been reinforced by the re-election of the outgoing Board of Directors of Banca Intesa Russia by the Shareholders' Meeting of 30 June 2023 – for all the aspects examined at that time, also in light of the absence of any changes in the Russian regulations in this regard or negative developments concerning the governance of the Russian subsidiary, which continues to operate as directed by the Parent Company.

Risk management

In light of the continuing military conflict between Russia and Ukraine, during the first nine months of 2023 the Group did not ease the internal controls that it implemented after the outbreak of hostilities in February 2022, as described in detail in the introductory chapter of the Report on operations of the 2022 Consolidated Financial Statements, which should be referred to for more details.
The two Task Forces – "Risk Management and Control" and "Operational Resilience", respectively chaired by the Chief Risk Officer and the Head of the International Subsidiary Banks Division – continued to meet with the aim, among others, of preparing relevant information for the Top Management, which was also shared with the ECB's Joint Supervisory Team (JST), as necessary.
The situation continues to be monitored both at Parent Company level and in all the Group banks directly involved in the conflict or close to it, where direct and continuous contacts are being maintained.
Appropriate information is also always prepared for the Board Committees and the Board of Directors.

The Risk Management and Control Task Force and the Crisis Unit
With regard to the third quarter of 2023, there are no significant new developments to report. In continuity with the second half of 2022, there were no specific initiatives under the Credit Action Plan dedicated to the conflict between Russia and Ukraine. However, the specific diagnostic initiatives designed to prevent flows into non-performing status for exposures showing signs of difficulty, but without being past due, are still being implemented for companies in the energy and gas sectors that are particularly sensitive to fluctuations in the cost of energy, also linked to the current geopolitical crisis.
In light of the further tightening of the already heavy sanctions imposed on Russia by Western countries, in order to ensure regulatory compliance, the monitoring, started in 2022, continued through a specific dashboard at Group level, aimed at overseeing the changes in the lists of sanctioned persons and entities at European and international level, identifying sanctioned persons and entities for the purpose of blocking positions and payments, complying with the specific ban on accepting deposits above the threshold set by the European regulations, and identifying and blocking financial instruments subject to sanctions. As at 30 September 2023, the exposure to Russian counterparties subject to sanctions included in the OFAC SDN and/or EU asset freeze lists amounted to 0.22 billion euro (0.35 billion euro as at 30 June 2023; 0.38 billion euro at the end of 2022).

[8] With effect from 1 August 2023, Intesa Sanpaolo's Moscow representative office ceased operations.

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

The Operational Resilience Task Force

With regard to the hosting of Pravex Bank employees and their families, who had expatriated to Italy and were housed in the 41 Group-owned flats and in the residential facilities made available in Bergamo, their flow back to Ukraine intensified in the third quarter. By the end of September, the number of colleagues and their families hosted in Italy had fallen to 69 from 126 at the end of the first half year. They are mainly female staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law.

With regard to business continuity in Ukraine, operations are continuing without the need to implement continuity solutions, also thanks to the actions taken in 2022.

The supply of electricity in the country returned steady again since February, partly due to the possibility of using several power plants that have been put into operation. The measures implemented at the beginning of 2023, described in the Half-yearly Report, still apply and are currently considered sufficient to deal with the situation. The number of branches opened daily since the beginning of 2023 has gradually increased to around 90% of the available branches. Of the six branches that were damaged in 2022, currently only two, the Kharkiv branch and a branch in Kherson, which suffered more extensive damage, are still closed. In addition to these, the Mariupol branch is considered to have been lost. In fact, as was the case in 2014, branches in areas occupied by Russian troops could no longer be accessed. The safety deposit boxes in the branches are all in order and controlled, except for the boxes in the Mariupol branch, which has not been accessible since the early stages of the conflict.

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

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

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

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

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

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

The main accounting issues arising from the ongoing conflict between the Russian Federation and Ukraine and the Intesa Sanpaolo Group's approach to addressing them are summarised below. The situation of the Russian/Ukrainian crisis has been the subject of close attention since the outbreak of hostilities at the end of February 2022. Indeed, in addition to cross-border exposures to counterparties resident in the Russian Federation, the Group, as already mentioned, has two direct subsidiaries in the warring countries, which are therefore particularly exposed to the consequences of the conflict: Pravex Bank Public Joint-Stock Company and Banca Intesa Russia.

At the outbreak of the conflict, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers (net of Export Credit Agency - ECA guarantees). The de-risking, which the Group has been carrying out since the second half of last year, has therefore focused primarily on reducing these exposures. By the end of 2022, the total of these exposures had already been significantly reduced, with gross on-balance sheet exposures to counterparties resident in Russia and Ukraine (customers, banks and securities) falling by 2,493 million euro (-47% compared to the end of 2021). Further de-risking operations also continued in the first nine months of 2023, with the almost complete divestment of the securities portfolio and with significant divestments/liquidations of cross-border positions, particularly with regard to certain non-performing exposures. Off-balance sheet exposures were also further reduced. These de-risking manoeuvres and the continuing significant adjustments to the residual positions led to a further decrease in the overall net exposure[9] (customers, banks and securities) as at 30 September 2023 to counterparties resident in Russia and Ukraine, which now amounts to 1,728 million euro (2,071 million euro gross), down by 430 million euro (718 million euro gross) from 31 December 2022 (-20% for the net and -26% for the gross). More specifically, as at 30 September 2023, the remaining exposures amounted, in terms of gross values, to 217 million euro (123 million euro net) for Banca Intesa Russia (figures as at 30 September 2023, as described below) and 761 million euro (608 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 745 million euro (736 million euro net) and in securities totalling 10 million euro (9 million euro net)[10]. Exposures to customers resident in Ukraine amounted to 201 million

[9] The decrease in the book value of the rouble exposures in Banca Intesa Russia's portfolio also reflects the significant decline in the Russian currency over the first nine months of the year.

[10] There were also 52 million euro (45 million euro net) in off-balance sheet exposures to customers at Banca Intesa Russia and 42 million euro cross-border (with essentially no impact in terms of net values) with customers resident in Russia (net of ECA). This latter component was substantially reduced to zero compared to 232 million euro in gross values and 186 million euro in net values as at 31 December 2022. Lastly, there were 66 million euro (gross and net values) of cross-border positions with Russian resident banks.

euro (119 million euro net)[11], of which 81 million euro (book value nil in net terms) related to the subsidiary Pravex Bank (figures as at 30 June 2023, as described below), in addition to exposures to banks and in Ukrainian short-term government bonds totalling 137 million euro (133 million euro net). That said, the situation as at 30 September 2023 is essentially the same as that described in the Annual Report as at 31 December 2022 (as well as the Half-yearly Report as at 30 June 2023), given that:

- ISP continued to exercise control over the two subsidiaries, which operated on the basis of the Parent Company's instructions in their respective environments;
- there are no new significant regulatory provisions with respect to those already considered for the 2022 Annual Report.

Consequently, the main methodological choices – both in terms of consolidation of the two investees and valuation of the credit exposures – are essentially the same as those used in the 2022 Annual Report and duly described therein. Before outlining the valuation choices regarding the two investee companies (for the valuation of the cross-border exposures, see the chapter on "Risk Management" in the Report on operations), a few preliminary observations need to be made about how Pravex Bank and Banca Intesa Russia contributed to the preparation of the consolidated financial statements as at 30 September 2023. In particular, while it was possible to consolidate an accounting situation aligned to that of the Parent Company for Banca Intesa Russia (therefore, consolidated with reference to the results as at 30 September 2023), for Pravex, the specific situation in the city of Kyiv (where the bank is based) led to the conclusion that – in order to contain the "operational" risk – it was considered more appropriate to use the accounting situation produced by Pravex as at 30 June 2023 for the consolidation. The results of Pravex are therefore incorporated by means of the line-by-line consolidation of a consolidation package prepared in accordance with the IAS/IFRS for the previous quarter, in keeping with the approach already adopted for the 2022 Annual Report and the Half-yearly Report as at 30 June 2023. However, it is worth recalling here that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group. The above method of consolidation is also supported by the fact that the balance sheet management data as at 30 September 2023 do not show any significant differences – in the total aggregates – compared to those reported as at 30 June 2023.
With regard to the valuation choices, for Pravex Bank, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of measuring the Bank's loan portfolio, of a specific approach, significantly based on prudent rationales, in light of the continuation of the conflict and the consequent repercussions on the Ukrainian economy. For the purposes of the Interim Statement as at 30 September 2023, as in the 2022 Consolidated Financial Statements and the Half-yearly Report as at 30 June 2023, it was considered appropriate to maintain the full write down of Pravex Bank's on-balance sheet loans to customers, with consequent classification to Stage 3. As a result of that choice, for the purposes of the Group's consolidated financial statements, the equity of the subsidiary has been reduced to zero. Also for Banca Intesa Russia, an approach to classifying and measuring performing loans continued to be adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, as was already the case in the 2022 Annual Report and the Half-yearly Report as at 30 June 2023, the assessments carried out as at 30 September 2023 on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 38% of their gross value, substantially in line with the coverage as at 30 June 2023. As in the past accounting closings, the provision aimed at reducing the equity of the investee to zero has also been maintained. The significant adjustments on the credit exposures of Banca Intesa Russia and Pravex Bank, made on a prudential basis, reflect the war situation that generates the need for careful consideration of the above-mentioned country risk, with appropriate measurement of the risk that the capital invested abroad is exposed to, connected to the possibility that political or economic circumstances may result in non-repayment of the loan (irrespective of the specific credit risk of the individual counterparty).
Given the substantially unchanged valuation with respect to the 2022 Annual Report, the Group did not recognise any significant income statement impacts in the first nine months of 2023 arising from valuation effects on credit exposures to Russian or Ukrainian counterparties. The overall positive impact of 171 million euro recorded in the first nine months of the year on loans and securities, before tax, was essentially due to proceeds from redemptions or disposals of exposures that took place in the period, net of the charge for the adjustment of 71 million euro made to the allowance for risks made upon consolidation of the investee Banca Intesa Russia, mainly aimed at writing off its equity contribution to the Group's consolidated financial statements. With regard to the first nine months of 2022, it should be noted that the valuation processes established at the time led to the recognition of adjustments, before tax, of 1,289 million euro to loans, 30 million euro to securities, and 22 million euro to other accounting items (for a total of 1,341 million euro), whereas in the full year 2022, again before tax, net charges were recognised totalling 1,415 million euro, of which 1,298 million euro in adjustments to loans, 36 million euro in adjustments to securities and 81 million euro in adjustments to other accounting items, including the above-mentioned provision made upon consolidation of the investee Banca Intesa Russia, to write off its equity contribution to the Group's consolidated financial statements.

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

Other highlights

A description is provided below of the other significant events that occurred during the third quarter of 2023, together with several developments after the end of the period, while details regarding the events in the first half of the year are provided in the Half-yearly Report.

On 19 July 2023, the agreement was signed with the Trade Unions concerning the transfer of two business lines by the 100% controlling company Intesa Sanpaolo to Isybank, the Group's new digital bank officially presented on 15 June, which represents a key project of the 2022-2025 Business Plan aimed at combining the solidity and commercial offering of a bank with simple, fast services typical of a fintech company. The new company is aimed at the Group's customers who are mainly digital users of banking services and mobile banking-oriented, while maintaining the possibility of a direct relationship with the staff of the digital branch.
The transfer, approved by the Parent Company on 30 March 2023, involves two separate business lines, each consisting of a set of assets and legal relations operationally organised for the management of private individual customers who primarily use digital channels.
On 11 October 2023, Isybank approved a share capital increase from 30 million to 31 million, to be carried out in two tranches and settled through the contributions in kind of the above-mentioned business lines, which were valued by Intesa Sanpaolo with the support of an independent third-party expert.
On the weekend of 14-15 October 2023, the transfer was completed of the first business line consisting of around 300,000 Intesa Sanpaolo customers with simpler operational characteristics, identified based on specific criteria. The transfer took legal effect on 16 October 2023. The second transfer, which will involve customers with more complex characteristics than the previous transfer, is scheduled for March 2024, alongside the enhancement of the product catalogue, services and features, as well as new marketing and communication initiatives.

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

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

In line with the proactive management of its the capital base, on 31 August 2023 Intesa Sanpaolo announced a cash tender offer for any and all of its perpetual "€750,000,000 6.25% Additional Tier 1 Notes" outstanding for the full nominal amount (ISIN XS1614415542, first call on 16 May 2024), at a price of 100.25% – an offer subject to the terms and conditions, as well as the offer and distribution restrictions, set out in the tender offer memorandum dated 31 August 2023 – and the accompanying launch of a new issue of fixed-rate reset perpetual Additional Tier 1 notes in a nominal amount of no less than 750,000,000 euro to be offered, subject to market conditions, to qualified investors, including holders of the notes subject of the offer.
At the Offer Expiration, on 7 September 2023, the amount of the notes validly tendered amounted to 503,077,000 euro, equivalent to 67.08% of the nominal amount outstanding, which Intesa Sanpaolo agreed to repurchase. Accordingly, on the settlement date of 11 September 2023, it paid the purchase price consideration and the accrued interest amount to the holders that tendered the notes. The notes are now outstanding for the remaining amount of 246,923,000 euro and will be redeemed in full on the first call date (16 May 2024) as Intesa Sanpaolo has already received the necessary authorisation from the ECB.
On 7 September, the settlement took place of the new perpetual "€1,250,000,000 9.125% Additional Tier 1 Notes" (ISIN XS2678939427), listed on the Luxembourg Stock Exchange, with first interest rate reset date on 7 March 2030 and every five years thereafter.

During the period from 11 September to 13 September 2023 an ordinary share buyback programme was implemented to service plans for the assignment, free of charge, of Intesa Sanpaolo ordinary shares to the employees and the Financial Advisors of the Group, in relation to (i) mainly, the Intesa Sanpaolo Group share-based incentive plan for 2022; and (ii) to a lesser extent, the incentive plans of certain subsidiaries, also relating to 2022. These incentive plans are reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold"[12], for those who are paid a "particularly high" amount[13] and for those who, among Middle Management or Professionals that are not Risk Takers, accrue "relevant

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

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

bonuses"[14]. In addition, the programme was implemented in order to grant, when certain conditions occur, severance payments upon early termination of employment.
In the three days during which the programme was executed, a total of 32,000,000 Intesa Sanpaolo ordinary shares were purchased, through the IMI Corporate & Investment Banking Division, tasked with the programme execution. These represent around 0.18% of the share capital of the Parent Company. The average price was 2.4697 euro per share, for a total countervalue of 79,031,462.67 euro. The Parent Company purchased 20,200,547 shares at an average price of 2.4683 euro per share, for a countervalue of 49,861,766.11 euro.
The transactions were executed in compliance with provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits determined in the resolutions passed by the competent corporate bodies. Specifically, in the case of the Parent Company Intesa Sanpaolo, the transactions were executed in accordance with the terms approved by the Shareholders' Meeting of 28 April 2023.
Pursuant to Article 132 of the Consolidated Law on Finance and Article 144-bis of the Issuers' Regulation and subsequent amendments, purchases were executed on the regulated market Euronext Milan managed by Borsa Italiana in accordance with trading methods laid down in the market rules for these transactions.
Moreover, purchases were arranged in compliance with the conditions and the restrictions under Article 5 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014, and Articles 2, 3, and 4 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.
The number of shares purchased daily did not exceed 25% of the daily average volume of the Intesa Sanpaolo ordinary shares traded in August 2023, which was equal to 89.9 million shares, and 15% of the volume traded on the Euronext Milan market on each of the days when purchases were executed – in accordance with the constraint added in the programme to the above-mentioned regulatory conditions and restrictions.

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

As is known, on 30 June 2023, an agreement was reached – through the signing of a number of non-binding termsheets – between parties comprising five leading Italian insurance companies (including Intesa Sanpaolo Vita), twenty-five distributor banks of Eurovita's policies (including Fideuram – Intesa Sanpaolo Private Banking) and some of Italy's leading banks (including Intesa Sanpaolo). The agreement involves a system-wide transaction aimed at protecting the policyholders of Eurovita, an insurance company that – particularly due to the recent and sudden increase in interest rates and the "structure" of its commitments to policyholders – has experienced a progressive deterioration of its solvency indicators and has subsequently been subject to an order establishing its extraordinary administration and the dissolution of the company's management and control bodies. In this context, all surrender requests submitted during the period by the company's customers were suspended until 30 June 2023 – a term that was then extended until the end of October 2023 – with the aim of avoiding further exacerbation of the company's financial and economic distress. In this connection, a comprehensive system-wide discussion was conducted to identify a rescue scheme with the primary objective of ensuring the full protection of policyholders' rights and restoring the ordinary course of insurance relations as soon as possible.
In short, the agreements provide – on the one hand – for the sale, at a symbolic price, of the business line comprising almost all of Eurovita's assets to a newco called Cronos Vita, whose capital is held by Intesa Sanpaolo Vita, Generali Italia, Poste Vita and UnipolSai, each for 22.5% and Allianz for the remaining 10%, through a dedicated capital increase, and – on the other hand – for the granting of lines of credit to Cronos Vita by the financial institutions that are currently distributors of Eurovita's policies (assisted, moreover, by a pool of Banks for any further support required) to meet the potential surrenders of the Class I and V policies placed by each institution. Cronos Vita will act as a bridge-vehicle, and on completion of the transaction, which should take around 18 to 24 months, Eurovita's insurance portfolio will be taken over by the five insurance groups mentioned above. Finally, the agreements signed envisage a specific fee framework, in addition to the existing distribution agreements, that the distributor banks will pay to Cronos Vita in exchange for performing servicing activities, aimed at preserving and reactivating the business relationships with the customers who have subscribed to the policies.
Following the agreements at the end of June, Cronos Vita applied to IVASS on 28 September for authorisation to carry on insurance business, which after due examination was granted on 17 October 2023.
Lastly, on 31 October 2023, following the issue of the authorisation by IVASS for the sale of the business line by Eurovita to Cronos Vita and the signing of the final binding agreements, the transfer of the business line was completed together with the

[14] Namely, an amount exceeding the "materiality threshold" (for Middle Management and Professionals generally equal to 80 thousand euro, unless otherwise provided for by specific local regulations, it being understood that, for those working in the business functions of Intesa Sanpaolo Wealth Management and those belonging to the Reyl Group, the threshold is equal to 150 thousand euro) and 100% of fixed remuneration.

accompanying capital increase subscribed by the companies for 213 million euro, which represents the second and last tranche of a total capital increase of 220 million euro, whose fairness from an economic and financial standpoint was supported by a specific opinion issued by an independent expert.
Within the framework described, the Intesa Sanpaolo Group's overall involvement is therefore structured as follows:

a) Intesa Sanpaolo Vita, through the acquisition of a non-controlling interest in Cronos Vita for an amount of around 50 million euro;
b) Fideuram – Intesa Sanpaolo Private Banking, as "distributor", through the granting of a loan at market conditions to Cronos Vita for an amount of around 205 million euro. Fideuram – Intesa Sanpaolo Private Banking, together with its subsidiary Intesa Sanpaolo Private Banking, will also be required to pay the above-mentioned fees;
c) Intesa Sanpaolo (Parent Company), through the granting of a loan at market conditions to Cronos Vita for a maximum amount of around 300 million euro.

It is recalled that under the 2022-2025 Business Plan, the Group intends to pursue a modular de-risking strategy which was mostly launched during the previous Business Plan , and which has placed it among the best in Europe in terms of non-performing loan ratio and stock, generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level, due to the extensive reserves of provisions on loans and ongoing prudent credit management.
Following the completion in March 2023 of the project activities concerning the non-performing loans classified as assets held for sale in the 2022 Annual Report, new de-risking initiatives were launched during the second quarter involving:

– a portfolio of non-performing loans of the Parent Company consisting of bad loans in the amount of around 0.3 billion euro in terms of GBV, which was sold in October;
– Stage 2 performing exposures of Intesa Sanpaolo for a value of around 0.8 billion euro in terms of GBV, partly measured at amortised cost and partly at fair value through profit or loss.

On the basis of the above, as at 30 September 2023, loans with a gross value of 0.7 billion euro (of which 0.3 billion euro related to non-performing exposures) and a net value of 0.2 billion euro, in line with the expected proceeds from the sales, were classified as assets held for sale.

Lastly, to complete the disclosure for the third quarter of 2023, the voluntary exits plan, in accordance with the trade union agreements of 29 September 2020 and 16 November 2021, is confirmed and still ongoing.
In the three months under review, there were 888 voluntary exits, of which 855 effective from 1 July. There were a total of 2,190 voluntary exits in the first nine months of 2023 for a total of 7,049 exits from the beginning of 2021, against the 9,200 exits expected to take place by the first quarter of 2025 under the terms of the two above-mentioned trade union agreements.
Since January 2023, there have been around 1,250 hires (of which around 350 in the third quarter) as part of those agreements, for a total of around 2,600 from the beginning of 2021 compared with the 4,600 planned by the end of 2025.

Within the Next Way of Working project, the real estate and technological interventions aimed at constructing new workspaces designed to enhance the moments of presence in the office are continuing as planned for 2023. The work is currently being completed on fitting out the interior spaces of the new complex in Via Melchiorre Gioia 22 in Milan (the entry of the Private Banking Division, the Insurance Division and Isybank has already been completed, while the transfer of the Asset Management Division has been underway since the second half of October). In Naples, Turin, Bergamo, Jesi, Bologna and Rome, the work is being carried out on the implementation of the new model, while the planning for Cuneo is still being finalised. The work in Como has been completed.
The renovation of the spaces is continuing alongside the implementation of technological tools (release of the space booking function in the planning and reservation tool), together with specific targeted communication campaigns.

With reference to the one-off tax calculated on the increase in banks' net interest income, pursuant to Article 26 of Decree Law no. 104 of 10 August 2023 converted with amendments by Law no. 136 of 9 October 2023, and considering in particular the provision in paragraph 5-bis of that article allowing for the allocation of an amount to a non-distributable reserve, in lieu of payment of the tax envisaged, of no less than two and a half times the amount of the tax, the Board of Directors, in its meeting held on 25 October 2023, decided to propose to the Shareholders' Meeting, when approving the 2023 financial statements, net income allocation and dividend distribution to shareholders, the allocation of 1,991,446,276.10 euro from the net income for the full year 2023 to a specific reserve, thus taking up the option provided by the above-mentioned measure.
Should this reserve be distributed in the future, it shall be subject to payment of the tax calculated pursuant to paragraph 3 of Article 26, amounting to 796,578,510.44 euro, plus interest calculated based on the interest rate on deposits with the European Central Bank. Due to the amount of the freely distributable reserves not classed as suspended tax available to Intesa Sanpaolo as at 30 September 2023 (22,713 million euro) and the presence of additional freely distributable reserves classed as suspended tax (4,750 million euro), it is deemed highly unlikely that the above-mentioned tax shall be paid in the future.
In accordance with the instruction of the Parent Company, similar commitments were also made by the Boards of Directors of the subsidiary banks impacted by the measure: Fideuram - Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking and Isybank. In lieu of the one-off tax, a proposal will therefore be made to the Shareholders' Meetings, called to approve the 2023 Financial Statements, for the allocation to a specific reserve, pursuant to Article 26 of Decree Law no. 104/2023 converted with amendments by Law no. 136/2023, of a total amount at Group level of 2,068.8 million euro, corresponding to 2.5 times the total tax amount of 827.5 million euro.

In line with its strategy focused on significant value creation for all stakeholders, Intesa Sanpaolo reaffirmed its commitment to continue supporting initiatives addressing social needs, fighting inequalities, and fostering financial, social, educational and cultural inclusion. Specifically, on 25 October 2023 the Bank announced its intention to contribute with a total amount expected to be equal to around 1.5 billion euro costs in the five-year period 2023-2027. This amount comprises around 1 billion euro from sums allocated to the above-mentioned initiatives, when identified, and around 500 million euro from structure costs for around 1,000 people devoted to supporting the initiatives and a new dedicated organisational unit called

"ISP for Social" based in Brescia. These costs have already been taken into account, on a pro-rata basis, in the guidance on the outlook for the 2023-2025 net income.

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

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As already mentioned in the Half-yearly Report, it is envisaged that, at the time of the approval of this Interim Statement, the Board of Directors, exercising the power granted by Article 29.5 of the Articles of Association, will approve an interim dividend on the basis of the results for the third quarter of 2023 and those foreseeable for the fourth quarter of 2023, both at consolidated and individual level. Following the approval, the interim dividend will be payable as of 22 November 2023 (with coupon presentation on 20 November and record date on 21 November).

Outlook

World GDP growth will continue to be modest. In Europe, inflation is expected to fall rapidly in the fourth quarter of 2023. The phase of hikes in official interest rates should be completed, both in the United States and in the Eurozone. In Italy, GDP growth is expected to be marginal, with the effect of monetary tightening being offset by the increase in spending linked to the National Recovery and Resilience Plan. The scenario is marked by considerable uncertainties related to the transmission of monetary policy decisions and the difficult international situation.

With regard to the Intesa Sanpaolo Group, for 2023, the operating margin is expected to significantly increase – as a result of solid revenue growth driven by net interest income (net interest income expected to be well above 14 billion euro in 2023 and grow further in 2024 and 2025) coupled with a continuous focus on cost management – and net adjustments to loans are expected to strongly decrease, triggering net income growth to above 7.5 billion euro.

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

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

A solid capital position is envisaged, with the 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.

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.09.2023	31.12.2022	Changes amount	%
10.	Cash and cash equivalents	85,585	112,924	-27,339	-24.2
20.	Financial assets measured at fair value through profit or loss	145,746	150,616	-4,870	-3.2
	a) financial assets held for trading	*41,855*	*42,607*	*-752*	*-1.8*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*103,890*	*108,008*	*-4,118*	*-3.8*
30.	Financial assets measured at fair value through other comprehensive income	130,493	119,508	10,985	9.2
40.	Financial assets measured at amortised cost	519,533	528,081	-8,548	-1.6
	a) due from banks	*31,778*	*32,884*	*-1,106*	*-3.4*
	b) loans to customers	*487,755*	*495,197*	*-7,442*	*-1.5*
50.	Hedging derivatives	9,607	10,075	-468	-4.6
60.	Fair value change of financial assets in hedged portfolios (+/-)	-10,152	-9,752	400	4.1
70.	Investments in associates and companies subject to joint control	2,558	2,013	545	27.1
80.	Insurance assets	747	151	596	
	a) insurance contracts issued that are assets	*451*	*18*	*433*	
	b) reinsurance contracts held that are assets	*296*	*133*	*163*	
90.	Property and equipment	9,643	10,505	-862	-8.2
100.	Intangible assets	9,245	9,237	8	0.1
	of which:				
	- goodwill	*3,671*	*3,626*	*45*	*1.2*
110.	Tax assets	15,871	18,130	-2,259	-12.5
	a) current	*2,779*	*3,520*	*-741*	*-21.1*
	b) deferred	*13,092*	*14,610*	*-1,518*	*-10.4*
120.	Non-current assets held for sale and discontinued operations	256	638	-382	-59.9
130.	Other assets	28,002	22,461	5,541	24.7
Total assets		**947,134**	**974,587**	**-27,453**	**-2.8**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.09.2023	31.12.2022	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	634,186	670,127	-35,941	-5.4
	a) due to banks	*98,172*	*138,132*	*-39,960*	*-28.9*
	b) due to customers	*437,046*	*454,595*	*-17,549*	*-3.9*
	c) securities issued	*98,968*	*77,400*	*21,568*	*27.9*
20.	Financial liabilities held for trading	47,439	46,512	927	2.0
30.	Financial liabilities designated at fair value	67,103	63,007	4,096	6.5
40.	Hedging derivatives	4,845	5,517	-672	-12.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,702	-8,031	-329	-4.1
60.	Tax liabilities	3,116	2,021	1,095	54.2
	a) current	*474*	*303*	*171*	*56.4*
	b) deferred	*2,642*	*1,718*	*924*	*53.8*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	13	15	-2	-13.3
80.	Other liabilities	12,946	10,763	2,183	20.3
90.	Employee termination indemnities	763	852	-89	-10.4
100.	Allowances for risks and charges	4,134	4,960	-826	-16.7
	a) commitments and guarantees given	*538*	*711*	*-173*	*-24.3*
	b) post-employment benefits	*81*	*139*	*-58*	*-41.7*
	c) other allowances for risks and charges	*3,515*	*4,110*	*-595*	*-14.5*
110.	Insurance liabilities	115,616	117,575	-1,959	-1.7
	a) insurance contracts issued that are liabilities	*115,539*	*117,561*	*-2,022*	*-1.7*
	b) reinsurance contracts held that are liabilities	*77*	*14*	*63*	
120.	Valuation reserves	-2,383	-2,458	-75	-3.1
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,939	7,211	728	10.1
150.	Reserves	14,607	15,073	-466	-3.1
155.	Interim dividend (-)	-	-1,400	-1,400	
160.	Share premium reserve	28,003	28,053	-50	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Treasury shares (-)	-146	-124	22	17.7
190.	Minority interests (+/-)	164	166	-2	-1.2
200.	Net income (loss) (+/-)	6,122	4,379	1,743	39.8
Total liabilities and shareholders' equity		**947,134**	**974,587**	**-27,453**	**-2.8**

Consolidated income statement

(millions of euro)

		30.09.2023	30.09.2022	Changes	
				amount	%
10.	Interest and similar income	23,324	10,392	12,932	
	of which: interest income calculated using the effective interest rate method	*20,552*	*10,042*	*10,510*	
20.	Interest and similar expense	-10,994	-2,224	8,770	
30.	**Interest margin**	**12,330**	**8,168**	**4,162**	**51.0**
40.	Fee and commission income	7,963	8,517	-554	-6.5
50.	Fee and commission expense	-2,046	-2,041	5	0.2
60.	**Net fee and commission income**	**5,917**	**6,476**	**-559**	**-8.6**
70.	Dividend and similar income	486	480	6	1.3
80.	Profits (Losses) on trading	-133	-250	-117	-46.8
90.	Fair value adjustments in hedge accounting	-28	45	-73	
100.	Profits (Losses) on disposal or repurchase of:	-188	-234	-46	-19.7
	a) financial assets measured at amortised cost	*100*	*204*	*-104*	*-51.0*
	b) financial assets measured at fair value through other comprehensive income	*-309*	*-455*	*-146*	*-32.1*
	c) financial liabilities	*21*	*17*	*4*	*23.5*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	1,028	-4,617	5,645	
	a) financial assets and liabilities designated at fair value	*-1,307*	*5,856*	*-7,163*	
	b) other financial assets mandatorily measured at fair value	*2,335*	*-10,473*	*12,808*	
120.	**Net interest and other banking income**	**19,412**	**10,068**	**9,344**	**92.8**
130.	Net losses/recoveries for credit risks associated with:	-963	-1,828	-865	-47.3
	a) financial assets measured at amortised cost	*-931*	*-1,729*	*-798*	*-46.2*
	b) financial assets measured at fair value through other comprehensive income	*-32*	*-99*	*-67*	*-67.7*
140.	Profits (Losses) on changes in contracts without derecognition	11	8	3	37.5
150.	**Net income from banking activities**	**18,460**	**8,248**	**10,212**	
160.	Insurance service result	1,543	1,377	166	12.1
	a) insurance revenue arising from insurance contracts issued	*2,405*	*2,505*	*-100*	*-4.0*
	b) insurance service expenses arising from insurance contracts issued	*-870*	*-1,097*	*-227*	*-20.7*
	c) insurance revenue arising from reinsurance contracts held	*148*	*101*	*47*	*46.5*
	d) insurance service expenses arising from reinsurance contracts held	*-140*	*-132*	*8*	*6.1*
170.	Balance of financial income and expenses related to insurance operations	-2,604	3,797	-6,401	
	a) net financial expenses/revenue related to insurance contracts issued	*-2,604*	*3,797*	*-6,401*	
	b) net financial expenses/revenue related to reinsurance contracts held	*-*	*-*	*-*	
180.	**Net income from banking and insurance activities**	**17,399**	**13,422**	**3,977**	**29.6**
190.	Administrative expenses:	-8,190	-8,092	98	1.2
	a) personnel expenses	*-4,655*	*-4,613*	*42*	*0.9*
	b) other administrative expenses	*-3,535*	*-3,479*	*56*	*1.6*
200.	Net provisions for risks and charges	-186	-160	26	16.3
	a) commitments and guarantees given	*34*	*-72*	*106*	
	b) other net provisions	*-220*	*-88*	*132*	
210.	Net adjustments to / recoveries on property and equipment	-502	-491	11	2.2
220.	Net adjustments to / recoveries on intangible assets	-687	-599	88	14.7
230.	Other operating expenses (income)	705	702	3	0.4
240.	**Operating expenses**	**-8,860**	**-8,640**	**220**	**2.5**
250.	Profits (Losses) on investments in associates and companies subject to joint control	216	209	7	3.3
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-22	-2	20	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	161	17	144	
290.	**Income (Loss) before tax from continuing operations**	**8,894**	**5,006**	**3,888**	**77.7**
300.	Taxes on income from continuing operations	-2,743	-1,692	1,051	62.1
310.	**Income (Loss) after tax from continuing operations**	**6,151**	**3,314**	**2,837**	**85.6**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**6,151**	**3,314**	**2,837**	**85.6**
340.	Minority interests	-29	-11	18	
350.	**Parent Company's net income (loss)**	**6,122**	**3,303**	**2,819**	**85.3**
	Basic EPS - Euro	**0.33**	**0.17**		
	Diluted EPS - Euro	**0.33**	**0.17**		

Statement of consolidated comprehensive income

(millions of euro)

		30.09.2023	30.09.2022	Changes	
				amount	%
10.	**Net income (Loss)**	**6,151**	**3,314**	**2,837**	**85.6**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-77**	**3**	**-80**	
20.	Equity instruments designated at fair value through other comprehensive income	-162	-554	-392	-70.8
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	6	199	-193	-97.0
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-5	167	-172	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	84	191	-107	-56.0
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
100.	Financial revenue and expenses related to insurance contracts issued	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**69**	**-2,194**	**2,263**	
110.	Hedges of foreign investments	-2	-17	-15	-88.2
120.	Foreign exchange differences	-45	70	-115	
130.	Cash flow hedges	109	-43	152	
140.	Hedging instruments (not designated elements)	-	-	-	
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	61	-12,170	12,231	
160.	Non-current assets held for sale and discontinued operations	-	-	-	
170.	Share of valuation reserves connected with investments carried at equity	-19	18	-37	
180.	Financial revenue and expenses related to insurance contracts issued	-59	9,944	-10,003	
190.	Financial revenue and expenses related to reinsurance contracts held	24	4	20	
200.	**Total other comprehensive income (net of tax)**	**-8**	**-2,191**	**-2,183**	**-99.6**
210.	**Total comprehensive income (captions 10 + 200)**	**6,143**	**1,123**	**5,020**	
220.	**Total consolidated comprehensive income pertaining to minority interests**	**4**	**-7**	**11**	
230.	**Total consolidated comprehensive income pertaining to the Parent Company**	**6,139**	**1,130**	**5,009**	

Changes in consolidated shareholders' equity as at 30 September 2023

(millions of euro)

	30.09.2023												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2022	**10,537**	**-**	**28,068**	**14,254**	**904**	**-2,583**	**7,211**	**-1,400**	**-124**	**4,402**	**61,269**	**61,103**	**166**
Changes in opening balances	**-**	**-**	**-**	**-59**	**-**	**59**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2023	**10,537**	**-**	**28,068**	**14,195**	**904**	**-2,524**	**7,211**	**-1,400**	**-124**	**4,402**	**61,269**	**61,103**	**166**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	**-**	**-**	**-**	**1,338**	**-**	**-**	**-**	**-**	**-**	**-1,338**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,400**	**-**	**-3,064**	**-1,664**	**-1,664**	**-**
CHANGES IN THE PERIOD													
Changes in reserves	**-**	**-**	**-57**	**-**	**187**	**-**	**-**	**-**	**-**	**-**	**130**	**130**	-
Operations on shareholders' equity													
Issue of new shares	-	-	7	-	-	-	-	-	1,758	-	1,765	1,765	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,780	-	-1,780	-1,780	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	728	-	-	-	728	728	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-46	-	1	-1,871	-	-	-	-	-	-	-1,916	-1,910	-6
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-8**	**-**	**-**	**-**	**6,151**	**6,143**	**6,139**	**4**
SHAREHOLDERS' EQUITY AS AT 30.09.2023	**10,491**	**-**	**28,019**	**13,662**	**1,091**	**-2,532**	**7,939**	**-**	**-146**	**6,151**	**64,675**	**64,511**	**164**
- Group	**10,369**	**-**	**28,003**	**13,516**	**1,091**	**-2,383**	**7,939**	**-**	**-146**	**6,122**	**64,511**		
- minority interests	**122**	**-**	**16**	**146**	**-**	**-149**	**-**	**-**	**-**	**29**	**164**		

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

Changes in consolidated shareholders’ equity as at 30 September 2022

(millions of euro)

	30.09.2022													
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other									
AMOUNTS AS AT 31.12.2021	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
Reclassify	**-**	**-**	**-**	**-**	**-**	**476**	**-476**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in opening balances	**-**	**-**	**-**	**-847**	**-**	**-138**	**-**	**-**	**-**	**-**	**-**	**-985**	**-985**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,089**	**1,089**	**-419**	**-**	**6,282**	**-1,399**	**-136**	**4,043**	**63,081**	**62,790**	**291**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)														
Reserves	**-**	**-**	**-**	**1,311**	**-**	**-**	**-**	**-**	**-**	**-**	**-1,311**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,399**	**-**	**-2,732**	**-1,333**	**-1,316**	**-17**
CHANGES IN THE PERIOD														
Changes in reserves	**-**	**-**	**598**	**-**	**-227**	**3**	**-**	**-**	**-**	**-**	**-**	**374**	**374**	**-**
Operations on shareholders' equity														
Issue of new shares	285	-	405	-	-	-	-	-	-	1,313	-	2,003	2,003	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-1,527	-	-1,527	-1,527	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-233	-	-	-	-	-	-	-	-	-233	-233	-
Changes in equity instruments	-	-	-	-	-	-	-	921	-	-	-	921	921	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	34	-	-3	-2,175	-	-	-	-	-	-	-	-2,144	-2,101	-43
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-2,191**	**-**	**-**	**-**	**-**	**3,314**	**1,123**	**1,130**	**-7**
SHAREHOLDERS' EQUITY AS AT 30.09.2022	**10,542**	**-**	**28,076**	**15,225**	**862**	**-2,607**	**-**	**7,203**	**-**	**-350**	**3,314**	**62,265**	**62,041**	**224**
Group	**10,369**	**-**	**28,056**	**15,139**	**862**	**-2,541**	**-**	**7,203**	**-**	**-350**	**3,303**	**62,041**		
minority interests	**173**	**-**	**20**	**86**	**-**	**-66**	**-**	**-**	**-**	**-**	**11**	**224**		

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

Report on operations

Economic results

General aspects

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

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

In line with the adjustment of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the comparison data presented in the reclassified schedules have also been adjusted on a like-for-like basis.
Moreover, the first two quarters of 2022 have been restated to take account of the changes in the scope of consolidation, and specifically:
- the entry of Compagnie de Banque Privée Quilvest (Fideuram Group)[15] at the end of June 2022, resulting in the start of the consolidation of the income statement figures from July 2022, and
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022,

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

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

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

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

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

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

Reclassified income statement

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Net interest income	10,651	6,436	4,215	65.5
Net fee and commission income	6,448	6,697	-249	-3.7
Income from insurance business	1,275	1,280	-5	-0.4
Profits (Losses) on financial assets and liabilities designated at fair value	389	1,380	-991	-71.8
Other operating income (expenses)	2	-20	22	
Operating income	**18,765**	**15,773**	**2,992**	**19.0**
Personnel expenses	-4,797	-4,821	-24	-0.5
Administrative expenses	-2,085	-2,047	38	1.9
Adjustments to property, equipment and intangible assets	-979	-936	43	4.6
Operating costs	**-7,861**	**-7,804**	**57**	**0.7**
Operating margin	**10,904**	**7,969**	**2,935**	**36.8**
Net adjustments to loans	-913	-1,928	-1,015	-52.6
Other net provisions and net impairment losses on other assets	-238	-156	82	52.6
Other income (expenses)	319	147	172	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**10,072**	**6,032**	**4,040**	**67.0**
Taxes on income	-3,150	-2,035	1,115	54.8
Charges (net of tax) for integration and exit incentives	-142	-62	80	
Effect of purchase price allocation (net of tax)	-126	-96	30	31.3
Levies and other charges concerning the banking industry (net of tax)	-503	-544	-41	-7.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-29	8	-37	
Net income (loss)	**6,122**	**3,303**	**2,819**	**85.3**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2023			2022			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	3,813	3,584	3,254	3,064	2,387	2,092	1,957
Net fee and commission income	2,095	2,216	2,137	2,222	2,153	2,255	2,289
Income from insurance business	419	459	397	395	439	449	392
Profits (Losses) on financial assets and liabilities designated at fair value	52	75	262	-2	51	560	769
Other operating income (expenses)	-12	7	7	-12	-12	-12	4
Operating income	**6,367**	**6,341**	**6,057**	**5,667**	**5,018**	**5,344**	**5,411**
Personnel expenses	-1,612	-1,625	-1,560	-1,921	-1,632	-1,613	-1,576
Administrative expenses	-710	-731	-644	-865	-695	-718	-634
Adjustments to property, equipment and intangible assets	-328	-319	-332	-344	-313	-309	-314
Operating costs	**-2,650**	**-2,675**	**-2,536**	**-3,130**	**-2,640**	**-2,640**	**-2,524**
Operating margin	**3,717**	**3,666**	**3,521**	**2,537**	**2,378**	**2,704**	**2,887**
Net adjustments to loans	-357	-367	-189	-1,185	-496	-730	-702
Other net provisions and net impairment losses on other assets	-47	-121	-70	-114	-42	-62	-52
Other income (expenses)	15	203	101	55	4	147	-4
Income (Loss) from discontinued operations	-	-	-	-	-	-	-
Gross income (loss)	**3,328**	**3,381**	**3,363**	**1,293**	**1,844**	**2,059**	**2,129**
Taxes on income	-1,066	-1,000	-1,084	-45	-560	-699	-776
Charges (net of tax) for integration and exit incentives	-56	-44	-42	-78	-23	-23	-16
Effect of purchase price allocation (net of tax)	-36	-44	-46	-50	-32	-30	-34
Levies and other charges concerning the banking industry (net of tax)	-264	-11	-228	-32	-266	-12	-266
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	-6	-16	-7	-12	-6	8	6
Net income (loss)	**1,900**	**2,266**	**1,956**	**1,076**	**957**	**1,303**	**1,043**

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

Operating income

The Intesa Sanpaolo Group achieved an excellent performance in the first nine months of 2023 in terms of profitability, liquidity and capital position. Operating income amounted to 18,765 million euro, up by 19% from 15,773 million euro in the same period of 2022. That trend was caused by the sharp increase in net interest income, which benefited from the interest rate hikes by the ECB, which was only partially offset by the decrease in profits (losses) on financial assets and liabilities designated at fair value and net fee and commission income. Other net operating income also made a positive contribution, while income deriving from insurance business remained largely stable.

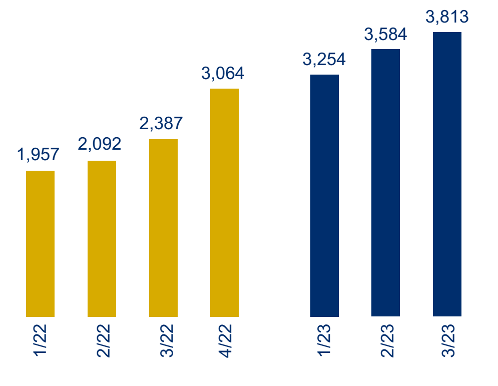
Net interest income

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Relations with customers	10,122	6,229	3,893	62.5
Securities issued	-2,311	-1,323	988	74.7
Customer dealing	**7,811**	**4,906**	**2,905**	**59.2**
Instruments measured at amortised cost which do not constitute loans	1,174	471	703	
Other financial assets and liabilities designated at fair value through profit or loss	137	-80	217	
Other financial assets designated at fair value through other comprehensive income	1,077	623	454	72.9
Financial assets	**2,388**	**1,014**	**1,374**	
Relations with banks	**218**	**415**	**-197**	**-47.5**
Differentials on hedging derivatives	**-480**	**-321**	**159**	**49.5**
Other net interest income	**714**	**422**	**292**	**69.2**
Net interest income	**10,651**	**6,436**	**4,215**	**65.5**

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

Quarterly development
Net interest income
(millions of euro)



Net interest income was 10,651 million euro, up sharply (+65.5%) on the first nine months of 2022. Specifically, increased contributions were made by customer dealing (+59.2%, equal to +2.9 billion euro), which benefited from a significant spread effect, and financial assets, which rose to 2,388 million euro from 1,014 million euro in the same period of the previous year, due to the positive performance of all components: securities measured at amortised cost (+703 million euro), other financial assets measured at fair value through other comprehensive income (+454 million euro) and through profit or loss (+217 million euro). Among other components, there was a worsening of negative differentials on hedging derivatives, up by 49.5%, and of net interest income on relations with banks, which decreased by 47.5%, due to ordinary interbank operations, in highly different contexts of market rates between the two periods compared.

As a result of the sudden change of direction of monetary policy started from the second half of 2022, TLTRO operations with the ECB – outstanding for 45.1 billion euro at the end of September 2023 – gave rise to negative interest of 1,498 million euro during the first nine months of this year, compared to positive interest of 708 million euro recorded in the same period of the previous year (referring to a stock of financing of 114.8 billion euro as at 30 September 2022). It should be noted that until 23 June 2022, the latter benefited from the special interest rate period, with an applied rate of -1%. From 24 June to 22 November 2022 the interest rate applied and settled on maturity was the average rate on deposits with the Central Bank (Deposit Facility Rate) calculated for the entire duration of the operation, whereas from 23 November 2022 the rate applied is equal to the rate in effect for the period.

During the first nine months of 2023, the liquidity deposited with the Central Bank generated interest income of 2,295 million euro, benefiting from the rise in benchmark interest rates, aligned with the cost of funding in TLTRO, compared with interest expense of 267 million euro in the same period of 2022.

Lastly, other net interest income, including interest accrued on non-performing loans, made a positive contribution of 714 million euro, compared to 422 million euro in the same period of the previous year.

(millions of euro)

	2023			Changes %	
	Third quarter (a)	**Second quarter (b)**	**First quarter (c)**	(a/b)	(b/c)
Relations with customers	3,613	3,394	3,115	6.5	9.0
Securities issued	-940	-775	-596	21.3	30.0
Customer dealing	**2,673**	**2,619**	**2,519**	**2.1**	**4.0**
Instruments measured at amortised cost which do not constitute loans	424	441	309	-3.9	42.7
Other financial assets and liabilities designated at fair value through profit or loss	40	52	45	-23.1	15.6
Other financial assets designated at fair value through other comprehensive income	434	364	279	19.2	30.5
Financial assets	**898**	**857**	**633**	**4.8**	**35.4**
Relations with banks	**142**	**54**	**22**		
Differentials on hedging derivatives	**-154**	**-204**	**-122**	**-24.5**	**67.2**
Other net interest income	**254**	**258**	**202**	**-1.6**	**27.7**
Net interest income	**3,813**	**3,584**	**3,254**	**6.4**	**10.1**

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

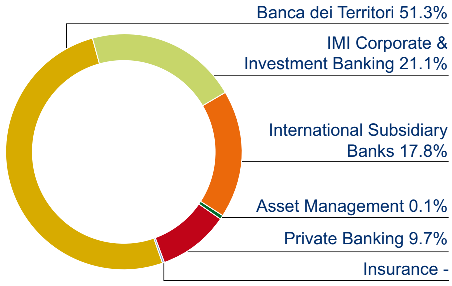
The flow of net interest income recorded in the third quarter of 2023 showed a value higher than that of the first two quarters, due to the greater contribution of interest on relations with banks and customers, as well as on financial assets.

(millions of euro)

	30.09.2023	**30.09.2022**	**Changes**	
			amount	**%**
Banca dei Territori	4,919	2,928	1,991	68.0
IMI Corporate & Investment Banking	2,019	1,508	511	33.9
International Subsidiary Banks	1,705	1,132	573	50.6
Private Banking	933	203	730	
Asset Management	6	-	6	-
Insurance	-	-	-	-
Total business areas	**9,582**	**5,771**	**3,811**	**66.0**
Corporate Centre	1,069	665	404	60.8
Intesa Sanpaolo Group	**10,651**	**6,436**	**4,215**	**65.5**

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

Business areas
Net interest income



The Banca dei Territori Division, which accounts for 51.3% of operating business areas results, recorded net interest income of 4,919 million euro, up sharply on the first nine months of 2022 (+68%, equal to +1,991 million euro), due to the performance of market rates, which favoured the profitability of customer dealing. Increased contributions to net interest income were also made by the Private Banking Division (+730 million euro), due to the higher contribution from investments in securities and intermediation with banks and customers, the International Subsidiary Banks Division (+50.6%, or +573 million euro), due primarily to the favourable performance of subsidiaries operating in Croatia, Slovakia, Hungary and Serbia, and the IMI Corporate & Investment Banking Division (+33.9%, or +511 million euro), mainly attributable to the greater contribution from Global Markets, as well as the greater contribution from customer deposits.
The Corporate Centre's net interest income grew (+404 million euro), benefiting from the significant rise of market rates.

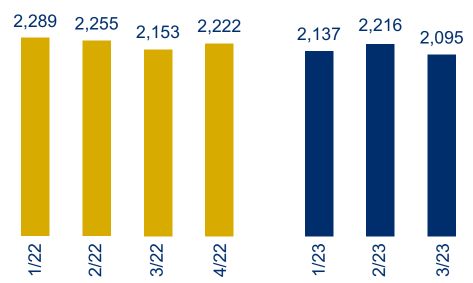
Net fee and commission income

(millions of euro)

	30.09.2023			30.09.2022			Changes	
	Income	Expense	**Net**	Income	Expense	**Net**	**amount**	**%**
Guarantees given / received	360	-244	116	339	-152	187	-71	-38.0
Collection and payment services	591	-102	489	566	-107	459	30	6.5
Current accounts	1,024	-	1,024	1,042	-	1,042	-18	-1.7
Credit and debit cards	671	-365	306	643	-338	305	1	0.3
Commercial banking activities	**2,646**	**-711**	**1,935**	**2,590**	**-597**	**1,993**	**-58**	**-2.9**
Dealing and placement of securities	781	-204	577	751	-236	515	62	12.0
Currency dealing	11	-4	7	13	-4	9	-2	-22.2
Portfolio management	2,618	-736	1,882	2,767	-727	2,040	-158	-7.7
Distribution of insurance products	1,167	-	1,167	1,181	-	1,181	-14	-1.2
Other	355	-160	195	324	-134	190	5	2.6
Management, dealing and consultancy activities	**4,932**	**-1,104**	**3,828**	**5,036**	**-1,101**	**3,935**	**-107**	**-2.7**
Other net fee and commission income	**875**	**-190**	**685**	**989**	**-220**	**769**	**-84**	**-10.9**
Net fee and commission income	**8,453**	**-2,005**	**6,448**	**8,615**	**-1,918**	**6,697**	**-249**	**-3.7**

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

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



The net fee and commission income earned in the first nine months of 2023 amounted to 6,448 million euro, down by 3.7% from the 6,697 million euro recorded in the same period of 2022.
That result was due to the reduction in fees and commissions on management, dealing and consultancy activities (-2.7%, or -107 million euro), on commercial banking activities (-2.9%, or -58 million euro) and on other net fee and commission income (-10.9%, or -84 million euro). In detail, in the first type of fees and commissions, the contribution from portfolio management schemes decreased (-7.7%, or -158 million euro), and specifically collective portfolio management which was impacted by the decrease in management and subscription fees and commissions. Fee and commission income on dealing and placement of securities had a positive performance (+12%), driven by transactions in certificates. In the banking and commercial area, fee and commission income on guarantees given/received fell (-38%, or -71 million euro) mainly in relation to higher fee and commission expense on synthetic securitisations within the framework of the Active Credit Risk Management programme - GARC - and, to a lesser extent, on current accounts (-1.7%, or -18 million euro), against an increase in fee and commission income on collection and payment services (+6.5%, or +30 million euro).
Lastly, other net fee and commission income decreased, due to the decrease in the income components, specifically those relating to loans granted, only slightly offset by the performance of expense items, primarily related to other banking services.

(millions of euro)

	2023			Changes %	
	Third quarter (a)	Second quarter (b)	First quarter (c)	(a/b)	(b/c)
Guarantees given / received	41	41	34	-	20.6
Collection and payment services	169	164	156	3.0	5.1
Current accounts	339	344	341	-1.5	0.9
Credit and debit cards	105	107	94	-1.9	13.8
Commercial banking activities	**654**	**656**	**625**	**-0.3**	**5.0**
Dealing and placement of securities	154	193	230	-20.2	-16.1
Currency dealing	3	2	2	50.0	-
Portfolio management	627	641	614	-2.2	4.4
Distribution of insurance products	368	403	396	-8.7	1.8
Other	69	69	57	-	21.1
Management, dealing and consultancy activities	**1,221**	**1,308**	**1,299**	**-6.7**	**0.7**
Other net fee and commission income	**220**	**252**	**213**	**-12.7**	**18.3**
Net fee and commission income	**2,095**	**2,216**	**2,137**	**-5.5**	**3.7**

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

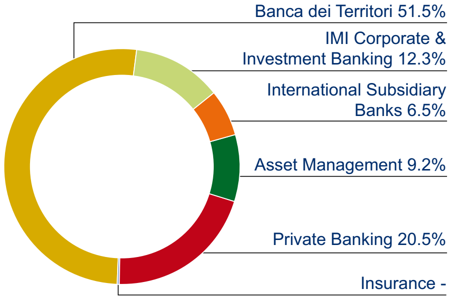
In the third quarter of 2023, the caption was lower than in the first and second quarters of the current year, mainly due to the decline in management, dealing and consultancy activities.

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Banca dei Territori	3,482	3,526	-44	-1.2
IMI Corporate & Investment Banking	829	854	-25	-2.9
International Subsidiary Banks	436	436	-	-
Private Banking	1,385	1,505	-120	-8.0
Asset Management	619	690	-71	-10.3
Insurance	2	2	-	-
Total business areas	**6,753**	**7,013**	**-260**	**-3.7**
Corporate Centre	-305	-316	-11	-3.5
Intesa Sanpaolo Group	**6,448**	**6,697**	**-249**	**-3.7**

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

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for 51.5% of the fee and commission income of the business units, recorded a decrease in fee and commission income in the first nine months of 2023 (-1.2%, or -44 million euro), specifically that deriving from assets under management. Fee and commission income also decreased for Private Banking (-8%, or -120 million euro), specifically recurring fee and commission income, due to the decrease in average assets under management, and upfront fee and commission income, due to lower placements, Asset Management (-10.3%, or -71 million euro), which was impacted by the decrease in management fees related to the reduction in assets under management and placements and, to a lesser extent, performance fees collected during the period, as well as the IMI Corporate & Investment Banking Division (-2.9%, or -25 million euro), due to the fall in fee and commission income from commercial banking, only partly offset by the positive performance of investment banking. Fee and commission income of International Subsidiary Banks remained in line with that of the same period of 2022. The Corporate Centre recorded lower net fee and commission expense.

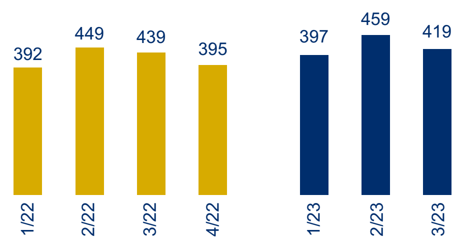
Income from insurance business

(millions of euro)

Captions	30.09.2023			30.09.2022			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
TECHNICAL MARGIN	**929**	**338**	**1,267**	**851**	**352**	**1,203**	**64**	**5.3**
Contractual service margin release	907	50	957	950	39	989	-32	-3.2
Claims, expected expenses and other amounts	503	805	1,308	571	813	1,384	-76	-5.5
Insurance revenue	**1,410**	**855**	**2,265**	**1,521**	**852**	**2,373**	**-108**	**-4.6**
Total actual claims and expenses	-599	-490	-1,089	-709	-488	-1,197	-108	-9.0
Other Insurance Expenses	118	-27	91	39	-12	27	64	
Insurance expenses	**-481**	**-517**	**-998**	**-670**	**-500**	**-1,170**	**-172**	**-14.7**
NET INVESTMENT RESULT	**-35**	**10**	**-25**	**58**	**-28**	**30**	**-55**	
Net financial income and expenses related to insurance contracts issued	-2,598	-6	-2,604	3,782	15	3,797	-6,401	
Net interest income	1,534	21	1,555	1,629	3	1,632	-77	-4.7
Dividends	326	-	326	290	6	296	30	10.1
Gains/losses on disposal	-956	2	-954	-665	1	-664	290	43.7
Valuation gains/losses	1,462	-	1,462	-5,300	-52	-5,352	6,814	
Net fee and commission income	197	-7	190	322	-1	321	-131	-40.8
Income from insurance business gross of consolidation effects	**894**	**348**	**1,242**	**909**	**324**	**1,233**	**9**	**0.7**
Consolidation effects	**33**	**-**	**33**	**47**	**-**	**47**	**-14**	**-29.8**
INCOME FROM INSURANCE BUSINESS	**927**	**348**	**1,275**	**956**	**324**	**1,280**	**-5**	**-0.4**

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

Quarterly development
Income from insurance business
(millions of euro)



Income from insurance business includes the cost and revenue captions of the insurance business, including the reinsurance component, of the Group's life and non-life companies, and is presented on a continuity basis after application of IFRS 17 and IFRS 9. In the first nine months of 2023, this income came to 1,275 million euro, largely stable compared to the same period of 2022 (-0.4%). The change between the first nine months of 2022 and the same period of the current year is mainly attributable to a decrease in the net investment result of the life business (-93 million euro), essentially due to higher losses on disposal and lower net fee and commission income, as a result of the reduction in the creation of financial products. On the other hand, the technical margin in the same business increased (+78 million euro). The non-life business showed an overall improvement (+24 million euro), despite the higher claims rate related to climate events.

(millions of euro)

Captions (a)	2023 Third quarter (a)	Second quarter (b)	First quarter (c)	Changes % (a/b)	(b/c)
TECHNICAL MARGIN	**428**	**431**	**408**	**-0.7**	**5.6**
Contractual service margin release	316	273	368	15.8	-25.8
Claims, expected expenses and other amounts	500	357	451	40.1	-20.8
Insurance revenue	**816**	**630**	**819**	**29.5**	**-23.1**
Total actual claims and expenses	-457	-186	-446		-58.3
Other Insurance Expenses	69	-13	35		
Insurance expenses	**-388**	**-199**	**-411**	**95.0**	**-51.6**
NET INVESTMENT RESULT	**-20**	**18**	**-23**		
Net financial income and expenses related to insurance contracts issued	44	-1,264	-1,384		-8.7
Net interest income	538	592	425	-9.1	39.3
Dividends	95	154	77	-38.3	
Gains/losses on disposal	-647	-33	-274		-88.0
Valuation gains/losses	-112	507	1,067		-52.5
Net fee and commission income	62	62	66	-	-6.1
Income from insurance business gross of consolidation effects	**408**	**449**	**385**	**-9.1**	**16.6**
Consolidation effects	**11**	**10**	**12**	**10.0**	**-16.7**
Income from insurance business	**419**	**459**	**397**	**-8.7**	**15.6**

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

Income from insurance business, including both the life and non-life businesses, due to the decline in net investment result, was lower in the third quarter of 2023 than in the second quarter, but higher than in the first quarter thanks to the improvement in the technical margin.

(millions of euro)

Business	30.09.2023	*of which new business*	30.09.2022
Life insurance business	**10,735**	***10,495***	**9,533**
Premiums issued on traditional products	8,056	*7,969*	1,614
Premiums issued on unit-linked products	991	*858*	1,561
Premiums issued on multi-line products	961	*948*	5,792
Premiums issued on pension funds	722	*717*	561
Premiums issued on capitalisation products	5	*3*	5
Non-life insurance business	**1,080**	***216***	**1,070**
Premiums issued	1,080	*216*	1,070
Premiums ceded to reinsurers	**-126**	***-28***	**-120**
Net premiums issued from insurance products	**11,689**	***10,683***	**10,483**
Business on unit-linked contracts	1,615	*1,581*	2,323
Total business from investment contracts	**1,615**	***1,581***	**2,323**
Total business	**13,304**	***12,264***	**12,806**

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

In the first nine months of 2023, business in the insurance segment amounted to 13.3 billion euro, up on the business recorded in the same period of 2022 (12.8 billion euro). The increase in premiums was driven by traditional products in the life business (+6.4 billion euro), partially offset by the downturn in multi-class policies (-4.8 billion euro) and unit-linked policies, both class III products of a primarily financial nature (-0.7 billion euro) and those of a primarily insurance nature (-0.6 billion euro). New non-life business, in which the non-motor segment performed well, remained substantially unchanged. New business totalled 12.3 billion euro, accounting for over 90% of the total collected premiums of the Group's insurance companies.

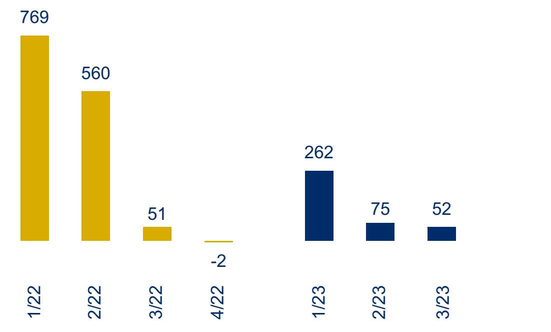
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Profits (losses) on trading and on financial instruments under fair value option	-199	602	-801	
Profits (losses) on hedges under hedge accounting	-28	45	-73	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	210	140	70	50.0
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	386	578	-192	-33.2
Profits (losses) on the buyback of financial liabilities	20	15	5	33.3
Profits (Losses) on financial assets and liabilities designated at fair value	**389**	**1,380**	**-991**	**-71.8**

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

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



In the first nine months of 2023, profits on financial assets and liabilities designated at fair value, amounting to 389 million euro, declined sharply on the same period in 2022. That performance should be interpreted along with the sharp increase in the net interest income, with specific reference to transactions in certificates, which generated positive effects on interest income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates.
The decrease, amounting to 71.8%, is attributable to profits (losses) on trading and on financial instruments under fair value option (-801 million euro), specifically foreign exchange and interest rate transactions as well as the reduction in the positive impact from the debt value adjustment (DVA), due to the tightening of the Intesa Sanpaolo credit spread in the current year, and the profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (-192 million euro), which in the first nine months of 2022 benefited from higher gains on the sale of HTC debt securities, mainly government securities. Profits (losses) on hedges under hedge accounting also fell (-73 million euro).

(millions of euro)

	2023			Changes %	
	Third quarter (a)	Second quarter (b)	First quarter (c)	(a/b)	(b/c)
Profits (losses) on trading and on financial instruments under fair value option	-155	-40	-4		
Profits (losses) on hedges under hedge accounting	28	-42	-14		
Profits (losses) on assets mandatorily measured at fair value through profit or loss	66	50	94	32.0	-46.8
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	110	97	179	13.4	-45.8
Profits (losses) on the buyback of financial liabilities	3	10	7	-70.0	42.9
Profits (Losses) on financial assets and liabilities designated at fair value	**52**	**75**	**262**	**-30.7**	**-71.4**

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

The result for the third quarter of 2023 shows a significantly lower value compared to the first and even the second quarter. In particular, profits (losses) on trading and on financial instruments under fair value option worsened, mainly due to the effect of interest rate and foreign exchange transactions, which were influenced by the hedging of financial risks through derivative products linked to funding in certificates.

Other operating income (expenses)

In the first nine months of 2023, other net operating income came to 2 million euro, compared to expenses of 20 million euro in the same period of 2022. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The performance of this caption is attributable to the greater contribution from dividends and profits on investments carried at equity (+17 million euro to 38 million euro), and to the reduction in other operating expenses, which amounted to -36 million euro in the first nine months of 2023 (-41 million euro in the first nine months of 2022).

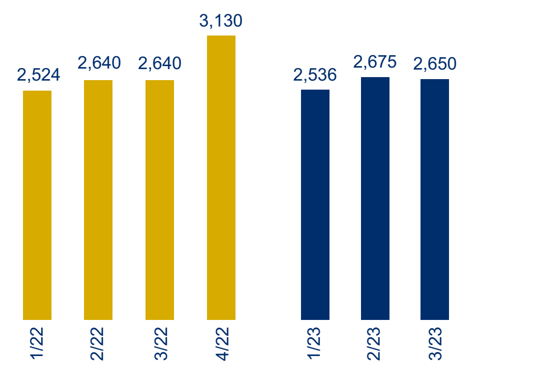
Operating costs

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Wages and salaries	3,334	3,390	-56	-1.7
Social security charges	851	860	-9	-1.0
Other	612	571	41	7.2
Personnel expenses	**4,797**	**4,821**	**-24**	**-0.5**
Information technology expenses	626	611	15	2.5
Management of real estate assets expenses	281	220	61	27.7
General structure costs	301	299	2	0.7
Professional and legal expenses	191	208	-17	-8.2
Advertising and promotional expenses	89	82	7	8.5
Indirect personnel costs	119	108	11	10.2
Other costs	359	396	-37	-9.3
Indirect taxes and duties	140	144	-4	-2.8
Recovery of expenses and charges	-21	-21	-	-
Administrative expenses	**2,085**	**2,047**	**38**	**1.9**
Property and equipment	416	421	-5	-1.2
Intangible assets	563	515	48	9.3
Adjustments	**979**	**936**	**43**	**4.6**
Operating costs	**7,861**	**7,804**	**57**	**0.7**

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

Quarterly development
Operating costs
(millions of euro)



In the first nine months of 2023, despite the continued high levels of inflation, operating costs amounted to 7,861 million euro, slightly higher than the figure recorded in the first nine months of 2022 (+0.7%).
Personnel expenses, amounting to 4,797 million euro, decreased slightly (-0.5%) on the same period of 2022, mainly due to the savings on negotiated exits under trade union agreements, almost fully offset by higher contractual and operating costs.
Administrative expenses amounted to 2,085 million euro, up by 1.9%. Specifically, the increases were mainly recorded in property management expenses (+61 million euro), especially related to higher energy costs, information technology expenses (+15 million euro) connected with the maintenance of electronic equipment, and indirect personnel costs (+11 million euro), against savings on other expenses, especially on services rendered by third parties (-22 million euro) and legal and professional fees (-17 million euro).
Adjustments to property, equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+4.6%) on the first nine months of 2022, attributable to the intangible assets due to technology investments.
The cost/income ratio in the first nine months of 2023 dropped further to 41.9% compared to 49.5% in the first nine months of the previous year, reaching the lowest value in the history of the Intesa Sanpaolo Group.

(millions of euro)

	2023 Third quarter (a)	2023 Second quarter (b)	2023 First quarter (c)	Changes % (a/b)	Changes % (b/c)
Wages and salaries	1,125	1,130	1,079	-0.4	4.7
Social security charges	282	290	279	-2.8	3.9
Other	205	205	202	-	1.5
Personnel expenses	**1,612**	**1,625**	**1,560**	**-0.8**	**4.2**
Information technology expenses	210	217	199	-3.2	9.0
Management of real estate assets expenses	97	92	92	5.4	-
General structure costs	99	103	99	-3.9	4.0
Professional and legal expenses	66	71	54	-7.0	31.5
Advertising and promotional expenses	31	39	19	-20.5	
Indirect personnel costs	40	42	37	-4.8	13.5
Other costs	131	127	101	3.1	25.7
Indirect taxes and duties	43	47	50	-8.5	-6.0
Recovery of expenses and charges	-7	-7	-7	-	-
Administrative expenses	**710**	**731**	**644**	**-2.9**	**13.5**
Property and equipment	138	137	141	0.7	-2.8
Intangible assets	190	182	191	4.4	-4.7
Adjustments	**328**	**319**	**332**	**2.8**	**-3.9**
Operating costs	**2,650**	**2,675**	**2,536**	**-0.9**	**5.5**

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

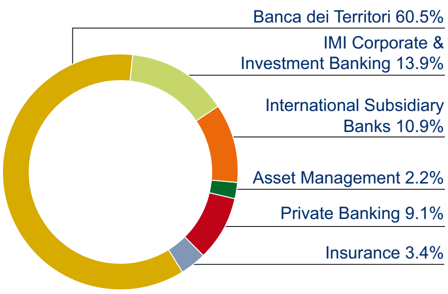
Operating costs in the third quarter of 2023 were similar to those recorded in the second quarter and higher than in the first quarter.

(millions of euro)

	30.09.2023	30.09.2022	Changes amount	Changes %
Banca dei Territori	-4,636	-4,641	-5	-0.1
IMI Corporate & Investment Banking	-1,066	-1,022	44	4.3
International Subsidiary Banks	-838	-802	36	4.5
Private Banking	-702	-666	36	5.4
Asset Management	-169	-152	17	11.2
Insurance	-264	-269	-5	-1.9
Total business areas	**-7,675**	**-7,552**	**123**	**1.6**
Corporate Centre	-186	-252	-66	-26.2
Intesa Sanpaolo Group	**-7,861**	**-7,804**	**57**	**0.7**

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

Business areas
Operating costs



The Banca dei Territori Division, which accounts for 60.5% of costs for the business areas, reported essentially stable operating costs compared to the first nine months of 2022 (-0.1%), due to savings on personnel expenses, mainly attributable to the decrease in the workforce as a result of negotiated exits under trade union agreements, almost entirely offset by the increase in administrative expenses. By contrast, there were cost increases in IMI Corporate & Investment Banking (+4.3%, or +44 million euro), International Subsidiary Banks (+4.5%, or +36 million euro), and in Private Banking (+5.4%, or +36 million euro), in relation to greater administrative and personnel expenses. Asset Management also increased (+11.2%, or +17 million euro), mainly due to administrative expenses. Operating costs decreased for Insurance (-1.9%, or -5 million euro), entirely attributable to administrative expenses, and for the Corporate Centre (-26.2%, or -66 million euro), due to lower personnel expenses and higher chargebacks by the Corporate Centre to the business units.

Operating margin

The operating margin in the period in question amounted to 10,904 million euro, up by 36.8% on the amount recorded in the first nine months of 2022, as a result of a significant increase in revenues against operating costs essentially in line with the values of the same period of the previous year.

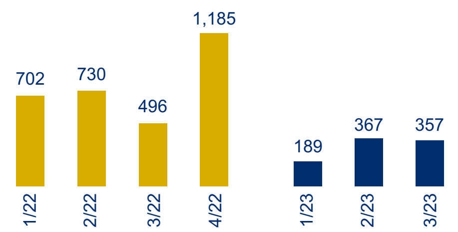
Net adjustments to loans

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Bad loans	-275	-304	-29	-9.5
Unlikely to pay	-494	-764	-270	-35.3
Past due loans	-212	-168	44	26.2
Stage 3 loans	**-981**	**-1,236**	**-255**	**-20.6**
of which debt securities	*-3*	*-*	*3*	*-*
Stage 2 loans	**85**	**-611**	**696**	
of which debt securities	*-7*	*-18*	*-11*	*-61.1*
Stage 1 loans	**-62**	**-17**	**45**	
of which debt securities	*21*	*2*	*19*	
Net losses/recoveries on impairment of loans	**-958**	**-1,864**	**-906**	**-48.6**
Profits/losses from changes in contracts without derecognition	**11**	**8**	**3**	**37.5**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**34**	**-72**	**106**	
Net adjustments to loans	**-913**	**-1,928**	**-1,015**	**-52.6**

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

Quarterly development
Net adjustments to loans
(millions of euro)



Net adjustments to loans amounted to 913 million euro, decreasing sharply on the 1,928 million euro recorded in the first nine months of 2022, which included the adjustments made to Russian and Ukrainian counterparties for 1,289 million euro.
The performance of the caption mainly reflects an improvement of 696 million euro on loans in Stage 2 (85 million euro in recoveries compared to -611 million euro in adjustments in the first nine months of 2022) and a reduction of 255 million euro in adjustments to non-performing loans in Stage 3, as a result of a significant drop in adjustments to unlikely-to-pay loans (-270 million euro) and, to a lesser extent, bad loans (-29 million euro) against an increase in past-due loans (+44 million euro). Adjustments to loans in Stage 1 showed an increase of 45 million euro. On the other hand, recoveries for 34 million euro were recorded on net provisions relating to commitments and guarantees given, compared to adjustments of -72 million euro recognised in the same period of the previous year.
In September 2023, the ratio of gross non-performing loans to total loans was 2.4%, substantially in line with the December 2022 figure.
The annualised cost of risk, expressed as the ratio of net adjustments to net loans, decreased to 28 basis points in the first nine months of 2023 compared with 70 basis points for the year in 2022 (30 basis points when excluding the adjustments for the Russia-Ukraine exposure, the additional adjustments to capture the elements of risk inherent in the scenario and those relating to the overlays and to favour de-risking, net of the release of generic provisions set aside in 2020 for the expected impacts of COVID-19). The performance of the cost of risk was favoured by very low inflows from performing to non-performing loans during the period (1.6 billion euro net of outflows from non-performing to performing loans).
The coverage of non-performing loans in September 2023 amounted to 50.4%. In detail, bad loans required net adjustments of 275 million euro – compared with 304 million euro in the first nine months of 2022 – with a coverage ratio of 68.7%. Net impairment losses on unlikely-to-pay loans, totalling 494 million euro, were down (-35.3%) compared to 764 million euro recorded in the first nine months of 2022, with a coverage ratio of 40.8%. Net adjustments to past due loans amounted to 212 million euro (168 million euro in the same period of 2022), with a coverage ratio of 27.1%. The coverage ratio for forborne positions within the non-performing loans category was 45%. Finally, the coverage of performing loans was 0.6% and incorporated the physiological risk inherent in the loan portfolio.

(millions of euro)

	2023			Changes %	
	Third quarter (a)	**Second quarter (b)**	**First quarter (c)**	(a/b)	(b/c)
Bad loans	-90	-95	-90	-5.3	5.6
Unlikely to pay	-212	-77	-205		-62.4
Past due loans	-61	-90	-61	-32.2	47.5
Stage 3 loans	**-363**	**-262**	**-356**	**38.5**	**-26.4**
of which debt securities	*-*	*-3*	*-*		*-*
Stage 2 loans	**-3**	**-23**	**111**	**-87.0**	
of which debt securities	*-7*	*2*	*-2*		
Stage 1 loans	**-1**	**-76**	**15**	**-98.7**	
of which debt securities	*3*	*6*	*12*	*-50.0*	*-50.0*
Net losses/recoveries on impairment of loans	**-367**	**-361**	**-230**	**1.7**	**57.0**
Profits/losses from changes in contracts without derecognition	**8**	**-3**	**6**		
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**2**	**-3**	**35**		
Net adjustments to loans	**-357**	**-367**	**-189**	**-2.7**	**94.2**

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

At the quarterly level, the third quarter of 2023 shows adjustments to loans in line with the value of the second quarter, and higher than the value of the first quarter of the current year, reflecting the absence of recoveries on loans in Stage 1 and 2.

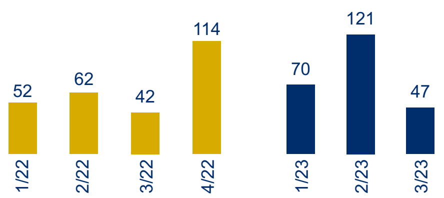
Other net provisions and net impairment losses on other assets

(millions of euro)

	30.09.2023	30.09.2022	Changes	
			amount	%
Other net provisions	-143	-76	67	88.2
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-83	-63	20	31.7
Net impairment losses on other assets	-12	-17	-5	-29.4
Other net provisions and net impairment losses on other assets	**-238**	**-156**	**82**	**52.6**

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

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



Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In the first nine months of 2023, other net provisions and net impairment losses on other assets amounted to 238 million euro, higher than the 156 million euro recorded in the same period of the previous year. The increase is mainly related to other net provisions, which include 32 million euro as the estimated cost of the Reward price contest “Intesa Sanpaolo 2024” launched to increase customer loyalty and engagement and 71 million euro, in addition to the 80 million euro already allocated in December 2022, posted on consolidation of the investee Banca Intesa Russia in order to write off its equity contribution to the consolidated financial statements against the net income accrued during the period.

(millions of euro)

	2023			Changes %	
	Third quarter (a)	Second quarter (b)	First quarter (c)	(a/b)	(b/c)
Other net provisions	-46	-61	-36	-24.6	69.4
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	4	-50	-37		35.1
Net impairment losses on other assets	-5	-10	3	-50.0	
Other net provisions and net impairment losses on other assets	**-47**	**-121**	**-70**	**-61.2**	**72.9**

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

In terms of economic performance, the third quarter of 2023 recorded lower provisions than those of the first two quarters of the year, including 32 million euro for the write-off of the equity contribution from the Russian investee to the consolidated financial statements.

Other income (expenses)
In this caption of the reclassified income statement, the “profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments” are aggregated together with other income and expenses not strictly linked to operations.
In the first nine months of 2023, other income amounted to 319 million euro, including 192 million euro in profits on the disposal, finalised in May, of the stake held in Zhong Ou Asset Management Company Limited (ZOAM)[16] and 116 million euro in profits on the disposal to Nexi of the acquiring business line of the subsidiary operating in Croatia. This figure was higher than the 147 million euro recorded in the first nine months of 2022, which included 194 million euro in capital gains deriving from the disposal of Intesa Sanpaolo Formazione and a one-off contribution of 48 million euro to Intesa Sanpaolo people to mitigate the impact of inflation.

Gross income (loss)
In the first nine months of 2023, income before tax from continuing operations came to 10,072 million euro, up sharply (+67%) compared to the 6,032 million euro recorded in the same period of 2022.

Taxes on income
Current and deferred taxes came to 3,150 million euro, for an effective tax rate of 31.3%, lower than in the first nine months of the previous year (33.7%).

Charges (net of tax) for integration and exit incentives
This caption, the main component of which relates to adjustments to property, equipment and intangible assets, rose to 142 million euro from 62 million euro in the first nine months of 2022, reflecting the lack of the positive effects referring to personnel expenses.

Effect of purchase price allocation (net of tax)
This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. In the first nine months of 2023, this caption came to -126 million euro, compared to the -96 million euro recorded in the same period of the previous year.

Levies and other charges concerning the banking industry (net of tax)
The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. In the first nine months of 2023, these charges came to 503 million euro, compared to the 544 million euro recorded in the same period of the previous year.
The charges recognised during the reporting period may be broken down as follows: 221 million euro attributable to resolution funds, 272 million euro to deposit guarantee funds, 15 million euro to levies recognised by international subsidiary banks and 5 million euro to a positive effect from the revaluation of the Atlante Fund.

Minority interests
In the first nine months of 2023, the caption included, with a negative sign, 29 million euro of net profits attributable to minority interests relating to companies within the scope of line-by-line consolidation, compared to a positive value of 8 million euro (net losses attributable to minority interests) relating to the first nine months of the previous year.

Net income (loss)
The Intesa Sanpaolo Group closed the first nine months of 2023 with a net income of 6,122 million euro, up 85.3% on the same period of 2022. That result is the highest value of the first nine months since 2007, confirming the diversified, efficient business model. The sharp annual increase is attributable to the positive trend in revenues, driven by the interest component, the small flow of adjustments to loans and the focused management of operating costs.

[16] The gain shown takes into account the remaining amount received from the buyer, as consideration, following the payment of the Chinese local tax on the gain, made by Intesa Sanpaolo in September and recognised under the caption taxes. Considered in net tax terms, the capital gain contribution remained unchanged at 154 million euro, as already reported in the Half-yearly Report as at 30 June 2023.

Balance sheet aggregates

General aspects

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

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

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

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

The Reclassified balance sheet shows the amounts related to 30 September 2023, as well as the comparison figures related to 31 December 2022. In line with the adjustment of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the 2022 year-end data in the reclassified schedules have also been adjusted on a like-for-like basis.
There were no restatements of the data as at 31 December 2022 due to changes in the scope of consolidation.

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

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

Reclassified balance sheet

(millions of euro)

Assets	30.09.2023	31.12.2022	Changes	
			amount	%
Cash and cash equivalents	85,585	112,924	-27,339	-24.2
Due from banks	30,116	31,273	-1,157	-3.7
Loans to customers	433,710	446,854	-13,144	-2.9
Loans to customers measured at amortised cost	*431,824*	*444,244*	*-12,420*	*-2.8*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,886*	*2,610*	*-724*	*-27.7*
Financial assets measured at amortised cost which do not constitute loans	57,626	52,690	4,936	9.4
Financial assets at fair value through profit or loss	45,652	46,546	-894	-1.9
Financial assets at fair value through other comprehensive income	60,310	48,008	12,302	25.6
Financial assets pertaining to insurance companies measured at amortised cost	2	3	-1	-33.3
Financial assets pertaining to insurance companies measured at fair value through profit or loss	99,226	103,052	-3,826	-3.7
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	69,136	69,792	-656	-0.9
Investments in associates and companies subject to joint control	2,558	2,013	545	27.1
Property, equipment and intangible assets	18,888	19,742	-854	-4.3
Assets owned	*17,486*	*18,248*	*-762*	*-4.2*
Rights of use acquired under leases	*1,402*	*1,494*	*-92*	*-6.2*
Tax assets	15,871	18,130	-2,259	-12.5
Non-current assets held for sale and discontinued operations	256	638	-382	-59.9
Other assets	28,198	22,922	5,276	23.0
Total Assets	**947,134**	**974,587**	**-27,453**	**-2.8**

Liabilities	30.09.2023	31.12.2022	Changes	
			amount	%
Due to banks at amortised cost	97,390	137,489	-40,099	-29.2
Due to customers at amortised cost and securities issued	533,143	528,795	4,348	0.8
Financial liabilities held for trading	47,428	46,512	916	2.0
Financial liabilities designated at fair value	16,388	8,795	7,593	86.3
Financial liabilities pertaining to insurance companies measured at amortised cost	2,422	2,522	-100	-4.0
Financial liabilities held for trading pertaining to insurance companies	193	171	22	12.9
Financial liabilities pertaining to insurance companies designated at fair value	50,715	54,212	-3,497	-6.5
Tax liabilities	3,116	2,021	1,095	54.2
Liabilities associated with non-current assets held for sale and discontinued operations	13	15	-2	-13.3
Other liabilities	11,138	9,399	1,739	18.5
of which lease payables	*1,231*	*1,321*	*-90*	*-6.8*
Insurance liabilities	115,616	117,575	-1,959	-1.7
Allowances for risks and charges	4,897	5,812	-915	-15.7
of which allowances for commitments and financial guarantees given	*538*	*711*	*-173*	*-24.3*
Share capital	10,369	10,369	-	-
Reserves	42,464	43,002	-538	-1.3
Valuation reserves	-1,917	-1,939	-22	-1.1
Valuation reserves pertaining to insurance companies	-466	-519	-53	-10.2
Interim dividend	-	-1,400	-1,400	
Equity instruments	7,939	7,211	728	10.1
Minority interests	164	166	-2	-1.2
Net income (loss)	6,122	4,379	1,743	39.8
Total liabilities and shareholders' equity	**947,134**	**974,587**	**-27,453**	**-2.8**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2023			2022
	30/9	30/6	31/3	31/12
Cash and cash equivalents	85,585	79,875	77,700	112,924
Due from banks	30,116	30,128	30,468	31,273
Loans to customers	433,710	437,497	449,860	446,854
Loans to customers measured at amortised cost	*431,824*	*435,583*	*447,419*	*444,244*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,886*	*1,914*	*2,441*	*2,610*
Financial assets measured at amortised cost which do not constitute loans	57,626	60,052	58,744	52,690
Financial assets at fair value through profit or loss	45,652	48,434	45,988	46,546
Financial assets at fair value through other comprehensive income	60,310	59,369	53,314	48,008
Financial assets pertaining to insurance companies measured at amortised cost	2	3	3	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss	99,226	102,480	103,096	103,052
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	69,136	71,724	72,562	69,792
Investments in associates and companies subject to joint control	2,558	2,599	2,395	2,013
Property, equipment and intangible assets	18,888	18,892	19,462	19,742
Assets owned	*17,486*	*17,457*	*17,995*	*18,248*
Rights of use acquired under leases	*1,402*	*1,435*	*1,467*	*1,494*
Tax assets	15,871	16,080	17,104	18,130
Non-current assets held for sale and discontinued operations	256	614	243	638
Other assets	28,198	27,458	24,236	22,922
Total Assets	**947,134**	**955,205**	**955,175**	**974,587**

Liabilities	2023			2022
	30/9	30/6	31/3	31/12
Due to banks at amortised cost	97,390	94,077	120,018	137,489
Due to customers at amortised cost and securities issued	533,143	532,468	515,369	528,795
Financial liabilities held for trading	47,428	47,639	45,681	46,512
Financial liabilities designated at fair value	16,388	13,608	10,893	8,795
Financial liabilities pertaining to insurance companies measured at amortised cost	2,422	2,326	2,275	2,522
Financial liabilities held for trading pertaining to insurance companies	193	96	111	171
Financial liabilities pertaining to insurance companies designated at fair value	50,715	53,160	54,099	54,212
Tax liabilities	3,116	2,938	1,964	2,021
Liabilities associated with non-current assets held for sale and discontinued operations	13	-	-	15
Other liabilities	11,138	22,107	17,716	9,399
of which lease payables	*1,231*	*1,260*	*1,292*	*1,321*
Insurance liabilities	115,616	119,381	119,815	117,575
Allowances for risks and charges	4,897	4,944	5,630	5,812
of which allowances for commitments and financial guarantees given	*538*	*539*	*673*	*711*
Share capital	10,369	10,369	10,369	10,369
Reserves	42,464	42,585	45,538	43,002
Valuation reserves	-1,917	-1,709	-1,794	-1,939
Valuation reserves pertaining to insurance companies	-466	-375	-420	-519
Interim dividend	-	-	-1,400	-1,400
Equity instruments	7,939	7,217	7,214	7,211
Minority interests	164	152	141	166
Net income (loss)	6,122	4,222	1,956	4,379
Total Liabilities and Shareholders' Equity	**947,134**	**955,205**	**955,175**	**974,587**

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

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

(millions of euro)

	30.09.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	21,392	4.9	22,970	5.1	-1,578	-6.9
Mortgages	230,404	53.2	242,299	54.3	-11,895	-4.9
Advances and other loans	155,678	35.9	154,477	34.6	1,201	0.8
Commercial banking loans	**407,474**	**94.0**	**419,746**	**94.0**	**-12,272**	**-2.9**
Repurchase agreements	**15,187**	**3.5**	**15,366**	**3.4**	**-179**	**-1.2**
Loans represented by securities	**5,842**	**1.3**	**6,246**	**1.4**	**-404**	**-6.5**
Non-performing loans	**5,207**	**1.2**	**5,496**	**1.2**	**-289**	**-5.3**
Loans to customers	**433,710**	**100.0**	**446,854**	**100.0**	**-13,144**	**-2.9**

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

As at 30 September 2023, loans to customers of the Group amounted to 433.7 billion euro, down (-2.9%) since the beginning of the year. This performance was essentially the result of the decrease in commercial banking loans (-2.9%, or -12.3 billion euro), attributable to the downturn in mortgage loans to individuals and businesses and, to a lesser extent, in overdraft facilities. The steady and substantial rise in interest rates prompted businesses to use their liquidity to limit their use of bank loans. The only caption that moved in the opposite direction was advances and loans, which rose slightly (+0.8%, or +1.2 billion euro).
All the other components, although with a lower proportional impact on the total aggregate, recorded a decrease: loans represented by securities by -6.5% (-0.4 billion euro), non-performing loans by -5.3% (-0.3 billion euro), and repurchase agreements by -1.2% (-0.2 billion euro).

In the domestic medium/long-term loan market, disbursements to households in the first nine months of 2023 (including the small business clients having similar needs to producer households) amounted to around 10.8 billion euro, while disbursements to businesses under the Banca dei Territori scope (including businesses with turnover of up to 350 million euro) came to 7.8 billion euro. Loans granted by the Agribusiness segment amounted to 1.2 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 8.4 billion euro, excluding the international portion. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and Prestitalia totalled 28.8 billion euro. If the activities of the international subsidiary banks and the international part of IMI C&IB are included, the Group's medium/long-term disbursements totalled 44 billion euro.
As at 30 September 2023, the Intesa Sanpaolo Group's share of the Italian domestic market was estimated at 18.7% for total loans to customers. This estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figures for the end of September are not yet available.

With reference to the specific measures to support the production system set out due to the COVID-19 pandemic, it is highlighted that Intesa Sanpaolo, the first Bank in Italy to sign the collaboration protocol with SACE, has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Overall, at the end of the first nine months of 2023, a total of 49 billion euro[17] of loans backed by government guarantee had been granted, also through the SME Fund, since the beginning of the pandemic (in application of the "Liquidità" Law Decree no. 23 of 8 April 2020), of which 13 billion euro SACE and 36 billion euro the SME Fund, without significant changes compared to December 2022. The data regarding the monitoring of the guarantees from the "Fondo Centrale di Garanzia" (Central Guarantee Fund) do not present significant risks, thanks to careful and timely management.
At consolidated level, also considering the operations in the other countries where the Group has a presence, at the end of September 2023 the residual debt of exposures subject to government guarantee schemes totalled 27.2 billion euro, compared to 33.2 billion euro in December 2022. The decrease, essentially attributable to the Parent Company, was correlated with the redemptions during the period.

As part of its mission to support Italy's economy, also note that, in relation to the measures established by the "Rilancio" Decree (Law Decree 34/2020) for the relaunch of the construction sector, the Intesa Sanpaolo Group has developed specific solutions not only for those who want to transfer their tax credit directly but also for businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. The process of acquiring tax credits is subject to comprehensive controls that allow the Bank to demonstrate the effective fulfilment of the specific due diligence requirements.
From the start of the operations – carried out through the Banca dei Territori and IMI Corporate & Investment Banking Divisions – to the end of September 2023, the tax credits already purchased or subscribed totalled 27.2 billion euro

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

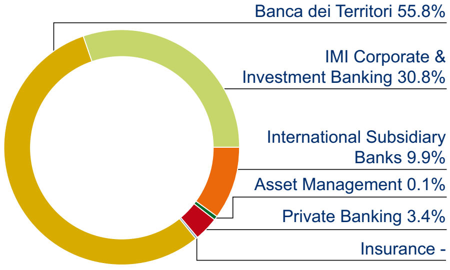
(23.1 billion euro finalised and 4.1 billion euro subscribed), in addition to credits being acquired for 7 billion euro. Net of decreases of around 6 billion euro (attributable to offsetting carried out during the period, deferrals recognised, resales carried out and the adjustment to fair value, where required), as at 30 September 2023 tax credits of 17.2 billion euro were recognised in the financial statements, under caption 130 Other assets of the Consolidated Balance Sheet.

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	236,098	247,913	-11,815	-4.8
IMI Corporate & Investment Banking	130,426	129,791	635	0.5
International Subsidiary Banks	41,867	40,212	1,655	4.1
Private Banking	14,411	15,104	-693	-4.6
Asset Management	235	282	-47	-16.7
Insurance	-	-	-	-
Total business areas	**423,037**	**433,302**	**-10,265**	**-2.4**
Corporate Centre	10,673	13,552	-2,879	-21.2
Intesa Sanpaolo Group	**433,710**	**446,854**	**-13,144**	**-2.9**

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

Business areas
Loans to customers



In the analysis by business area, the Banca dei Territori Division, which accounts for 55.8% of the aggregate of the Group's business areas, recorded a decrease year-to-date (-4.8%, or -11.8 billion euro), mainly attributable to loans to SMEs, which used their liquidity to reduce their credit facilities and, to a lesser extent, loans to retail customers, who decreased the demand for mortgage loans. In contrast, the International Subsidiary Banks Division recorded an increase (+4.1%, or +1.7 billion euro), related to the higher contribution from the subsidiaries operating in Croatia, Slovakia and Hungary, partly offset by the decline in loans in Egypt. The loans in the IMI Corporate & Investment Banking Division grew slightly (+0.5%, or +0.6 billion euro), mainly due to Global Markets loans, supported by the growth in repurchase agreements and other short-term loans, as well as loans to financial institution customers. Turning to the other Divisions, whose loans are of relatively modest amounts in light of their specific businesses, decreases were recorded in both the loans of the Private Banking Division (-4.6%), mainly comprised of short-term credit facilities, and the Asset Management Division (-16.7%).

Loans on central assets of the Corporate Centre decreased (-21.2%) in relation to the downturn in repurchase agreement to central counterparties.

Loans to customers: credit quality

(millions of euro)

	30.09.2023		31.12.2022		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	1,218	0.3	1,131	0.2	87
Unlikely to pay	3,570	0.8	3,952	0.9	-382
Past due loans	419	0.1	413	0.1	6
Non-Performing Loans	**5,207**	**1.2**	**5,496**	**1.2**	**-289**
Non-performing loans in Stage 3 (subject to impairment)	*5,165*	*1.2*	5,463	*1.2*	*-298*
Non-performing loans measured at fair value through profit or loss	*42*	*-*	*33*	*-*	*9*
Performing loans	**422,570**	**97.5**	**435,026**	**97.4**	**-12,456**
Stage 2	*34,558*	*8.0*	*43,865*	*9.8*	*-9,307*
Stage 1	*387,306*	*89.3*	*390,278*	*87.4*	*-2,972*
Performing loans measured at fair value through profit or loss	*706*	*0.2*	*883*	*0.2*	*-177*
Performing loans represented by securities	**5,842**	**1.3**	**6,246**	**1.4**	**-404**
Stage 2	*890*	*0.2*	*815*	*0.2*	*75*
Stage 1	*4,952*	*1.1*	*5,431*	*1.2*	*-479*
Loans held for trading	**91**	**-**	**86**	**-**	**5**
Total loans to customers	**433,710**	**100.0**	**446,854**	**100.0**	**-13,144**
of which forborne performing	***4,706***		***6,920***		***-2,214***
of which forborne non-performing	***1,959***		***2,063***		***-104***
Loans to customers classified as non-current assets held for sale	**177**		**368**		**-191**

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

Net non-performing loans of the Group amounted to 5.2 billion euro at the end of the first nine months of the year, a new record low. The reduction from the beginning of the year (-289 million euro; -5.3%) confirms the virtuous trend already recorded in previous years. The ratio of net non-performing loans to total net loans to customers came to 1.2% (1% according to the EBA definition) with the coverage of non-performing loans amounting to 50.4% compared to 48.4% at the end of 2022.
In further detail, in September 2023 bad loans amounted to 1.2 billion euro (+7.7%), net of adjustments, representing 0.3% of total net loans with a coverage ratio of 68.7%. Loans included in the unlikely-to-pay category amounted to 3.6 billion euro, down by 9.7%, accounting for 0.8% of total net loans to customers, with a coverage ratio of 40.8%. Past due loans amounted to 419 million euro (+1.5%), with a coverage ratio of 27.1%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2 billion euro, with a coverage ratio of 45%. Forborne exposures in the performing loan category amounted to 4.7 billion euro.

At the end of the first nine months of 2023, net performing loans amounted to 422.6 billion euro, down on December by 12.5 billion euro (-2.9%), recording an overall coverage ratio of 0.57% of which 4.52% (from 4.23% at the end of 2022) in respect of loans in Stage 2 and 0.20% (from 0.17% at the end of December 2022) in respect of those in Stage 1. In terms of stock, net loans in Stage 1 decreased by 0.7% to 387.3 billion euro and those in Stage 2 fell by 21.2% to 34.6 billion euro. For Stage 2, factors such as the changes resulting from management effects, were also accompanied by the effects of the update of the macroeconomic scenario in June and the reclassification to Stage 1 of forbearance portfolios (mainly originating from COVID moratoria) following the positive outcome of the probation period.

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets designated at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
Debt securities issued by Governments					
30.09.2023	6,820	39,628	35,524	**81,972**	X
31.12.2022	7,511	33,959	29,523	**70,993**	X
Changes amount	-691	5,669	6,001	**10,979**	X
Changes %	-9.2	16.7	20.3	**15.5**	X
Other debt securities					
30.09.2023	4,078	19,464	22,102	**45,644**	X
31.12.2022	3,075	12,701	23,167	**38,943**	X
Changes amount	1,003	6,763	-1,065	**6,701**	X
Changes %	32.6	53.2	-4.6	**17.2**	X
Equities					
30.09.2023	1,617	1,218	X	**2,835**	X
31.12.2022	1,352	1,348	X	**2,700**	X
Changes amount	265	-130	X	**135**	X
Changes %	19.6	-9.6	X	**5.0**	X
Quotas of UCI					
30.09.2023	3,471	X	X	**3,471**	X
31.12.2022	3,739	X	X	**3,739**	X
Changes amount	-268	X	X	**-268**	X
Changes %	-7.2	X	X	**-7.2**	X
Due to banks and to customers					
30.09.2023	X	X	X	**X**	-8,300
31.12.2022	X	X	X	**X**	-7,241
Changes amount	X	X	X	**X**	1,059
Changes %	X	X	X	**X**	14.6
Financial derivatives					
30.09.2023	28,882	X	X	**28,882**	-29,849
31.12.2022	29,933	X	X	**29,933**	-30,540
Changes amount	-1,051	X	X	**-1,051**	-691
Changes %	-3.5	X	X	**-3.5**	-2.3
Credit derivatives					
30.09.2023	784	X	X	**784**	-926
31.12.2022	936	X	X	**936**	-935
Changes amount	-152	X	X	**-152**	-9
Changes %	-16.2	X	X	**-16.2**	-1.0
TOTAL 30.09.2023	**45,652**	**60,310**	**57,626**	**163,588**	**-39,075**
TOTAL 31.12.2022	**46,546**	**48,008**	**52,690**	**147,244**	**-38,716**
Changes amount	**-894**	**12,302**	**4,936**	**16,344**	**359**
Changes %	**-1.9**	**25.6**	**9.4**	**11.1**	**0.9**

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

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

The table above shows the breakdown of other financial assets and liabilities, excluding those pertaining to insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.

The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to 163.6 billion euro, up by 16.3 billion euro compared to the beginning of the year (+11.1%). Financial liabilities held for trading increased slightly (+0.9%), amounting to 39.1 billion euro.

The increase in total financial assets was essentially due to the performance of debt securities (+17.7 billion euro). The trend in financial liabilities held for trading was due to the growth in amounts due to banks and due to customers (+1.1 billion euro), largely offset by the decrease in financial derivatives (-0.7 billion euro).

Financial assets measured at fair value through profit or loss, amounting to 45.7 billion euro, were down (-1.9%, or -0.9 billion euro), mainly due to the decline in financial derivatives and government debt securities, partially offset by the growth in other debt securities and equities.
Instruments measured at amortised cost which do not constitute loans amounted to 57.6 billion euro, up by 9.4%, due to the performance of debt securities issued by governments. HTC debt securities have primarily been classified to Stage 1 (88.7%).
Financial assets measured at fair value through other comprehensive income, which reached 60.3 billion euro, also increased on the beginning of the year (+25.6%), due to the performance of debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (99%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
30.09.2023	58,503	51,128	**109,631**
31.12.2022	46,475	49,502	**95,977**
Changes amount	12,028	1,626	**13,654**
Changes %	25.9	3.3	**14.2**
Stage 2			
30.09.2023	589	6,498	**7,087**
31.12.2022	185	3,180	**3,365**
Changes amount	404	3,318	**3,722**
Changes %			
Stage 3			
30.09.2023	-	-	**-**
31.12.2022	-	8	**8**
Changes amount	-	-8	**-8**
Changes %	-		
TOTAL 30.09.2023	**59,092**	**57,626**	**116,718**
TOTAL 31.12.2022	**46,660**	**52,690**	**99,350**
Changes amount	**12,432**	**4,936**	**17,368**
Changes %	**26.6**	**9.4**	**17.5**

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

The increase since December in securities classified as Stage 2, which totalled 3.7 billion euro, related for the most part (89%) to instruments measured at amortised cost which do not constitute loans. Indeed, the latter received inflows from Stage 1, mainly attributable to securitisations – including one involving performing receivables arising from leases (Teseo), which entered the Parent Company’s portfolio at the end of 2022 – only partially offset by amortisations of securities already in Stage 2.

Customer financial assets

(millions of euro)

	30.09.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	557,884	44.9	545,386	45.3	12,498	2.3
Direct deposits from insurance business	167,975	13.5	173,672	14.4	-5,697	-3.3
Indirect customer deposits	683,541	55.0	656,663	54.6	26,878	4.1
Netting (a)	-166,076	-13.4	-171,872	-14.3	-5,796	-3.4
Customer financial assets	**1,243,324**	**100.0**	**1,203,849**	**100.0**	**39,475**	**3.3**

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

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

As at 30 September 2023 customer financial assets, after netting, reached 1,243 billion euro, up year-to-date (+3.3%, or +39.5 billion euro), driven by indirect customer deposits (+4.1%, or +26.9 billion euro) and, to a lesser extent, by direct deposits from banking business (+2.3%, or +12.5 billion euro). Direct deposits from insurance business were down (-3.3%, or -5.7 billion euro).

Direct deposits from banking business

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

(millions of euro)

	30.09.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	403,072	72.3	432,976	79.4	-29,904	-6.9
Repurchase agreements and securities lending	10,796	1.9	1,284	0.2	9,512	
Bonds	69,879	12.5	52,364	9.6	17,515	33.4
Certificates of deposit	3,029	0.5	2,094	0.4	935	44.7
Subordinated liabilities	12,036	2.2	12,474	2.3	-438	-3.5
Other deposits	59,072	10.6	44,194	8.1	14,878	33.7
of which designated at fair value (*)	*24,741*	*4.4*	*16,591*	*3.0*	*8,150*	*49.1*
Direct deposits from banking business	**557,884**	**100.0**	**545,386**	**100.0**	**12,498**	**2.3**

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

(*) Figures relating to investment certificates and other forms of funding included in the Balance sheet under “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. Specifically:
- as at 30 September 2023, this caption consisted of 8,353 million euro of certificates classified under “Financial liabilities held for trading” and 16,388 million euro of certificates (16,384 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- as at 31 December 2022, this caption consisted of 7,796 million euro of certificates classified under “Financial liabilities held for trading” and 8,795 million euro of certificates (8,791 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”.

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

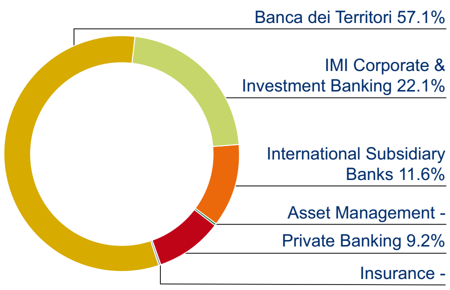
The Group’s direct deposits from banking business came to 557.9 billion euro, up year-to-date (+2.3%, or +12.5 billion euro).
That performance was the result of an increase in time direct deposits (bonds, repurchase agreements, and certificates of deposit) totalling 28 billion euro and other funding (+14.9 billion euro), including certificates and commercial paper, which more than offset the downturn in current accounts and deposits (-29.9 billion euro).
This recomposition within the direct deposits aggregate should be viewed in relation to a scenario of progressive increases in interest rates, where companies used their liquidity to reduce their use of bank loans, and retail customers redirected a portion of their available funds held on current accounts to more remunerative investment products, such as government and corporate bond issues, which increased the dossiers of assets under administration (+28.4 billion euro).
As at 30 September 2023, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented an estimated share of the domestic market of 21.9%. As described above with reference to loans, this estimate is based on the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	274,002	291,089	-17,087	-5.9
IMI Corporate & Investment Banking	105,976	94,785	11,191	11.8
International Subsidiary Banks	55,707	54,364	1,343	2.5
Private Banking	44,413	50,447	-6,034	-12.0
Asset Management	17	26	-9	-34.6
Insurance	-	-	-	-
Total business areas	**480,115**	**490,711**	**-10,596**	**-2.2**
Corporate Centre	77,769	54,675	23,094	42.2
Intesa Sanpaolo Group	**557,884**	**545,386**	**12,498**	**2.3**

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

Business areas
Direct deposits from banking business



In the analysis of funding by sector, the Banca dei Territori Division, which accounts for 57.1% of the aggregate attributable to the Group's operating units, came in below the levels of the beginning of the year (-5.9%, or -17.1 billion euro), in view of the decrease in amounts due to customers. In response to a quick rise in interest rates, business customers used their liquidity to limit the use of bank loans, and households, whose purchasing power was eroded by inflation, redirected a portion of their available funds on current accounts to more remunerative investment products.
Private Banking was also down (-12%, or -6 billion euro), due to the reduction in current account deposits only partly offset by the increase in time deposits. In contrast, direct deposits increased for IMI Corporate & Investment Banking (+11.8%, or +11.2 billion euro) as a result of the growth in transactions in certificates and securities issued by the Luxembourg and Irish subsidiaries and, to a lesser extent, for International Subsidiary Banks (+2.5%, or +1.3 billion euro), driven by the positive performance of the subsidiaries operating in Slovakia, Serbia, Slovenia and Albania, partially offset by the negative performance recorded in Egypt.
The growth in Corporate Centre funding was mainly attributable to bond issuances and repurchase agreements.

Indirect customer deposits

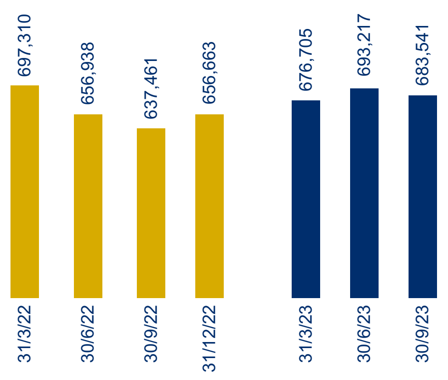
(millions of euro)

	30.09.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds [(a)]	148,828	21.8	149,790	22.8	-962	-0.6
Open-ended pension funds and individual pension plans	13,073	1.9	11,986	1.8	1,087	9.1
Portfolio management	75,889	11.1	73,591	11.2	2,298	3.1
Insurance liabilities and insurance financial liabilities	166,076	24.3	171,872	26.2	-5,796	-3.4
Relations with institutional customers	24,776	3.6	22,926	3.5	1,850	8.1
Assets under management	**428,642**	**62.7**	**430,165**	**65.5**	**-1,523**	**-0.4**
Assets under administration and in custody	**254,899**	**37.3**	**226,498**	**34.5**	**28,401**	**12.5**
Indirect customer deposits	**683,541**	**100.0**	**656,663**	**100.0**	**26,878**	**4.1**

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

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

Quarterly development
Indirect customer deposits
(millions of euro)



As at 30 September 2023, indirect customer deposits, which came to 683.5 billion euro, increased by 4.1% year-to-date. This performance was attributable to the growth of assets under administration.
Assets under management, which at 428.6 billion euro accounted for almost two-thirds of the total aggregate, were down slightly (-0.4%, or -1.5 billion euro), due to the reduction in insurance liabilities and insurance financial liabilities (-5.8 billion euro) and, to a lesser extent, mutual funds (-1 billion euro), almost entirely offset by the increases recorded for portfolio management schemes (+2.3 billion euro), relations with institutional customers (+1.9 billion euro), and open pension funds and individual pension policies (+1.1 billion euro). In the first nine months of 2023, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 12.1 billion euro. Assets under administration, amounting to 254.9 billion euro, increased (+12.5%, or +28.4 billion euro), concentrated in securities and third-party products in custody, to which investors have directed part of their liquidity in order to benefit from higher yields.

Net interbank position

Starting in September 2022, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under "Due from banks", but in on-demand deposits (overnight deposits) at the Central Bank, recognised in the caption "Cash and cash equivalents". At the end of the first nine months of 2023, this amount was 72.3 billion euro, of which 63 billion euro attributable to the Parent Company (94.5 billion euro in December 2022, of which 89 billion euro attributable to the Parent Company)[18].
Calculated considering the liquidity referred to above, as at 30 September 2023 the Group's net interbank position had a positive balance of 5.1 billion euro compared to -11.8 billion euro at the end of 2022. This change primarily reflected the significant reduction in amounts due to banks during the year (-29.2% to 97.4 billion euro), as a result of repayments, both early and upon maturity, of the funds raised through the TLTRO operations, despite the decrease, in a smaller percentage, in the aggregate of cash and cash equivalents and due from banks (-18.5% to 102.5 billion euro).
As at 30 September 2023, outstanding TLTRO III refinancing amounted to a nominal value of 45.1 billion euro – almost fully pertaining to Intesa Sanpaolo – unchanged compared to June but down from 96.1 billion euro at the end of 2022. As already noted in the Half-yearly Report, in January, Intesa Sanpaolo made early repayments of 20 billion euro in nominal value: 4 billion euro obtained at the March 2020 auction and maturing in March 2023, and 16 billion euro as a partial repayment of funds obtained at the June 2020 auction and maturing in June 2023. On 28 June 2023, 31 billion euro which was still outstanding of the financing obtained at the June 2020 auction fell due.

[18] In order to better represent the Group's liquidity position, in addition to those held by the Parent Company, as a borrower of TLTRO funds, the overnight deposits of the Group's other euro area banks have been considered, even when those banks are not recipients of TLTRO funds.

INSURANCE BUSINESS

Financial assets and liabilities pertaining to insurance companies

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value through profit or loss and Hedging derivatives	Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	Financial assets pertaining to insurance companies measured at amortised cost	TOTAL Financial assets pertaining to insurance companies	Due to Banks and Financial Derivatives pertaining to insurance companies (*)	
Debt securities issued by Governments						
30.09.2023	3,253	53,438	-	**56,691**	X	
31.12.2022	2,754	55,283	-	**58,037**	X	
Changes amount	499	-1,845	-	**-1,346**	X	
Changes %	18.1	-3.3	-	**-2.3**	X	
Other debt securities						
30.09.2023	3,997	15,692	-	**19,689**	X	
31.12.2022	3,640	14,502	-	**18,142**	X	
Changes amount	357	1,190	-	**1,547**	X	
Changes %	9.8	8.2	-	**8.5**	X	
Equities						
30.09.2023	5,130	6	-	**5,136**	X	
31.12.2022	5,004	7	-	**5,011**	X	
Changes amount	126	-1	-	**125**	X	
Changes %	2.5	-14.3	-	**2.5**	X	
Quotas of UCI						
30.09.2023	86,251	-	-	**86,251**	X	
31.12.2022	90,680	-	-	**90,680**	X	
Changes amount	-4,429	-	-	**-4,429**	X	
Changes %	-4.9	-	-	**-4.9**	X	
Due from banks and loans to customers						
30.09.2023	553	-	2	**555**	X	
31.12.2022	876	-	3	**879**	X	
Changes amount	-323	-	-1	**-324**	X	
Changes %	-36.9	-	-33.3	**-36.9**	X	
Due to banks						
30.09.2023	X	X	X	**X**	778	(**)
31.12.2022	X	X	X	**X**	637	(**)
Changes amount	X	X	X	**X**	141	
Changes %	X	X	X	**X**	22.1	
Financial derivatives						
30.09.2023	42	-	-	**42**	193	(***)
31.12.2022	98	-	-	**98**	171	(***)
Changes amount	-56	-	-	**-56**	22	
Changes %	-57.1	-	-	**-57.1**	12.9	
Credit derivatives						
30.09.2023	-	-	-	**-**	-	(***)
31.12.2022	-	-	-	**-**	-	(***)
Changes amount	-	-	-	**-**	-	
Changes %	-	-	-	**-**	-	
TOTAL 30.09.2023	**99,226**	**69,136**	**2**	**168,364**	**971**	
TOTAL 31.12.2022	**103,052**	**69,792**	**3**	**172,847**	**808**	
Changes amount	**-3,826**	**-656**	**-1**	**-4,483**	**163**	
Changes %	**-3.7**	**-0.9**	**-33.3**	**-2.6**	**20.2**	

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

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

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

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

Financial assets and due to banks, and financial derivatives pertaining to insurance companies, summarised in the table above, amounted to 168.4 billion euro and 971 million euro, respectively. Financial assets were down from the beginning of the year (-2.6%, or -4.5 billion euro), due to the declining trend in financial assets measured at fair value through profit or loss and hedging derivatives (-3.7%, or -3.8 billion euro), particularly on quotas of UCIs and, to a lesser extent, in financial assets measured at fair value through other comprehensive income (-0.9%, or -0.7 billion euro).

Direct deposits from insurance business

(millions of euro)

	30.09.2023				31.12.2022				Changes	
	Life	Non-life	Total	% breakdown	Life	Non-life	Total	% breakdown	amount	%
Liabilities for remaining coverage (*)	113,109	977	114,086	67.9	115,236	1,042	116,278	67.0	-2,192	-1.9
of which: Present value of cash flows	*103,989*	*220*	*104,209*	*62.0*	*106,227*	*216*	*106,443*	*61.3*	*-2,234*	*-2.1*
of which: Adjustment for non-financial risks	*362*	*16*	*378*	*0.2*	*268*	*1*	*269*	*0.2*	*109*	*40.5*
of which: Contractual service margin	*8,758*	*325*	*9,083*	*5.4*	*8,741*	*328*	*9,069*	*5.2*	*14*	*0.2*
Liabilities for incurred claims	770	760	1,530	0.9	758	539	1,297	0.7	233	18.0
Total Insurance liabilities	**113,879**	**1,737**	**115,616**	**68.8**	**115,994**	**1,581**	**117,575**	**67.7**	**-1,959**	**-1.7**
Investment contracts										
Unit linked (**)	50,715	-	50,715	30.2	54,212	-	54,212	31.2	-3,497	-6.5
Total Financial liabilities	**50,715**	**-**	**50,715**	**30.2**	**54,212**	**-**	**54,212**	**31.2**	**-3,497**	**-6.5**
Other insurance deposits (***)	**1,644**	**-**	**1,644**	**1.0**	**1,885**	**-**	**1,885**	**1.1**	**-241**	**-12.8**
Direct deposits from insurance business	**166,238**	**1,737**	**167,975**	**100.0**	**172,091**	**1,581**	**173,672**	**100.0**	**-5,697**	**-3.3**

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

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

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

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

Direct deposits from insurance business stood at 168 billion euro as at 30 September 2023, down 3.3%, or 5.7 billion euro, compared to the end of December 2022. The change was attributable to the reduction both in the financial liabilities of the life business (-6.5%, or -3.5 billion euro), consisting of unit-linked products, and in insurance liabilities (-1.7%, -2 billion euro), particularly the liability for remaining coverage. Other insurance deposits also decreased (-0.2 billion euro), including subordinated liabilities, which are a minor component of the total aggregate.

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 30 September 2023, assets held for sale amounted to 256 million euro – mainly consisting of non-performing loans and Stage 2 performing exposures – and the associated liabilities amounted to 13 million euro.

SHAREHOLDERS' EQUITY

As at 30 September 2023, the Group's Shareholders' equity came to 64,511 million euro, compared to 61,103 million euro at the beginning of the year, which registered the interim dividends on the 2022 net income paid in November 2022 (-1.4 billion euro). The aggregate as at September 2023 included 6,122 million euro of net income accrued in the first nine months of 2023 and reflected the remaining of dividends on the 2022 income paid in May 2023 (1.6 billion euro).

Valuation reserves

(millions of euro)

	Reserve 31.12.2022	Change of the period	Reserve 30.09.2023
Financial assets designated at fair value through other comprehensive income (debt instruments)	-1,774	13	-1,761
Financial assets designated at fair value through other comprehensive income (equities)	-258	-162	-420
Property and equipment	1,749	-1	1,748
Foreign investment hedges	-10	-2	-12
Cash flow hedges	-466	127	-339
Foreign exchange differences	-1,247	-23	-1,270
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-45	6	-39
Actuarial profits (losses) on defined benefit pension plans	-238	83	-155
Portion of the valuation reserves connected with investments carried at equity	39	-19	20
Legally-required revaluations	311	-	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-1,939**	**22**	**-1,917**
Valuation reserves pertaining to insurance companies	**-519**	**53**	**-466**

Bank valuation reserves were negative (-1,917 million euro) and substantially stable compared to 31 December 2022 (-1,939 million euro). The main positive factors were cash flow hedges and lower actuarial losses on pension plans, while reserves on equity instruments acted negatively. Valuation reserves of the insurance companies amounted to -466 million euro, compared to -519 million euro at the end of 2022.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	30.09.2023 (*)	31.12.2022 IFRS 9 "Fully loaded"	31.12.2022 IFRS 9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	40,496	40,019	40,772
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,707	7,207	7,207
TIER 1 CAPITAL	**48,203**	**47,226**	**47,979**
Tier 2 capital net of regulatory adjustments	8,926	9,127	8,381
TOTAL OWN FUNDS	**57,129**	**56,353**	**56,360**
Risk-weighted assets			
Credit and counterparty risks	257,951	259,924	259,528
Market and settlement risk	13,613	10,338	10,338
Operational risks	26,490	25,486	25,486
Other specific risks (a)	228	91	91
RISK-WEIGHTED ASSETS	**298,282**	**295,839**	**295,443**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.6%	13.5%	13.8%
Tier 1 capital ratio	16.2%	16.0%	16.2%
Total capital ratio	19.2%	19.0%	19.1%

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

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

Own funds
As at 30 September 2023, Own funds amounted to 57,129 million euro.
Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the elements to be deducted from own funds, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.
Own funds also take into account the applicable amount, object of deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 630/2019 of 17 April 2019.
Moreover, in compliance with Article 3 of the CRR (“Application of stricter requirements by institutions”), for the purpose of calculating own funds as at 30 September 2023, the voluntary deduction of calendar provisioning[19] on exposures within the scope of Pillar 2 was included, which entailed the deduction of an impact of around 30 basis points from CET 1.
Since 30 June 2023, the Intesa Sanpaolo Group has been complying with EBA Q&A 2021_6211, which clarifies that the amount of goodwill to deduct from an institution’s CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. The latter amount was included in the calculation of risk-weighted assets (RWA), thus falling under the ordinary treatment that the Group reserves for investments in insurance companies.
With regard to AT1, following the authorisation for the repurchase and redemption granted by the ECB in July 2023, the AT1 instrument issued in May 2017 with a nominal value of 750 million euro has no longer been included as at 30 September, while the new perpetual AT1 bond issued in September with a nominal value of 1.25 billion euro has been included.
Lastly, it is noted that, for the purposes of calculating own funds as at 30 September 2023, the net income for the first nine months of 2023 was considered, less the related dividend and other foreseeable charges[20].

[19] The addendum to ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks “deduce” on their own initiative specific amounts from CET 1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.
[20] Coupons accrued on the Additional Tier 1 issues (245 million euro).

Risk-weighted assets
As at 30 September 2023, risk-weighted assets came to 298,282 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risks.
Common Equity Tier 1 Capital and risk-weighted assets as at 30 September 2023 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios
On the basis of the foregoing, solvency ratios as at 30 September 2023 amounted to a Common Equity ratio of 13.6%, a Tier 1 ratio of 16.2% and a total capital ratio of 19.2%.
Finally, on 15 December 2022, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2023, following the results of the Supervisory Review and Evaluation Process (SREP). Following the additional Article 3 CRR deduction made to Own funds in June 2023 (for the calendar provisioning on exposures included in the scope of Pillar 2), the Supervisor updated the Pillar 2 Requirement (P2R) applicable in 2023 (SREP 2022). As a result, from the second half of 2023, the P2R on Total Capital is 1.50% (compared to 1.72% previously).
The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.82%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[21] requirements.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	30.09.2023	31.12.2022
Group Shareholders' equity	64,511	61,655
Minority interests	164	166
Shareholders' equity as per the Balance Sheet	**64,675**	**61,821**
Interim dividend (a)	-	1,400
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,707	-7,207
- Minority interests eligible for inclusion in AT1	-	-
- Minority interests eligible for inclusion in T2	-	-
- Ineligible minority interests on full phase-in	-164	-166
- Ineligible net income for the period (b)	-4,532	-3,165
- Treasury shares included under regulatory adjustments (c)	170	169
- Other ineligible components on full phase-in (d)	-316	-100
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,126**	**52,752**
Regulatory adjustments (including transitional adjustments) (e)	**-11,630**	**-11,980**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**40,496**	**40,772**

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

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

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

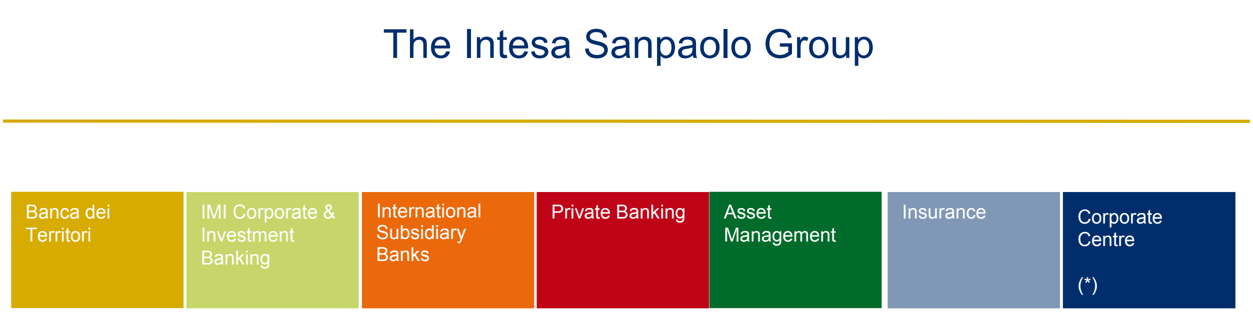
(d) As at 30 September 2023, the amount includes a deduction of 246 million euro following the authorisation for the repurchase of an AT1 instrument as part of a liability management transaction carried out in August.

(e) Regulatory adjustments as at 30 September 2023 no longer include the impact of the application of the IFRS 9 transitional filter, the applicability of which ended in 2022. Conversely, they include 891 million euro in additional deductions pursuant to Art. 3 of the CRR (relating to the voluntary deduction of calendar provisioning on exposures included in the scope of Pillar 2).

[21] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 30 September 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 2023).

Breakdown of consolidated results by business area

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



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

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

With regard to the application of IFRS 17 and IFRS 9 by the Group's insurance companies, following the end of the deferral period under the deferral approach, in line with the adjustment of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the division data for the periods presented for comparison were also adjusted on a like-for-like basis.
Moreover, division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary and if they are material. In particular, the restatements involved:
- the inclusion in the Private Banking Division of the income statement and balance sheet results of the Luxembourg private bank Compagnie de Banque Privée Quilvest[22], consolidated at the end of June 2022;
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022;
- the reclassification from the caption Personnel expenses to the caption Net fee and commission income, of the charges relating to several incentive systems for employees of the Banca dei Territori Division and the Private Banking Division, where funded through fee and commission income generated based on deterministic quantification criteria correlated with that income, in line with the accounting treatment envisaged for the incentive systems for non-employee financial advisors (reclassification introduced in 2022).

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

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

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

supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by the regulatory metric.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.09.2023	8,482	2,887	2,180	2,364	689	1,233	930	18,765
30.09.2022	6,546	3,424	1,619	1,749	724	1,224	487	15,773
% change	29.6	-15.7	34.7	35.2	-4.8	0.7	91.0	19.0
Operating costs								
30.09.2023	-4,636	-1,066	-838	-702	-169	-264	-186	-7,861
30.09.2022	-4,641	-1,022	-802	-666	-152	-269	-252	-7,804
% change	-0.1	4.3	4.5	5.4	11.2	-1.9	-26.2	0.7
Operating margin								
30.09.2023	3,846	1,821	1,342	1,662	520	969	744	10,904
30.09.2022	1,905	2,402	817	1,083	572	955	235	7,969
% change		-24.2	64.3	53.5	-9.1	1.5		36.8
Net income (loss)								
30.09.2023	1,695	1,141	1,001	1,038	372	709	166	6,122
30.09.2022	743	520	353	750	435	698	-196	3,303
% change				38.4	-14.5	1.6		85.3

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.09.2023	236,098	130,426	41,867	14,411	235	-	10,673	433,710
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
% change	-4.8	0.5	4.1	-4.6	-16.7	-	-21.2	-2.9
Direct deposits from banking business								
30.09.2023	274,002	105,976	55,707	44,413	17	-	77,769	557,884
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
% change	-5.9	11.8	2.5	-12.0	-34.6	-	42.2	2.3
Risk-weighted assets								
30.09.2023	78,873	110,344	35,340	12,254	1,846	-	59,625	298,282
31.12.2022	84,302	101,018	35,056	12,757	1,798	-	60,512	295,443
% change	-6.4	9.2	0.8	-3.9	2.7	-	-1.5	1.0
Absorbed capital								
30.09.2023	6,775	9,498	3,816	1,161	200	4,690	3,193	29,333
31.12.2022	7,242	8,698	3,782	1,154	195	4,954	3,488	29,513
% change	-6.4	9.2	0.9	0.6	2.6	-5.3	-8.5	-0.6

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

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.09.2023	30.09.2022	Changes	
			amount	%
Net interest income	4,919	2,928	1,991	68.0
Net fee and commission income	3,482	3,526	-44	-1.2
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	84	90	-6	-6.7
Other operating income (expenses)	-3	2	-5	
Operating income	**8,482**	**6,546**	**1,936**	**29.6**
Personnel expenses	-2,447	-2,503	-56	-2.2
Other administrative expenses	-2,188	-2,136	52	2.4
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-4,636**	**-4,641**	**-5**	**-0.1**
Operating margin	**3,846**	**1,905**	**1,941**	
Net adjustments to loans	-838	-415	423	
Other net provisions and net impairment losses on other assets	-78	-44	34	77.3
Other income (expenses)	-	11	-11	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**2,930**	**1,457**	**1,473**	
Taxes on income	-963	-481	482	
Charges (net of tax) for integration and exit incentives	-42	-14	28	
Effect of purchase price allocation (net of tax)	-19	-26	-7	-26.9
Levies and other charges concerning the banking industry (net of tax)	-211	-206	5	2.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	13	-13	
Net income (loss)	**1,695**	**743**	**952**	

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Loans to customers	236,098	247,913	-11,815	-4.8
Direct deposits from banking business	274,002	291,089	-17,087	-5.9
Risk-weighted assets	78,873	84,302	-5,429	-6.4
Absorbed capital	6,775	7,242	-467	-6.4

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

Banca dei Territori's operating income was 8,482 million euro in the first nine months of 2023, amounting to 45% of the Group's consolidated revenues, showing sustained growth (+29.6%) on the same period of the previous year.
In detail, net interest income increased considerably (+68%), due to the performance of market interest rates, which favoured the profitability of customer dealing. Net fee and commission income decreased (-1.2%), mainly attributable to the assets under management segment, against an increase in fees on certificate placements, dealing in securities and advisory services. As part of commercial banking fees, loans and guarantees decreased due to lower disbursements, partly offset by fee and commission income from cards and other payment services, related to the gradual increase in the amount transacted. The other revenue components, which provide a marginal contribution to the Division's operating income, profits (losses) on financial assets and liabilities designated at fair value came to 84 million euro (-6.7%) and other operating expenses to -3 million euro (compared to income of +2 million euro for the first nine months of 2022). Operating costs, amounting to 4,636 million euro, remained essentially stable (-0.1%), due to savings on personnel expenses, mainly attributable to the reduction in the workforce following the negotiated exits, almost entirely offset by the increase in administrative expenses, which, moreover, were affected by higher inflation levels than in 2022. As a result of the above, the operating margin amounted to 3,846 million euro, more than double compared to the same period last year. Gross income, at 2,930 million euro, showed a similar trend, despite higher adjustments to loans compared to the first nine months of 2022, which had benefited from the release of generic adjustments on performing positions subject to moratoria. After allocation to the Division

of taxes of 963 million euro, charges for integration of 42 million euro, the effects of purchase price allocation of 19 million euro, and levies and other charges concerning the banking industry of 211 million euro, net income came to 1,695 million euro (743 million euro in the same period of 2022).

In terms of quarterly development, the operating margin decreased compared to the second quarter of 2023, due to the downturn in revenues. Gross income grew in the third quarter, benefiting from lower adjustments to loans and net provisions, while net income decreased, due in particular to the seasonality of levies and other charges concerning the banking industry, as a result of the accounting in September for the gradual amount since the beginning of the year of 211 million euro.

The balance sheet figures at the end of September 2023 showed a decline in total intermediated volumes of loans and deposits from the beginning of the year (-5.4%). In detail, loans to customers, amounting to 236,098 million euro, decreased (-4.8%, or -11.8 billion euro), mainly due to the trend in loans to businesses which, in the presence of a rapid rise in interest rates, decided to use their liquidity to limit the use of bank credit, and, to a lesser extent, due to loans to individuals, who decreased the demand for mortgage loans. Direct deposits from banking business, equal to 274,002 million euro, amounted to levels down from the beginning of the year (-5.9%, equal to -17.1 billion euro) in relation to the decrease in amounts due to customers. Businesses used their excess liquidity to reduce the use of credit facilities. Households, whose purchasing power was eroded by inflation, redirected a portion of their available funds on current accounts to more remunerative investment products such as government/corporate bond issues, which increased the dossiers of assets under administration, and Intesa Sanpaolo certificates structured by the IMI Corporate & Investment Banking Division.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	30.09.2023	30.09.2022	Changes	
			amount	%
Net interest income	2,019	1,508	511	33.9
Net fee and commission income	829	854	-25	-2.9
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	40	1,064	-1,024	-96.2
Other operating income (expenses)	-1	-2	-1	-50.0
Operating income	**2,887**	**3,424**	**-537**	**-15.7**
Personnel expenses	-384	-370	14	3.8
Other administrative expenses	-667	-636	31	4.9
Adjustments to property, equipment and intangible assets	-15	-16	-1	-6.3
Operating costs	**-1,066**	**-1,022**	**44**	**4.3**
Operating margin	**1,821**	**2,402**	**-581**	**-24.2**
Net adjustments to loans	22	-1,356	1,378	
Other net provisions and net impairment losses on other assets	-139	-105	34	32.4
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,704**	**941**	**763**	**81.1**
Taxes on income	-544	-407	137	33.7
Charges (net of tax) for integration and exit incentives	-19	-15	4	26.7
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	1	-1	
Net income (loss)	**1,141**	**520**	**621**	

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Loans to customers	130,426	129,791	635	0.5
Direct deposits from banking business (1)	105,976	94,785	11,191	11.8
Risk-weighted assets	110,344	101,018	9,326	9.2
Absorbed capital	9,498	8,698	800	9.2

(1) The item includes certificates.

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

In the first nine months of 2023, the **IMI Corporate & Investment Banking Division** recorded operating income of 2,887 million euro (representing around 15% of the Group's consolidated total), down 15.7% compared to the same period of last year.

In detail, net interest income, amounting to 2,019 million euro, grew by 33.9%, mainly attributable to Global Markets operations, as well as a greater contribution from customer deposits. Net fee and commission income, at 829 million euro, was down (-2.9%), due to the fall in fees and commissions in the commercial banking segment, only partly offset by the positive performance of investment banking. The profits (losses) on financial assets and liabilities designated at fair value, amounting to 40 million euro, decreased significantly (-96.2%), mainly due to the management of trading in the Global Markets area. The segment was adversely affected by the management of the financial risk related to the funding in certificates, which, however, had a positive impact on net interest income in terms of greater liquidity invested. Lower gains from the sale of HTC debt securities and the lower contribution from the debt value adjustment (DVA), due to the tightening of Intesa Sanpaolo's credit spread in the current year, also had an impact.

Operating costs amounted to 1,066 million euro, an increase of 4.3%, attributable to administrative and personnel expenses.

As a result of the above revenue and cost trends, the operating margin decreased by 24.2% compared to the value recorded in the first nine months of last year, amounting to 1,821 million euro. Gross income, amounting to 1,704 million euro, increased significantly (+81.1%) on the value in the same period of 2022, which included significant adjustments allocated in relation to the events in Russia and Ukraine. Lastly, net income came to 1,141 million euro, more than double the 520 million euro realised in the same period of the previous year.

The IMI Corporate & Investment Banking Division reported a decline in operating margin in the third quarter of 2023 compared to the second quarter due to lower revenues, mainly from fee and commission income and profits (losses) on financial assets and liabilities designated at fair value. The gross income and net income declined, due to the adjustments to loans against the recoveries recorded in the previous quarter.

The Division's intermediated volumes increased compared to the beginning of the year (+5.3%). In detail, loans to customers, amounting to 130,426 million euro, increased slightly (+0.5%, equal to 0.6 billion euro), mainly due to loans to customers in the Global Market area, supported by the growth in repurchase agreements and other short-term loans, as well as loans to financial institution customers. Direct deposits from banking business, amounting to 105,976 million euro, were up from the beginning of the year (+11.8%, or +11.2 billion euro) as a result of the increase in transactions in certificates and the growth in securities issued by the Luxembourg and Irish subsidiaries.

International Subsidiary Banks

(millions of euro)

Income statement	30.09.2023	30.09.2022	Changes	
			amount	%
Net interest income	1,705	1,132	573	50.6
Net fee and commission income	436	436	-	-
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	92	99	-7	-7.1
Other operating income (expenses)	-53	-48	5	10.4
Operating income	**2,180**	**1,619**	**561**	**34.7**
Personnel expenses	-430	-410	20	4.9
Other administrative expenses	-322	-307	15	4.9
Adjustments to property, equipment and intangible assets	-86	-85	1	1.2
Operating costs	**-838**	**-802**	**36**	**4.5**
Operating margin	**1,342**	**817**	**525**	**64.3**
Net adjustments to loans	-71	-233	-162	-69.5
Other net provisions and net impairment losses on other assets	-59	-12	47	
Other income (expenses)	121	3	118	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,333**	**575**	**758**	
Taxes on income	-275	-160	115	71.9
Charges (net of tax) for integration and exit incentives	-33	-31	2	6.5
Effect of purchase price allocation (net of tax)	-2	-	2	-
Levies and other charges concerning the banking industry (net of tax)	-21	-31	-10	-32.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-1	-	1	-
Net income (loss)	**1,001**	**353**	**648**	

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Loans to customers	41,867	40,212	1,655	4.1
Direct deposits from banking business	55,707	54,364	1,343	2.5
Risk-weighted assets	35,340	35,056	284	0.8
Absorbed capital	3,816	3,782	34	0.9

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

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

In the first nine months of 2023, the Division's operating income came to 2,180 million euro, up sharply on the same period of the previous year (+34.7%; +46.4% at constant exchange rates). A detailed analysis shows that net interest income came to 1,705 million euro (+50.6%), mainly due to the favourable performance of PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+217 million euro) – VUB Banka (+152 million euro), CIB Bank (+103 million euro) and Banca Intesa Beograd, including Intesa Leasing Beograd (+93 million euro). Net fee and commission income, at 436 million euro, remained in line with the same period of 2022. Within other income components, there was a decrease in profits (losses) on financial assets and liabilities designated at fair value (-7 million euro) and an increase in other operating expenses (+5 million euro).
Operating costs of 838 million euro increased (+4.5%; +12.4% at constant exchange rates), mainly due to the trend in personnel and administrative expenses.
As a result of the above revenue and cost trends, the operating margin increased by 64.3%, amounting to 1,342 million euro. The gross income of 1,333 million euro more than doubled compared to the same period in 2022, benefiting from lower net adjustments to loans and the capital gain from the sale of the PBZ Card acquiring business line recognised in other income. The Division ended the first nine months of the year with a net income of 1,001 million euro, compared to 353 million euro in the same period of the previous year.

At the quarterly level, in the third quarter of 2023 the operating margin increased compared with the second quarter, as a result of the growth in revenues, driven by the increase in net interest income, which more than offset the higher operating costs. The gross income and net income were also higher than in the previous quarter.

The Division's intermediated volumes were up at the end of September 2023 (+3.2%) compared to the beginning of the year owing to both loans to customers (+4.1%) and direct deposits from banking business (+2.5%), in particular amounts due to customers. The performance of the loans was mainly attributable to the growth posted by the subsidiaries operating in Croatia, Slovakia and Hungary, partly attenuated by the decrease in loans in Egypt. In terms of funding, the growth posted by the subsidiaries operating in Slovakia, Serbia, Slovenia and Albania was partially offset by the negative performance in Egypt[23].

[23] With regard to Egypt, and purely in the interest of completeness, it is also noted that the estimates conducted concerning the effects of the downgrading by two rating agencies – made in October and, therefore, in the last quarter of the year – did not have a material impact at consolidated level on the expected loss on the financial assets pertaining to Egyptian counterparties.

Private Banking

(millions of euro)

Income statement	30.09.2023	30.09.2022	Changes	
			amount	%
Net interest income	933	203	730	
Net fee and commission income	1,385	1,505	-120	-8.0
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	41	29	12	41.4
Other operating income (expenses)	5	12	-7	-58.3
Operating income	**2,364**	**1,749**	**615**	**35.2**
Personnel expenses	-358	-341	17	5.0
Other administrative expenses	-279	-265	14	5.3
Adjustments to property, equipment and intangible assets	-65	-60	5	8.3
Operating costs	**-702**	**-666**	**36**	**5.4**
Operating margin	**1,662**	**1,083**	**579**	**53.5**
Net adjustments to loans	-29	-7	22	
Other net provisions and net impairment losses on other assets	-15	22	-37	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,618**	**1,098**	**520**	**47.4**
Taxes on income	-525	-291	234	80.4
Charges (net of tax) for integration and exit incentives	-17	-22	-5	-22.7
Effect of purchase price allocation (net of tax)	-17	-15	2	13.3
Levies and other charges concerning the banking industry (net of tax)	-21	-19	2	10.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-1	-1	
Net income (loss)	**1,038**	**750**	**288**	**38.4**

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Assets under management (1)	150,292	150,112	180	0.1
Risk-weighted assets	12,254	12,757	-503	-3.9
Absorbed capital	1,161	1,154	7	0.6

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

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

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

In the first nine months of 2023, the Division achieved gross income of 1,618 million euro, up by 520 million euro (+47.4%) compared to the same period of 2022. The operating margin showed a positive trend (+579 million euro), attributable to the increase in operating income (+615 million euro), with a slight increase in operating costs (+36 million euro). The revenue performance is mainly attributable to net interest income which, in a scenario of growing market interest rates, rose to 730 million euro, due to the greater contribution from investments in securities and dealing with banks and customers. The analysis of the quarterly performance shows a significant acceleration of interest income starting in the second half of 2022, which benefited from the progressive rise in interest rates by the ECB. Profits (Losses) on financial assets and liabilities designated at fair value grew to a lesser extent (+12 million euro). Net fee and commission income moved in the opposite direction (-120 million euro), particularly recurring fees and commissions, in relation to the reduction in average assets under management, and up-front fees, due to the reduction in placements by the Group's distribution networks. Other net operating income also decreased (-7 million euro), due to the decline in the profits (losses) on equity investments consolidated using the equity method. The increase in operating costs was mainly attributable to personnel expenses, for the strengthening of the international network, and administrative expenses, in particular for IT, real estate and services rendered by third parties. The Division closed the first nine months of 2023 with net income of 1,038 million euro, up by 38.4% on the same period of 2022.

The values of assets gathered have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 30 September 2023, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 288 billion euro (+15.5 billion euro since the beginning of the year). This trend was due to positive net inflows, as well as the market performance, which had a favourable impact on assets. The assets under management component amounted to 150.3 billion euro (+0.2 billion euro).

Asset Management

(millions of euro)

Income statement	30.09.2023	30.09.2022	Changes amount	Changes %
Net interest income	6	-	6	-
Net fee and commission income	619	690	-71	-10.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	19	-22	41	
Other operating income (expenses)	45	56	-11	-19.6
Operating income	**689**	**724**	**-35**	**-4.8**
Personnel expenses	-76	-73	3	4.1
Other administrative expenses	-86	-74	12	16.2
Adjustments to property, equipment and intangible assets	-7	-5	2	40.0
Operating costs	**-169**	**-152**	**17**	**11.2**
Operating margin	**520**	**572**	**-52**	**-9.1**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**520**	**572**	**-52**	**-9.1**
Taxes on income	-144	-132	12	9.1
Charges (net of tax) for integration and exit incentives	-	-1	-1	
Effect of purchase price allocation (net of tax)	-3	-3	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-1	-1	-	-
Net income (loss)	**372**	**435**	**-63**	**-14.5**

(millions of euro)

	30.09.2023	31.12.2022	Changes amount	Changes %
Assets under management	300,878	303,829	-2,951	-1.0
Risk-weighted assets	1,846	1,798	48	2.7
Absorbed capital	200	195	5	2.6

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

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

Operating income for the first nine months of 2023, amounting to 689 million euro, was down by 4.8% on the same period of the previous year, due to the performance of net fee and commission income (-71 million euro, or -10.3%), which was impacted by the decrease in management fees and commissions related to the decrease in assets managed and placements and, to a lesser extent, the performance fees and commissions collected during the period. Within the other revenue components, the contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested was a positive 19 million euro (-22 million euro in the first nine months of 2022). The Chinese subsidiary Penghua, consolidated at equity, provided a positive contribution to operating income of 45 million euro, an amount 11 million euro lower than that recorded in the same period of the previous year. The performance of operating costs (+11.2%) is mainly attributable to the increase in administrative expenses, associated with the emerging costs due to the adoption of the new system of portfolio management and risk management. As a result of the above revenue and cost trends, the operating margin came to 520 million euro, down 9.1% on the same period of 2022. The Division closed the first nine months of 2023 with net income of 372 million euro (-14.5%).

As at 30 September 2023, the assets under management of the Asset Management Division totalled 300.9 billion euro, down by 3 billion euro (-1%) compared to the end of December 2022. This performance was attributable to the net outflows (-7.8 billion euro) only partly offset by the revaluation of assets under management, correlated with the positive performance of the markets. The change in net inflows was mainly attributable to the mandates on insurance and pension products (-7 billion euro), and, to a lesser extent, mutual funds (-1.5 billion euro) and portfolio management schemes for retail and private customers (-0.5 billion euro), only partly offset by positive net inflows on products targeted to institutional customers (+1.2 billion euro), both in traditional asset classes and private market mandates.

As at 30 September 2023, Eurizon Capital's Italian market share of assets under management was 16.6% (gross of duplications). Excluding the closed-end funds segment, in which the company has a limited presence, the share of assets under management at the end of September rose to 17.2%.

Insurance

(millions of euro)

Income statement	30.09.2023	30.09.2022	Changes	
			amount	%
Net interest income	-	-	-	-
Net fee and commission income	2	2	-	-
Income from insurance business	1,242	1,231	11	0.9
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-11	-9	2	22.2
Operating income	**1,233**	**1,224**	**9**	**0.7**
Personnel expenses	-105	-100	5	5.0
Other administrative expenses	-136	-147	-11	-7.5
Adjustments to property, equipment and intangible assets	-23	-22	1	4.5
Operating costs	**-264**	**-269**	**-5**	**-1.9**
Operating margin	**969**	**955**	**14**	**1.5**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	57	-	57	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,026**	**955**	**71**	**7.4**
Taxes on income	-296	-244	52	21.3
Charges (net of tax) for integration and exit incentives	-13	-7	6	86
Effect of purchase price allocation (net of tax)	-6	-5	1	20.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-2	-1	1	
Net income (loss)	**709**	**698**	**11**	**1.6**

(millions of euro)

	30.09.2023	31.12.2022	Changes	
			amount	%
Direct deposits from insurance business (1)	167,992	173,672	-5,680	-3.3
Risk-weighted assets	-	-	-	-
Absorbed capital	4,690	4,954	-264	-5.3

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

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

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

In the first nine months of 2023, the Division reported income from insurance business of 1,242 million euro, up slightly (+0.9%, equal to +11 million euro) compared to the same period of 2022. This growth was attributable to an increase in the technical margin in the life business and an overall improvement in the non-life business. Gross income, amounting to 1,026 million euro, was up (+7.4%) as a result of the slight increase in operating income, the decrease in operating costs, particularly in administrative expenses, and the movement in net provisions, which reported releases of 57 million euro in the first nine months of 2023.
The cost/income ratio, at 21.4%, remained at very good levels, lower than those recorded in the same period of last year.
Lastly, net income came to 709 million euro (+1.6%) after the attribution of taxes of 296 million euro, charges for integration and exit incentives of 13 million euro, effects of purchase price allocation for 6 million euro and minority interests for 2 million euro. With regard to the last caption, in March 2023 Intesa Sanpaolo acquired 100% of the shares of Intesa Sanpaolo RBM Salute.

Direct deposits from insurance business, amounting to 167,992 million euro, were down (-3.3%) compared to the beginning of the year, mainly due to the decrease in financial liabilities, made up of unit-linked products, and insurance liabilities.

The Division's collected premiums for life policies and pension products, amounting to 12.4 billion euro, increased by 4.3% compared to the first nine months of the previous year, due to traditional products (+49.4%) and pension products (+28.8%). Conversely, premiums on unit-linked products decreased (-43.9%).

Collected premiums for the protection business totalled 1.1 billion euro, up by 0.9% on the same period of 2022. Premiums in the non-motor business (excluding CPI – Credit Protection Insurance) rose by 6%, mainly driven by the Business and Accident Lines of Business (LoB) (+16% and +14%, respectively), against a decrease in the other components (motor and credit-related).

Corporate Centre

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

The Corporate Centre Departments generated an operating margin of 744 million euro in the first nine months of 2023, compared to 235 million euro in the same period of the previous year. That performance is essentially attributable to the growth in operating income, largely due to the trend in net interest income, which benefited from the significant rise in market interest rates. Operating costs declined, due to lower personnel expenses and higher charge backs by the Corporate Centre to the business units for pure services and guidance and control services, partially attenuated by the increase in the amortisation of intangible assets correlated with technological investments. Gross income amounted to 941 million euro compared to 434 million euro in the same period of the previous year. The first nine months of 2023 closed with a net income of +166 million euro, compared to a net loss of -196 million euro in the same period of 2022. The income statement of the Corporate Centre includes around half of the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management, essentially related to the resolution funds. These charges amounted - after tax - to 250 million euro, compared with 288 million euro in the first nine months of 2022.

Treasury services

In the first nine months of 2023, Intesa Sanpaolo's market shares in settlements at national and European level remained stable, confirming its systemic role as a "critical participant" in the ECB's cash and securities settlement systems.
To conclude the ECB's "Vision 2020" programme, since June European banks have entered the testing phase of the new Eurosystem Collateral Management System - ECMS.

In the third quarter of 2023, the ECB continued its restrictive monetary policy cycle, raising the deposit facility rate to 4%. Inflation, despite continuing its downward trend, is expected to remain high for an extended period of time. The Governing Council of the ECB considers that interest rates have reached levels which, if maintained for a sufficiently long period, will provide a substantial contribution for the prompt return of inflation to the medium-term target of 2%.
Market interest rates incorporated the new rises, confirming significant volatility, and pricing in the possibility of a shift in monetary policy towards cuts in key interest rates by the end of the first half of 2024.
Intesa Sanpaolo maintained its solid liquidity position, with outstanding short-term securities funding also increasing in the third quarter of the year.
In the US, at its July meeting the FED raised the Fed Funds Target Rate by 25 basis points to 5.25-5.50%. The president of the US Federal Reserve reiterated that it is determined to bring inflation back down to 2%.

The total amount of Group securities placed on the domestic market in the third quarter of 2023, through the Group's networks and direct listings, was 4.22 billion euro, of which 4.15 billion euro in certificates placed through the Group's networks, 40 million euro in private placements through the Private Banking Division, and 29 million euro in securities traded on the MOT and/or EuroTLX market of Borsa Italiana (direct listing).

Among the securities placed, there was a prevalence (98%) of the component consisting of structured financial instruments, mainly comprised of index-linked and inflation-linked securities. A breakdown by average maturity shows that 87% is comprised of instruments with maturities up to 5 years, with the remaining 13% represented by 6-, 7- and 10-year securities.

During the third quarter of 2023, institutional unsecured funding transactions were completed for a total of 3.574 billion euro, of which 3.560 billion euro through bond issues placed with institutional investors and 14 million euro through the issuance of bonds and certificates by the IMI Corporate & Investment Banking Division placed with institutional investors.
Specifically, a senior preferred fixed-rate public issuance to institutional investors was completed in August, through two tranches: 750 million euro with a four-year maturity and 1.5 billion euro with an eight-year maturity.
In addition, an issuance of AT1-type subordinated financial instruments for institutional investors in the amount of 1.25 billion euro at a fixed rate was completed in September. These are perpetual financial instruments with an early redemption option exercisable by the issuer in the sixth year. The issuance was accompanied by a liability management transaction, launched at the end of August[24], in which the Bank repurchased AT1 securities issued in 2017 with a call exercisable in 2024 for a total amount of 503 million euro, corresponding to 67% of the total securities issued (750 million euro).
Finally, private placements were carried out for a total of 60 million euro.

With regard to the Covered Bond issuance programmes, during the third quarter of the year, as part of the programme guaranteed by ISP CB Pubblico, the 12th retained series was partially redeemed in July for 150 million euro (the remaining amount therefore came to 900 million euro).

Under the covered bond programme guaranteed by ISP OBG, the 42nd retained series was partially extinguished in July for an amount of 300 million euro (bringing the remaining nominal amount to 2.1 billion euro). In addition, the 20th retained series expired in August, for 1.6 billion euro.

In September, the subsidiary VUB Banka carried out an issuance of covered bonds. These are fixed-rate securities for an amount of 500 million euro, with 5-year maturity.

24 In this regard, see the opening chapter of this Interim Statement.

For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: at 30 September 2023 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to 17.5 billion euro.
During the period, the continued buoyant momentum of the US economy prompted markets to push back the rate cut forecasts incorporated in the forward structure to the second half of 2024. Portfolio operations were limited, mainly involving roundings of the government component. In the segment of non-government securities, the covered component, which seems attractive given its defensive characteristics, continued rising, along with the relatively generous levels of spreads and the probable future slowdown in supply over the coming quarters.
With regard to the repo market, in the third quarter of 2023, volumes of Italian government bonds traded decreased compared to the previous quarter and interest rates reached lower levels than the deposit facility. The spread between the rates of the core countries and Italian government bonds narrowed considerably compared to the previous quarter. The exception was the period between the third and fourth quarters when there was a significant widening of spreads associated with a fall in rates.

Strategic ALM

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

Risk management

THE CORE PRINCIPLES OF RISK MANAGEMENT

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risks and Sustainability Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework (RAF).
The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.
The Corporate Bodies also benefit from the action of some managerial committees on risk management. These committees, which include the Steering Committee, operate in compliance with the primary responsibilities of the Corporate Bodies regarding the internal control system and the prerogatives of corporate control functions, and in particular the risk control function.
The Chief Risk Officer Governance Area, directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the "second line of defence" of the internal control system that is separate and independent from the business supporting functions. This Area is responsible for: i) governing the macro process of definition, approval, control and implementation of the Group's Risk Appetite Framework with the support of the other corporate functions involved; ii) assisting the Corporate Bodies in setting and implementing the Group's risk management guidelines and policies, in accordance with the company's strategies and objectives; iii) coordinating and verifying their implementation by the responsible units of the Group, also within the various corporate areas; iv) guaranteeing the measurement and control of the Group's exposure to various types of risk and v) implementing the second level controls on credit and other risks, in addition to ensuring the validation of internal risk measurement and management systems.
The Parent Company performs a guidance and coordination role with respect to the Group companies[25], aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: i) the centralised management model based on the centralisation of the activities at the Parent Company and ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.
Irrespective of the control model adopted within their company, the Corporate Bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.
The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, at a given confidence level, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group's capital adequacy within the ICAAP.
The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks and Sustainability Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

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

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

THE BASEL 3 REGULATIONS

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.
With regard to credit risk, there were no changes with respect to 30 June 2023.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.
With regard to counterparty risk, there were no changes in the scope of application compared to 30 June 2023.
With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. There were no changes in the scope of application compared to 30 June 2023.
The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in March 2023.
As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

THE VALUATION IMPACTS FOR THE ISP GROUP OF THE MILITARY CONFLICT BETWEEN RUSSIA AND UKRAINE

As at 30 September 2023, the Group had the following on-balance sheet exposures to counterparties resident in Russia and Ukraine, net of ECA guarantees and gross/net of adjustments made:

(millions of euro)

	30.09.2023 (*)				31.12.2022 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	**978**	**201**	**731**	**119**	**1,629**	**216**	**1,168**	**103**
Banca Intesa Russia	*217*	*-*	*123*	*-*	*372*	*-*	*205*	*-*
Pravex	*-*	*81*	*-*	*-*	*-*	*112*	*-*	*-*
Cross-border exposures	*761*	*120*	*608*	*119*	*1,257*	*104*	*963*	*103*
Due from banks	**745**	**94**	**736**	**93**	**797**	**63**	**782**	**62**
Banca Intesa Russia	*729*	*-*	*722*	*-*	*751*	*-*	*740*	*-*
Pravex	*-*	*94*	*-*	*93*	*-*	*63*	*-*	*62*
Cross-border exposures	*16*	*-*	*14*	*-*	*46*	*-*	*42*	*-*
Securities	**10**	**43**	**9**	**40**	**73**	**11**	**41**	**2**
Banca Intesa Russia	*9*	*-*	*9*	*-*	*13*	*-*	*13*	*-*
Pravex	*-*	*37*	*-*	*37*	*-*	*-*	*-*	*-*
IMI C&IB Division	*-*	*-*	*-*	*-*	*31*	*-*	*14*	*-*
Insurance Division	*1*	*6*	*-*	*3*	*29*	*11*	*14*	*2*

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 52 million euro (45 million euro net) at Banca Intesa Russia, and 34 million euro (gross and net value) at Pravex, in addition to 42 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 26 million euro (25 million euro net) to customers resident in Ukraine.
There is also 66 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Russia and 20 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, the amounts as at 30 September 2023 and the increase of around 16 million euro compared to 31 December 2022 mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

(**) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 126 million euro (113 million euro net) at Banca Intesa Russia, and 67 million euro (66 million euro net) at Pravex, in addition to 232 million euro (186 million euro net) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.
There are also 155 million euro (152 million euro net) in cross-border off-balance sheet exposures to banks resident in Russia and 18 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

As at 30 September 2023, Banca Intesa Russia's remaining on-balance sheet exposures to customers amounted to 217 million euro in gross terms (123 million euro net) and those of Pravex Bank amounted to 81 million euro (zero book value in net terms).
The cross-border exposures to customers resident in Russia (net of ECA guarantees) amounted to 761 million euro (608 million euro net). In addition, there were exposures to banks resident in Russia totalling 745 million euro (736 million

euro net) and banks resident in Ukraine totalling 94 million euro (93 million euro net). The exposures in securities were minimal.
The majority of the exposures to Russian[26] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 “Financial Instruments”.

During the first nine months of the year, following the significant reduction in credit risks related to the Russia-Ukraine conflict achieved in 2022, mainly as a result of the final disposal of two major exposures (for 2.5 billion euro), there were further reductions due to disposals, repayments and settlements (loans and securities) totalling 766 million euro for Russia and an increase of 48 million euro for Ukraine, mainly on debt securities and amounts due from banks. Specifically, in the second quarter of 2023, a position classified as UTP was sold for 154 million euro, which generated a recovery on repayment of 51 million euro, and payments falling due were also collected for another position classified as UTP, whose gross value therefore decreased by around 84 million euro (of which 44 million euro in the second quarter).

Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group’s exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement. As at 30 September 2023, in the Group companies other than those resident in the countries in conflict, there was a significant decrease compared to 31 December 2022. The on-balance sheet non-performing loans to counterparties resident in Russia amounted to 24 million euro and related to positions already classified as at 30 June 2022, mainly attributable to two counterparties.
The non-performing loans of the Russian subsidiary amounted to 47 million euro, while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 81 million euro in bad loans.
In line with the disclosure already provided in the previous financial reports, for the portfolio for which no impairment has been identified, the methodological choices resulting from the Russian/Ukraine crisis, regarding the valuation of the credit exposures, are substantially the same. The analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses (ECLs) in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[27], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[28]), using the post-model adjustment in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
With specific reference to cross-border positions, the Group thus decided to adopt a valuation approach strongly guided by the emerging geopolitical risk “via transfer”, i.e. the risk that counterparties do not honour their commitments to pay debt following restrictions or decisions by their countries of residence, not due to aspects directly pertaining to their business, thus applied based on the country of residence of the counterparties. That approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL by applying management overlays. This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. At the same time, the ratings for the highest risk class already assigned to the most significant counterparties exposed to conflict-related country risk have been maintained.
In detail, the choices made for the purposes of calculating ECL on cross-border exposures were as follows:

- application of PD through the cycle associated with the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict;
- calculation of an additional prudential buffer that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar 2 modelling (unconditional LGD set by the transfer risk model of 55%);
- introduction of prudent margins in addition to the ECL estimates deriving from the above elements, in relation to potential further worsening of the credit ratings of Russian counterparties.

With reference to loans to customers disbursed by Pravex Bank, the absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on rationales, which consider the uncertainties and the risk elements associated with the military conflict. Therefore, in light of the worsening and continuation of the conflict with the consequent impacts on the Ukrainian economy, the choice adopted in the 2022 Annual Report regarding the classification of the Ukrainian subsidiary’s loans to customers as non-performing loans (bad loans), with full write-down of the on-balance sheet component, has been maintained.

With regard to Banca Intesa Russia, specific prudent choices were defined, while also considering the different situation of risk/operations than that of the Ukraine subsidiary. An approach to classifying and measuring performing loans was therefore adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, the assessments carried out on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As

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

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

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

a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 38% of their gross value.

Also of note was the repayment - between the end of March and the beginning of April - of the intragroup amount made available to Banca Intesa Russia and originally intended for a future capital increase (whose implementation had been suspended as a result of the war events).
The sums repaid amounted to an equivalent value of around 200 million euro, in line with what was initially made available.

For completeness, it should be noted that also for the real estate assets, given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to confirm the write-off of the value of Pravex Bank's investment and branch assets and other properties used in operations. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged. On the other hand, with regard to Banca Intesa Russia's small real estate asset portfolio, essentially consisting of the Moscow headquarters, no items were identified that required a write-down.

Overall, these valuation processes on Russian exposures led to the recognition as at 30 September 2023, before tax, of net recoveries totalling 100 million euro, as the offsetting effect of 171 million euro of net recoveries on loans and 71 million euro of other allowances for risks and charges (in addition to the 80 million euro already set aside as at December 2022), made upon consolidation of the investee Banca Intesa Russia, mainly to write off its equity contribution to the Group's consolidated financial statements, which was positive at the end of the first nine months due to the investee's positive operating performance in the period.

CREDIT RISKS

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

Credit quality

(millions of euro)

	30.09.2023			31.12.2022			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,886	-2,668	1,218	3,667	-2,536	1,131	87
Unlikely to pay	6,031	-2,461	3,570	6,423	-2,471	3,952	-382
Past due loans	575	-156	419	552	-139	413	6
Non-Performing Loans	**10,492**	**-5,285**	**5,207**	**10,642**	**-5,146**	**5,496**	**-289**
Non-performing loans in Stage 3 (subject to impairment)	*10,430*	*-5,265*	*5,165*	*10,597*	*-5,134*	*5,463*	*-298*
Non-performing loans designated at fair value through profit or loss	*62*	*-20*	*42*	*45*	*-12*	*33*	*9*
Performing loans	**424,986**	**-2,416**	**422,570**	**437,616**	**-2,590**	**435,026**	**-12,456**
Stage 2	*36,195*	*-1,637*	*34,558*	*45,801*	*-1,936*	*43,865*	*-9,307*
Stage 1	*388,085*	*-779*	*387,306*	*390,932*	*-654*	*390,278*	*-2,972*
Performing loans designated at fair value through profit or loss	*706*	*-*	*706*	*883*	*-*	*883*	*-177*
Performing loans represented by securities	**5,870**	**-28**	**5,842**	**6,274**	**-28**	**6,246**	**-404**
Stage 2	*912*	*-22*	*890*	*838*	*-23*	*815*	*75*
Stage 1	*4,958*	*-6*	*4,952*	*5,436*	*-5*	*5,431*	*-479*
Loans held for trading	**91**	**-**	**91**	**86**	**-**	**86**	**5**
Total loans to customers	**441,439**	**-7,729**	**433,710**	**454,618**	**-7,764**	**446,854**	**-13,144**
of which forborne performing	***5,087***	***-381***	***4,706***	***7,473***	***-553***	***6,920***	***-2,214***
of which forborne non-performing	***3,564***	***-1,605***	***1,959***	***3,480***	***-1,417***	***2,063***	***-104***
Loans to customers classified as non-current assets held for sale	**741**	**-564**	**177**	**754**	**-386**	**368**	**-191**

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

As at 30 September 2023, the Group's gross non-performing loans amounted to 10.5 billion euro, down by 150 million euro (-1.4%) compared to December 2022. Their ratio to total loans increased slightly to 2.4% while it remained stable at 1.2% net of adjustments (2.3% and 1.2% respectively at the end of 2022). According to the EBA methodology, on the same date the NPL ratio stood at 1.9% and 1% before and after adjustments, respectively, unchanged compared to December.
This result is attributable to the de-risking initiatives already implemented in the second quarter of the year (in this regard see the information on the de-risking initiatives provided in the initial chapter of this Interim Statement), and in particular to the classification under assets held for sale of a portfolio of bad loans amounting to a gross value of 0.3 billion euro, as the conditions for applicability based on IFRS 5 were met.
The process of reducing non-performing loans also continues to benefit from new inflows from performing loans which remain low due to the performance of the prevention initiatives on non-performing loans.
During the first nine months, gross inflows amounted to 2.2 billion euro, of which around 0.7 billion euro in the first quarter, around 0.9 billion euro in the second quarter, and around 0.7 billion euro in the third quarter. In the 2022 comparison period, the gross inflow was 2.7 billion euro, of which 0.5 billion euro attributable to Pravex Bank and Banca Intesa Russia. In net terms, that is, net of outflows to performing loans, inflows came to 1.6 billion euro (0.4 billion euro in the first three months, 0.7 billion euro in the second quarter, and 0.5 billion euro in the third quarter), compared to 2 billion euro in the first nine months of 2022.
The table shows that the decrease in gross non-performing loans was due to unlikely-to-pay loans for 392 million euro, against a slight increase in bad loans of 219 million euro and past-due loans of 23 million euro.

Net non-performing loans of the Group amounted to 5.2 billion euro at the end of the first nine months, a new all-time low. The reduction from the beginning of the year (-289 million euro; -5.3%) confirms the virtuous trend already recorded in previous years. The ratio of net non-performing loans to total net loans to customers came to 1.2% (1% according to the EBA definition) with the coverage ratio for non-performing loans amounting to 50.4%, up on the 48.4% at the end of 2022.
In further detail, in September 2023 bad loans amounted to 1.2 billion euro (+7.7%), net of adjustments, representing 0.3% of total net loans with a coverage ratio of 68.7%. Loans included in the unlikely-to-pay category amounted to 3.6 billion euro, down by 9.7%, accounting for 0.8% of total net loans to customers, with a coverage ratio of 40.8%. Past-due loans amounted to 419 million euro (+1.5%), with a coverage ratio of 27.1%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2 billion euro, with a coverage ratio of 45%. Forborne exposures in the performing loan category amounted to 4.7 billion euro.

At the end of the third quarter of 2023, net performing loans totalled 422.6 billion euro, down by 12.5 billion euro (-2.9%) from December, with an overall coverage ratio of 0.57%, unchanged from December. Within these, the coverage ratio of the Stage 2 loans was 4.52% (vs. 4.23% at the end of 2022) and 0.20% (vs. 0.17%) for the Stage 1 loans.
Net performing loans amounted to 387.3 billion euro in Stage 1 and 34.6 billion euro in Stage 2, with decreases of 3.0 billion euro and 9.3 billion euro respectively. For the Stage 2, factors such as the movements resulting from management effects, were also accompanied by the effects of the update of the macroeconomic scenario in June and the reclassification to Stage 1 of forbearance portfolios (mainly originating from COVID moratoria) following the positive outcome of the probation period.

Macroeconomic scenario for forward-looking conditioning

For the purposes of forward-looking conditioning of the ECL estimation parameters, Intesa Sanpaolo's policy envisages the use of the macroeconomic scenario produced and updated by the Research Department on at least a half-yearly basis (June/December). For the purposes of the Half-yearly Report as at 30 June 2023, therefore, the above-mentioned parameters were updated. The Research Department produced an update of the forecasts as at September 2023 which, with regard to the baseline macroeconomic scenario, slightly revised the GDP growth estimates for the Eurozone and Italy for 2023, compared to the previous forecast, on the basis of lower-than-expected figures observed in the second quarter of the year and the first signs of the effects of the monetary tightening. More specifically, the domestic estimates for economic growth were revised downwards for both the Eurozone (from the June forecast of 0.7% to 0.6% for 2023 and from 1.2% to 0.9% for 2024) and Italy (to 1% for both this year and the next, from 1.2% and 1.3%, respectively, forecast in June).
With regard to the modelling used for the forward-looking conditioning of the ECL for IFRS 9 purposes, also taking into account the updated forecasts for the alternative scenarios, the application of the updated scenario would not have a significant impact on the provisions estimate. At the same time, uncertainties and downside risks of the forecast remain, as highlighted below, leading to the substantial maintenance of the prudence measures, already in place as at 30 June 2023, adopted on the provisions for performing loans.
In the first half of 2023, the Eurozone economy was essentially stagnant, and for the second half of the year growth was also estimated to be almost zero, mainly due to the effects of monetary tightening. According to the ECB, however, the recovery of incomes, also in real terms, could favour a moderate pace of recovery of household consumption between the end of 2023 and the first half of 2024, and become more robust from the second half of 2024, when support will also be provided by the re-acceleration of foreign demand. Growth could be supported by expenditure related to the ecological and digital transition, less sensitive to cyclical dynamics, which could support more investment in intellectual property. However, there is still a risk of GDP contraction, and the downside risks are intensifying: persistently high inflation, a less resilient labour market than expected, and a stronger-than-expected transmission of monetary policy to the real economy could be enough to trigger a recessionary episode, in a context of lower support from fiscal policy. Additional forecasting risks relate to expectations regarding the gradual recovery in private consumption, the rising cost of loans to households, especially in Eurozone countries with a predominance of floating-rate mortgages, which will continue to erode household incomes, and the recent rise in energy prices, which could slow the fall in inflation, in a context where nominal wages are rising less than expected.
For Italy as a whole, beyond the quarterly volatility of GDP, after the lively post-pandemic rebound, the economy has entered a phase of substantial stagnation in the last year, due to high inflation and the effects of monetary tightening (in terms of both interest rate rises and more restrictive lending conditions). The most recent data suggest that growth was also weak in the summer quarter. As a result, the average annual growth for 2023 could settle at the lower end of the range indicated by the scenarios. The biggest downside risks for Italy mainly depend on the effects of the gradual phasing out of the bonuses for construction and the delayed impact of the monetary tightening. The supporting factors could be the resilience of the labour market, the recovery of household purchasing power and the expected acceleration in actual expenditure flows funded by the NRRP in 2024.

Management overlays (Post-Model Adjustments)

For the valuation of the loans in the Half-yearly Report as at 30 June 2023, changes were made to the results of the ECL estimation methodologies, mainly through post-model adjustments, within the framework of IFRS 9 and in light of the greater prudence required due to the significant uncertainties arising from the current and prospective situation. These uncertainties, as noted in the previous section, remain and are contributing to heightening the forecast risks. As at 30 September, the adjustments in the application methodologies adopted as at 30 June 2023 were essentially maintained. In line with the Half-yearly Report as at 30 June, they resulted in an additional component on the adjustment allowances for credit exposures of 0.9 billion euro.
The main component relates to the Parent Company, due in particular to the post-model adjustments applied to the Retail/SME Retail and SME Corporate segments starting from medium/high risk levels, with specific modulation for sectors particularly exposed to risks deriving from macroeconomic forecasts (commercial real estate perimeter or sectors with negative performance or energy-intensive sectors of the Banca dei Territori Division). The banks of the International Subsidiary Banks Division have also adopted prudent margins based on specific assessments of the current and future situation and the characteristics of their portfolios.

MARKET RISKS

TRADING BOOK

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

Daily managerial VaR of the trading book

(millions of euro)

	2023					2022			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total Group Trading Book (a)	**33.7**	**30.7**	**37.5**	**35.5**	**27.9**	**26.6**	**26.0**	**22.8**	**21.4**
of which: Group Treasury and Finance Department	*3.7*	*3.1*	*4.5*	*4.4*	*5.1*	*6.6*	*7.2*	*6.1*	*3.8*
of which: IMI C&IB Division	*31.1*	*27.3*	*36.0*	*33.7*	*25.3*	*24.7*	*26.0*	*21.2*	*17.5*

Each line in the table shows the historical variability of the daily managerial VaR calculated on the quarterly time series of the Intesa Sanpaolo Group (including the other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively. The values calculated on the Group perimeter (average, minimum and maximum) do not correspond to the sum of the values of the individual columns, because they are recalculated on the aggregate time series which also includes the perimeter of the other subsidiaries.

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

During the third quarter of 2023, as shown in the table above, there was a slight reduction in the managerial VaR of the trading book compared to the averages of the second quarter of 2023, from 35.5 million euro (2023 second quarter average) to 33.7 million euro (2023 third quarter average). The slight reduction was mainly attributable to the management of the trading book’s exposure to interest rate risk and to the scenario “rolling effect”, both of which led to a reduction in risk.
With regard to the overall performance in the first nine months of 2023 compared to the same period in 2022, there was an increase in the trading managerial VaR. This increase was attributable both to portfolio actions for interest rate risk management and to market scenarios for interest rates characterised by higher volatility than in the same period of 2022.

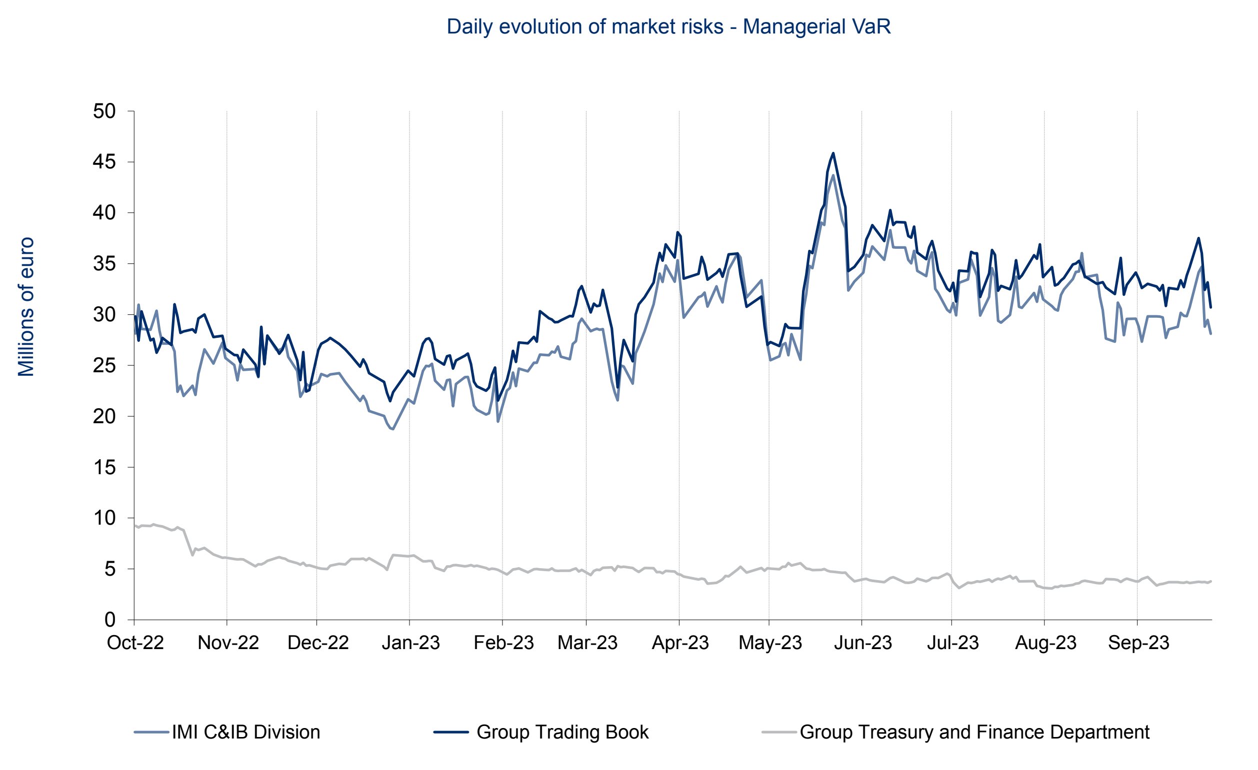
(millions of euro)

	2023			2022		
	average 30.09	minimum 30.09	maximum 30.09	average 30.09	minimum 30.09	maximum 30.09
Total Group Trading Book (a)	**32.3**	**21.5**	**45.9**	**23.4**	**15.4**	**32.5**
of which: Group Treasury and Finance Department	*4.4*	*3.1*	*6.3*	*5.7*	*2.4*	*9.2*
of which: IMI C&IB Division	*30.0*	*19.5*	*43.7*	*21.6*	*13.9*	*34.1*

Each line in the table shows the historical variability of the daily managerial VaR calculated on the time series for the first nine months of the year for the Intesa Sanpaolo Group (including the other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively. The values calculated on the Group perimeter (average, minimum and maximum) do not correspond to the sum of the values of the individual columns, because they are recalculated on the aggregate time series which also includes the perimeter of the other subsidiaries.

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

The trend in the trading VaR in the third quarter of 2023 was mainly marked by the activity conducted by the IMI C&IB Division. In particular, the trading managerial VaR was substantially stable during the quarter.



The breakdown of the Group's risk profile in the trading book in the third quarter of 2023 shows a prevalence of interest rate risk and credit spread risk, accounting for 45% and 33% respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (51% and 38%, respectively) and of interest rate risk and credit spread risk for the IMI C&IB Division (46% and 35%, respectively).

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

3rd quarter 2023	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	6%	38%	5%	51%	0%	0%
IMI C&IB Division	10%	46%	35%	3%	4%	2%
Total	**9%**	**45%**	**33%**	**7%**	**4%**	**2%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the third quarter of 2023, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

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

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES		INFLATION	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	105	79	-74	59	-7	10	21	-9	-17	-3	11	-6

In particular:
- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
- for positions in interest rates, there would be potential losses of 74 million euro in the event of a rise in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 basis points would result in an overall loss of 7 million euro;
- for positions in exchange rates, there would be potential losses of 9 million euro in the event of appreciation in the Euro against the other currencies;
- for positions in commodities, there would be a loss of 17 million euro in the event of a fall in prices of commodities other than precious metals;
- lastly, for the inflation-indexed positions, there would be potential losses of 6 million euro in the event of a reduction in inflation.

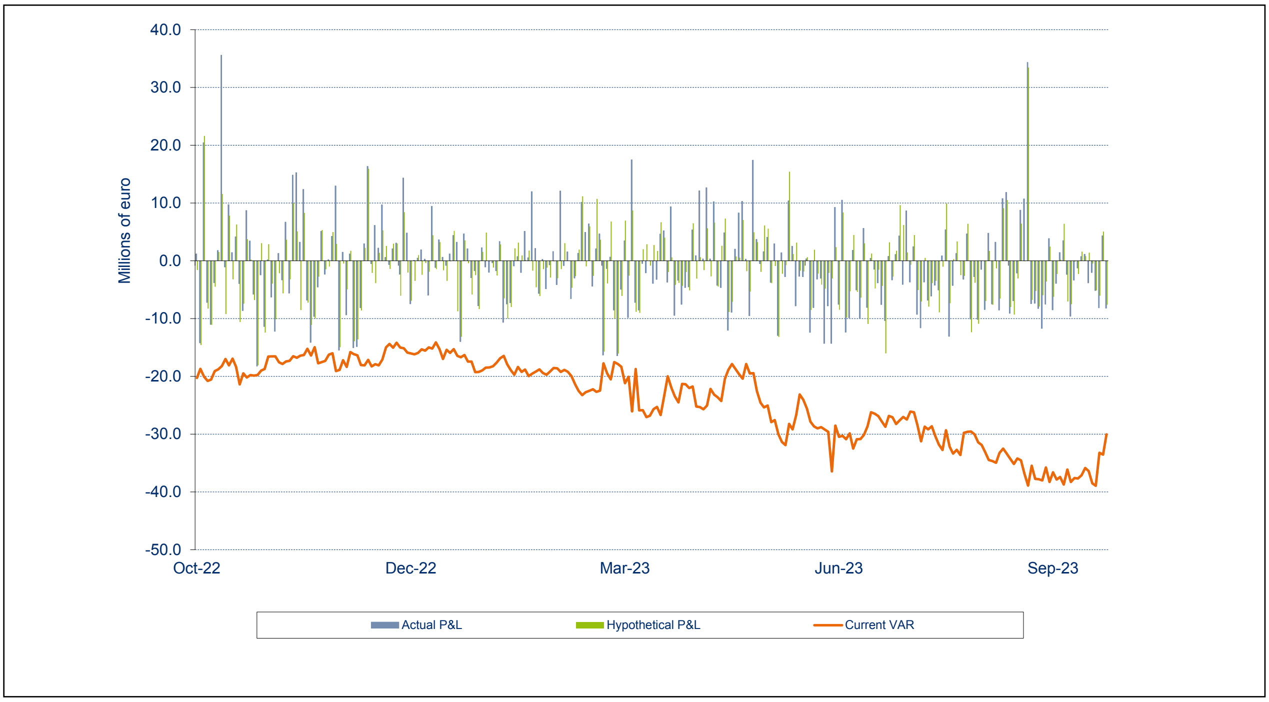
With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was a reduction in managerial VaR in the third quarter of 2023 from 166 million euro (average managerial VaR second quarter of 2023) to 159 million euro (average managerial VaR third quarter of 2023).

Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting: these include, for example, fees and financial costs of managing the positions that are regularly reported within the managerial area.

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

As shown in the chart below, no backtesting exceptions were registered over the past 12 months.



Impacts of the Russia-Ukraine conflict

There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's trading book.

BANKING BOOK

At the end of September 2023, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, amounted to -1,106 million euro.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 164 million euro, -432 million euro and 256 million euro, respectively, at the end of September 2023.
Interest rate risk, measured in terms of VaR, recorded a value of 420 million euro at the end of September 2023.
The price risk generated by the minority stakes in listed companies, measured with a price shock of +/-10%, amounted to +/-55 million euro at the end of September 2023.

The table below shows the changes in the main risk measures during the third quarter of 2023, with regard to the Group's banking book.

(millions of euro)

	3rd quarter 2023			30.09.2023	31.12.2022
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,094	-826	-1,332	-1,106	-1,016
Shift Sensitivity of Net Interest Income -50bp	-455	-398	-575	-432	-668
Shift Sensitivity of Net Interest Income +50bp	232	147	495	164	633
Shift Sensitivity of Net Interest Income +100bp	208	134	256	256	251
Value at Risk - Interest Rate	508	420	584	420	442

Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on shareholders' equity of a price shock of ±10% for the above-mentioned minority interests, mainly held under the HTCS business model.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 30.09.2023	Impact on shareholders' equity at 30.06.2023	Impact on shareholders' equity at 31.03.2023	Impact on shareholders' equity at 31.12.2022
Price shock	10%	55	58	65	73
Price shock	-10%	-55	-58	-65	-73

Impacts of the Russia-Ukraine conflict

There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's banking book.

LIQUIDITY RISK

The Group's liquidity position, supported by suitable high-quality liquid assets (HQLA) and the significant contribution from stable customer deposits, remained largely within the risk limits set out in the current Group Liquidity Policy in the third quarter of 2023.
The levels for both the regulatory indicators – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) – are above the minimum regulatory requirements.
Over the last 12 months, the Liquidity Coverage Ratio of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, has amounted to an average of 169.3% (181.9% in December 2022).
At the end of September 2023, the value of all the Group's unencumbered liquidity reserves totalled 182.1 billion euro (177.7 billion euro at the end of December 2022), of which 143.6 billion euro (172.5 billion euro at the end of 2022) represented by unencumbered HQLA reserves with the Group Treasuries and 38.5 billion euro (5.2 billion euro as at 31 December 2022) relating to other marketable reserves and/or eligible reserves for Central Banks, including retained self-securitisations.
The Group's total reserves increased thanks to the repayment by the ECB of the collateral backing the TLTROs repaid in the first nine months of the year, a change only partially offset by the decrease in available cash among HQLAs, thanks to the inflows from the sales networks and new medium and long-term (MLT) funding volumes in the financial markets.

(millions of euro)

	Unencumbered (net of haircut)	
	30.09.2023	31.12.2022
HQLA Liquidity Reserves	**143,556**	**172,528**
Cash and Deposits held with Central Banks (HQLA)	77,376	109,792
Highly liquid securities (HQLA)	56,868	55,931
Other HQLA securities non included in LCR	9,312	6,805
Other eligible and/or marketable reserves	**38,526**	**5,222**
Total Group's Liquidity Buffer	**182,082**	**177,750**

As at 30 September 2023, the Intesa Sanpaolo Group's NSFR, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and, now to a residual extent, the remaining portion of TLTRO funding from the ECB, was 121,0% (126.0% at the end of 2022).
The stress tests, in view of the high liquidity reserves, yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period longer than 3 months.
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

Impacts of the Russia-Ukraine conflict

In light of the low exposure to Russian and Ukrainian counterparties, there were no significant impacts on the Group's consolidated liquidity position deriving from the Russia-Ukraine conflict.

INFORMATION ON FINANCIAL PRODUCTS

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy – Assets and liabilities measured at fair value on a recurring basis: fair value by level (Banking and Insurance Segments)

(millions of euro)

Assets / liabilities at fair value	30.09.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	104,742	31,967	9,037	108,649	33,035	8,932
a) Financial assets held for trading	11,147	30,584	124	10,381	32,043	183
of which: Equities	*1,073*	*-*	*23*	*860*	*-*	*22*
of which: quotas of UCI	*221*	*5*	*7*	*264*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily designated at fair value	93,595	1,382	8,913	98,268	991	8,749
of which: Equities	*5,165*	*205*	*281*	*5,059*	*107*	*309*
of which: quotas of UCI	*81,968*	*198*	*7,323*	*87,284*	*191*	*6,655*
2. Financial assets designated at fair value through other comprehensive income	121,732	8,177	584	108,301	10,567	640
of which: Equities	*486*	*510*	*228*	*513*	*517*	*325*
3. Hedging derivatives	-	9,607	-	-	10,075	-
4. Property and equipment	-	-	7,071	-	-	7,151
5. Intangible assets	-	-	-	-	-	-
Total	**226,474**	**49,751**	**16,692**	**216,950**	**53,677**	**16,723**
1. Financial liabilities held for trading	8,097	39,245	97	7,285	39,085	142
2. Financial liabilities designated at fair value	57	67,016	30	-	62,977	30
3. Hedging derivatives	-	4,845	-	-	5,517	-
Total	**8,154**	**111,106**	**127**	**7,285**	**107,579**	**172**

The table above shows the figures for the entire Group, including the insurance companies, which are applying IFRS 9 Financial Instruments from 2023, for which the application had been deferred under the Deferral Approach. The balance sheet figures are compared with 31 December 2022, adjusted following the retrospective application of the above-mentioned standard.
Looking at the table, with regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 5.7% on total assets (5.8% as at 31 December 2022). The level 3 financial assets mainly relate to quotas of UCIs, of which, under Financial assets mandatorily measured at fair value, 272 million euro is represented by units of the Atlante Fund and the Italian Recovery Fund put in place as part of the regulations to support the banking system.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 42.4% of the balance sheet assets at level 3 fair value.
A total of 77.3% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
With regard to liabilities, 93.1% are classifiable as level 2 and mainly as financial liabilities designated at fair value.

Fair value hierarchy – Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which Banking Segment)

(millions of euro)

Assets / liabilities at fair value	30.09.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	11,314	31,361	3,851	11,311	32,672	3,594
a) Financial assets held for trading	11,116	30,579	124	10,331	32,008	183
of which: Equities	*1,073*	*-*	*23*	*860*	*-*	*22*
of which: quotas of UCI	*221*	*5*	*7*	*264*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily designated at fair value	198	781	3,727	980	663	3,411
of which: Equities	*116*	*205*	*200*	*122*	*107*	*242*
of which: quotas of UCI	*82*	*198*	*2,958*	*858*	*191*	*2,401*
2. Financial assets designated at fair value through other comprehensive income	54,422	6,528	407	41,937	7,422	357
of which: Equities	*486*	*504*	*228*	*513*	*510*	*325*
3. Hedging derivatives	-	9,601	-	-	10,062	-
4. Property and equipment	-	-	7,064	-	-	7,144
5. Intangible assets	-	-	-	-	-	-
Total	**65,736**	**47,490**	**11,322**	**53,248**	**50,156**	**11,095**
1. Financial liabilities held for trading	8,087	39,244	97	7,285	39,085	142
2. Financial liabilities designated at fair value	57	16,301	30	-	8,765	30
3. Hedging derivatives	-	4,663	-	-	5,346	-
Total	**8,144**	**60,208**	**127**	**7,285**	**53,196**	**172**

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 9.1% on total assets (9.7% as at 31 December 2022).
A total of 52.8% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 62.4% of the balance sheet assets at level 3 fair value.
With regard to liabilities, 87.9% are classifiable as level 2, while level 3 instruments account for less than 1% of total liabilities.

Fair value hierarchy – Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which Insurance Segment)

(millions of euro)

Assets / liabilities at fair value	30.09.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	93,428	606	5,186	97,338	363	5,338
a) Financial assets held for trading	31	5	-	50	35	-
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily designated at fair value	93,397	601	5,186	97,288	328	5,338
of which: Equities	*5,049*	-	*81*	*4,937*	-	*67*
of which: quotas of UCI	*81,886*	-	*4,365*	*86,426*	-	*4,254*
2. Financial assets designated at fair value through other comprehensive income	67,310	1,649	177	66,364	3,145	283
of which: Equities	-	*6*	-	-	*7*	-
3. Hedging derivatives	-	6	-	-	13	-
4. Property and equipment	-	-	7	-	-	7
5. Intangible assets	-	-	-	-	-	-
Total	**160,738**	**2,261**	**5,370**	**163,702**	**3,521**	**5,628**
1. Financial liabilities held for trading	10	1	-	-	-	-
2. Financial liabilities designated at fair value	-	50,715	-	-	54,212	-
3. Hedging derivatives	-	182	-	-	171	-
Total	**10**	**50,898**	**-**	**-**	**54,383**	**-**

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 3.2% on total assets (3.3% as at 31 December 2022).
95.5% of financial assets measured at fair value in the insurance segment are determined based on market prices, and therefore without any discretion by the valuator.
Liabilities at fair value were almost entirely measured using level 2 inputs and refer to Financial liabilities designated at fair value.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 4,315 million euro as at 30 September 2023, a net increase of 1,012 million euro compared to the stock of 3,303 million euro as at 31 December 2022. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 2,435 million euro, in ABSs (Asset-Backed Securities) of 1,808 million euro and in CDOs (Collateralised Debt Obligations) of 72 million euro, which continued to be a marginal activity also in 2023.

(millions of euro)

Accounting categories	**30.09.2023**				**31.12.2022**	**changes**	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	373	352	-	**725**	**817**	-92	-11.3
Financial assets mandatorily measured at fair value	-	3	-	**3**	**3**	-	-
Financial assets measured at fair value through other comprehensive income	1,370	754	-	**2,124**	**1,545**	579	37.5
Financial assets measured at amortised cost	692	699	72	**1,463**	**938**	525	56.0
Total	**2,435**	**1,808**	**72**	**4,315**	**3,303**	**1,012**	**30.6**

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).
The performance of the portfolios in the first nine months of 2023, in a scenario of market recovery in the segment, reflected higher investments than disposals and redemptions for a total of 1,012 million euro, and was mainly attributable to the operations of the IMI Corporate & Investment Banking Division.
The exposures measured at fair value (ABS and CLO debt securities) increased by 487 million euro, from 2,365 million euro in December 2022 to 2,852 million euro in September 2023, due to higher investments for a total of 1,128 million euro, consisting of financial assets measured at fair value through other comprehensive income totalling 748 million euro and financial assets held for trading of 380 million euro, offset by redemptions and disposals totalling 641 million euro, made up of 169 million euro for the first segment and 472 million euro for the second segment.
Exposures classified under assets measured at amortised cost (ABS, CLO and CDO debt securities) amounted to 1,463 million euro in September 2023, compared with a balance of 938 million euro in December 2022, representing a net increase of 525 million euro, due to higher investments of 646 million euro, partially offset by disposals and redemptions.
In terms of profit or loss, the overall result was a profit of +3 million euro as at 30 September 2023 compared with the loss of -33 million euro in the first nine months of 2022, which had been affected by the negative valuations recognised to capture the geopolitical tensions, the widening of credit spreads and the rise in inflation.
The performance of assets held for trading, caption 80 of the income statement, amounted to +4 million euro and was attributable to impacts from realisation of +7 million euro (+5 million euro on ABS exposures and +2 million euro on CLO exposures) as well as valuation effects of -3 million euro (-4 million euro on ABS exposures and +1 million euro on CLO exposures). In contrast, the result recognised as at 30 September 2022 was -32 million euro, essentially relating to the valuation components on the CLO and ABS exposures.
The profits (losses) from financial assets mandatorily measured at fair value were nil as at 30 September 2023, as in the first nine months of the previous year.
The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded an increase in fair value as at 30 September 2023 of +12 million euro through a shareholders' equity reserve (from a reserve of -44 million euro in December 2022 to -32 million euro in September 2023). In the year, there have been no impacts from sales on the portfolio (-3 million euro as at September of the previous year).
On the debt securities classified as assets measured at amortised cost, the result as at 30 September 2023 of -1 million euro was substantially attributable to losses on disposals, compared with the impact from realised gains of +2 million in the first nine months of 2022.

(millions of euro)

Income statement results broken down by accounting category	**30.09.2023**				**30.09.2022**	**changes**	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	3	1	-	**4**	**-32**	36	
Financial assets mandatorily measured at fair value	-	-	-	**-**	**-**	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	**-**	**-3**	-3	
Financial assets measured at amortised cost	-	-1	-	**-1**	**2**	-3	
Total	**3**	**-**	**-**	**3**	**-33**	**36**	

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPES)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issuance of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities (SPEs).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases, the sponsor may be the Bank itself, which establishes a SPE to achieve one of the aims mentioned above.
For the SPE categories identified as non-consolidated structured entities, no changes have been made to the criteria applied by the Intesa Sanpaolo Group to decide whether to include said entities in the scope of consolidation, compared to the information provided in 2022 Annual Report.
With regard to the Covered Bond issue programme, during the third quarter of the year, as part of the programme guaranteed by ISP CB Pubblico, the 12th retained series was partially redeemed in July for an amount of 150 million euro, bringing the remaining nominal amount to 900 million euro.
Under ISP OBG's covered bond programme, the 42nd retained series was partially extinguished in July for an amount of 300 million euro, bringing the remaining nominal amount to 2.1 billion euro. In addition, the 20th retained series expired in August, for an amount of 1.6 billion euro.
With regard to securitisations, for Berica ABS 3, the last active transaction of the former Banca Popolare di Vicenza, the entire loan portfolio was repurchased in July, with the related consideration paid in September, close to the final payment date, at which time the Class J retained was fully repaid, with early closure of the transaction.

INFORMATION ON LEVERAGED TRANSACTIONS

In line with the ECB Guidance on Leveraged Transactions, the scope of leveraged transactions includes exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Counterparties with investment grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit facilities, such as trade finance transactions, are also excluded.
As at 30 September 2023, the transactions that meet the definition of leveraged transactions as per the ECB Guidance amounted to around 25.2 billion euro at Group level, relating to 1,763 credit lines. The stock was down compared to the end of the previous year (26.2 billion euro as at 31 December 2022). This performance, mainly driven by the Parent Company, was influenced by incoming and outgoing turnover – with flows that essentially offset each other – and by the decrease of around 1 billion euro, mostly due to the reduction in balances on positions left in scope (0.9 billion euro). Compared to 30 June 2023, the stock increased by 0.7 billion euro, mainly due to new inflows of 0.4 billion euro from the Parent Company.
In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite specific limits for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank's risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company's hedge fund portfolio as at 30 September 2023 amounted to 191 million euro for the trading book and 191 million euro for the banking book for a total of 382 million euro, compared to 173 million euro and 184 million euro, respectively, as at 31 December 2022, for a total of 357 million euro.
The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that on average are longer than those of UCITS (Undertakings for Collective Investment Schemes in Transferable Securities) funds.
In the first nine months of 2023, there was an increase in stocks compared to the end of the previous year of 25 million euro, which included an increase in investments of 51 million euro carried out exclusively on the trading book, on UCITS (Undertakings for Collective Investment Schemes in Transferable Securities) hedge funds that better meet the capital absorption requirements, in continuity with the action taken in 2022 and in compliance with the CRR2 that came into force on 30 June 2021.
Disposals in the period amounted to 37 million euro (5 million euro for the banking book and 32 million euro for the trading book), and positive fair value changes of 11 million euro (+12 million euro for the banking book and -1 million euro for the trading book).
In terms of income statement effects, as at 30 September 2023, overall income was recorded of +12 million euro, relating entirely to valuation effects of funds held in the portfolio within the financial assets mandatorily measured at fair value (+12 million euro) and financial assets held for trading (-1 million euro), in addition to impacts from realisation on the trading segment (+1 million euro). As at 30 September 2022, the net income amounted to -8 million euro and related to valuation effects of funds held in the portfolio within the financial assets mandatorily measured at fair value.
In the Intesa Sanpaolo Group, in addition to the Parent Company, as at 30 September 2023 Eurizon Capital SGR had hedge funds in its portfolio amounting to 52 million euro (50 million euro as at December 2022), with an impact on the income statement for the year of +2 million euro from valuation effects (-3 million euro as at 30 September 2022, also including the valuation component). Hedge funds are held according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 30 September 2023, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 2,435 million euro (3,049 million euro as at 31 December 2022). The notional value of these derivatives totalled 30,677 million euro (29,872 million euro as at 31 December 2022).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,330 million euro (1,726 million euro as at 31 December 2022).

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 4,997 million euro as at 30 September 2023 (6,149 million euro as at 31 December 2022). The notional value of these derivatives totalled 69,450 million euro (74,174 million euro as at 31 December 2022).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 September 2023, this led to a positive impact of 10 million euro under “Profits (Losses) on trading” in the income statement (positive impact of 102 million euro as at 31 December 2022).

For details of the methodologies used in determining the fair value of financial instruments, see the paragraphs specifically dedicated to this subject in the 2022 Annual Report.

Please note that the figures reported above do not include fair value of derivatives embedded in structured bond issues as well as the related hedges taken out by the Group.

OPERATIONAL RISKS

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[29].

The Intesa Sanpaolo Group has long defined the overall operational risk governance framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

To determine its capital requirements, the Group uses a combination of the methods allowed under applicable regulations (advanced measurement approach partially used along with the standardised approach and basic indicator approach). The capital absorption resulting from this process amounted to 2,119 million euro as at 30 September 2023, unchanged compared to 30 June 2023.

Impacts of the Russia-Ukraine conflict

With regard to operational risks concerning the third quarter of 2023, there are no specific updates to report, and readers are referred to the description provided in the same section of the Half-yearly Report of the Group as at 30 June 2023.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated. For the main pending disputes, the significant developments in the quarter are described below. For broader information regarding the disputes below and the pending significant ones, see the Notes to the 2022 Annual Report and the 2023 Half-yearly Report of the Intesa Sanpaolo Group.

Lawsuit against two Hungarian subsidiaries of Intesa Sanpaolo

The lawsuit is connected with a lease agreement terminated by one of the subsidiaries in 2010. During 2011, the tenant initiated proceedings in civil court, and during 2021, it supplemented its initial claim, formulating new claims and, as a result, increasing the total of the claims to around 31 million euro.

In July 2022, the Court rejected all the plaintiff company's claims, finding that it lacked standing. The plaintiff filed an appeal against that decision.

In December 2022, the Court of Appeal partially upheld the adverse party's appeal, ordering one of the two defendant companies to pay around 9.5 million euro. The decision was appealed before the Hungarian Supreme Court, which suspended the enforcement of the challenged ruling.

A ruling in favour of the subsidiary, upholding its arguments, was issued on 11 April 2023.

In the third quarter of 2023, plaintiff initiated proceedings before the Constitutional Court claiming violation of the Hungarian Charter of Fundamental Rights. The admissibility of the action is currently being examined.

Fondazione Cassa di Risparmio di Jesi

In January 2016, Fondazione Cassa di Risparmio di Jesi brought a compensation claim against UBI Banca (as the alleged successor-in-interest to the issuer Banca Marche S.p.A.) and PwC (the independent auditors that certified the financial statements and the figures presented in the Prospectus) alleging that the defendants published data and information regarding the financial performance and the income outlooks of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the Prospectus, is claimed to have led the Foundation to subscribe for the bank's shares issued as part of the capital increase in March 2012. The value of these shares then fell to zero, resulting in a loss quantified at approximately 25 million euro.

During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche.

By judgment rendered on 18 March 2020, the Court of Ancona granted the objection of lack of capacity to be sued raised by the Bank, rejecting the Foundation's claims lodged.

In the appeal brought by the Foundation, the Court of Appeal of Ancona, by judgment filed on 17 July 2023, rejected the appeal brought by the adverse party and upheld the first instance judgment, ordering the appellant to pay the costs of the proceedings to Intesa Sanpaolo. The deadline for an appeal is pending.

Dispute regarding financial derivative instruments

With regard to derivative transactions, the legal risks linked to legal proceedings with local authorities, their subsidiaries and individuals continue to be subject to careful monitoring.

With regard to disputes with companies owned by local authorities, in the case brought by Terni Reti Sud S.r.l. concerning a derivative contract entered into in August 2007 by the former Banca delle Marche, the adverse party stated its willingness to reach an amicable settlement. The settlement was authorised by the Bank of Italy, as manager of the National Resolution Fund. To date, the complex decision-making process by the Company (wholly owned by the Municipality of Terni) is pending. If the outcome of this process is positive, since the dispute is part of the Good Banks (former UBI) disputes, the Fund will fully reimburse the Bank for the payment resulting from the settlement.

[29] As far as the financial losses component is concerned, the Operational Risk includes the following risks: legal, conduct, compliance, financial crime, fiscal, IT and Cyber, physical security, business continuity, third-party, data quality, fraud, process and employer. Strategic and reputational risk are not included.

Contingent assets

With regard to the IMI/SIR dispute, with respect to the initiatives taken by the Bank following the judgment of the Court of Cassation and described in the 2023 Half-yearly Report, there are no updates as yet concerning the reinstatement of the case before the Court of Appeal of Rome. On its part, the Registry of the European Court of Human Rights has communicated that the application lodged by the Bank has been registered, which implies that on initial summary examination, the grounds brought by the Bank have not been found to be manifestly inadmissible, as otherwise a single Judge would have immediately declared the application inadmissible pursuant to Article 27 of the European Convention on Human Rights. Although the ECHR may yet declare the application inadmissible at a later stage of the proceeding following a more thorough evaluation of the file, the fact that it has been registered is a positive initial signal, given that a very high percentage of applications (approximately 90%) are dismissed immediately without further investigation. There will now be a second assessment of admissibility by the Judge-Rapporteur. If this is successful, the case on the merits will be established.

Labour litigation

In line with the situation as at 30 September 2023, 30 June 2023 and 31 December 2022, there are no significant pending labour disputes in terms of importance or number. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation

The Group's tax litigation risks are covered by adequate provisions for risks and charges.
There were no significant new disputes in the quarter for Intesa Sanpaolo S.p.A. (hereinafter also referred to as “ISP” or “Parent Company”). For the subsidiaries, please refer to the matters discussed below concerning the claims on Eurizon Capital and its subsidiary Epsilon SGR in relation to the Transfer Pricing applied in cross-border intragroup relations with Eurizon Capital SA Luxembourg.
The size of pending disputes has decreased significantly, also thanks to the “tax truce” that both the Parent Company and Intesa Sanpaolo Private Banking (“ISPB”) made use of (lower claims of 13.2 million euro for ISP, of which 9.3 million euro in the quarter, and 47.4 million euro for ISPB).

As at 30 September 2023, **Intesa Sanpaolo** had 431 pending litigation proceedings (483 as at 30 June 2023) for a total amount claimed (taxes, penalties and interest) of 112.4 million euro (125.4 million euro as at 30 June 2023), considering both administrative and judicial proceedings at various instances.

In relation to these proceedings, the actual risks were quantified at 45.6 million euro as at 30 September 2023 (57.4 million euro as at 30 June 2023).

Compared to 30 June 2023, the main events that gave rise to significant changes in the claims against the Parent Company (-13.0 million euro) are as follows:

- an increase (about 5.3 million euro) from: i) 4.6 million euro in respect of a long-standing claim by the Portuguese tax authorities on the discontinued Sanpaolo IMI Bank International S.A. (based in Madeira), which was charged with having failed to apply withholding taxes in 2002, 2003 and 2004 on interest paid to foreign bondholders. The increased provision is necessary in order to take into account the most recent certificate of pending tax liabilities issued by the Portuguese tax authorities, which for the first time sets forth the criteria for calculating interest on the principal tax claim; ii) 0.2 million euro in respect of municipal property tax (IMU) on property from terminated and current leasing contracts; iii) 0.2 million euro in respect of new disputes for registration tax on judicial documents, mainly relating to a request to pay registration tax due, served on 3 August 2023 in relation to a civil judgment in a case between the Prime Minister’s Office and the former Centrobanca (merged into UBI Banca); and iv) 0.3 million euro in interest accrued on pending litigation;
- a decrease (approximately 18.3 million euro) from: (i) 8.0 million euro in respect of the favourable final judgment of the Court of Cassation in July 2023 on the dispute on registration tax on the spin-off of a business line from Intesa Sanpaolo to State Street Bank, as the Court deemed that the transaction should not be reclassified a transfer of a going concern; ii) 0.1 million euro for the closure of disputes on registration tax, relating mainly to judicial documents; iii) 1.8 million euro for the closure of disputes on municipal property tax (IMU) on properties from both terminated and current leasing contracts, settled under the “tax truce” for 1.3 million euro; iv) 8.0 million euro for the closure of various disputes through a “tax truce”; v) 0.4 million euro for the closure of disputes relating to registration and cadastral and mortgage records taxes on the purchase of leased property.

As regards Intesa Sanpaolo’s branches located abroad, as there were no significant new developments in the quarter, please refer to the Consolidated Half-yearly Report as at 30 June 2023.

With reference to the subsidiaries, please note the following updates with respect to 30 June 2023.

As already reported in previous financial reporting (to which reference should be made), first **Eurizon Capital SGR** and then **Epsilon SGR** were audited by the Italian Revenue Agency, Lombardy Regional Directorate, Large Taxpayers Office, with regard to transfer prices charged in the relationships with Eurizon Capital SA Luxembourg.
It should be noted that the first claim dates back to the end of 2022 and concerned the year 2016 of Eurizon Capital SGR alone. The Office revised its initial position (higher Italian taxable income of 151.1 million euro, corresponding to higher taxes of 50 million euro, interest of 9.6 million euro and penalties of 45 million euro, for a total charge of 104.6 million euro) and formulated a settlement proposal - accepted in April 2023 - which provided for: (i) recognition of the CUP as a suitable method, with positioning of the benchmark in the third quartile and (ii) reduction of the higher Italian taxable income from 151.1 million euro to 26.8 million euro, the consequent reduction of the higher taxes from 50 million euro to 8.8 million euro

and of interest from 9.6 million euro to 1.8 million euro, and the non-application of penalties. Ultimately, the 2016 tax audit on Eurizon Capital SGR closed with a total disbursement of 10.6 million euro (about 10% of the initial total claim).
In the following months, discussions with the Office continued for the years 2017 and 2018 of both Eurizon Capital SGR and Epsilon SGR. In detail, these discussions were formally initiated: the Office's tax audit continued with the notification to Eurizon in June 2023 of a questionnaire for 2017 and with the start of the tax audit on Epsilon in April 2023 for tax year 2017, then extended in September 2023 for tax year 2018.
The Bank's position is aimed at obtaining (i) firstly, confirmation of the soundness of the CUP as a tax audit method and consequently the non-application of penalties (as is well known, in transfer pricing matters, the correctness of the method adopted ensures protection from penalties) and then (ii) the positioning of the benchmark on the first quartile or the median.

Lastly, it should be noted that, as mentioned in the introduction, in addition to ISP, **Intesa Sanpaolo Private Banking** ("ISPB") also made use of the abovementioned settlement of disputes pursuant to Italian Law No. 197 of 29 December 2022 ("Budget Law 2023"), the "tax truce" with regard to 5 of the 7 pending disputes on IRES and IRAP tax assessments (notified solely for IRES purposes also to ISP as consolidating entity) for the years from 2011 to 2017. These tax assessments challenged the tax deduction of the amortisation of goodwill arising from contributions received by ISPB in 2009, 2010 and 2013 and released by ISPB by using the option for the realignment of tax values to balance sheet values pursuant to Article 15, paragraph 10, of Italian Law Decree No. 185/2008.
Although we are fully convinced of the soundness of the tax behaviour adopted over the years and of the defence arguments, in order to take advantage of the economic-financial opportunity offered by the tax truce, it was decided, in agreement with the consultant in charge of managing the litigation, to settle for the years 2011, 2013, 2014, 2015 and 2017. This choice was influenced by the following aspects: i) the fact that the total amount for taxes paid by way of substitute tax and provisional tax as well as for the settlement was for each of the aforementioned years lower than the higher tax assessed; ii) the non-application of penalties and interest (amounting to approximately 26 million euro as at 30 September); iii) the right to deduct from the cost of the settlement the substitute tax of 16% paid at the time by ISPB as recognised by the same Italian Revenue Agency in its response to question No. 158 of 27 May 2019.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita and Intesa Sanpaolo RBM Salute) are made with their shareholder fund and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, unit-linked policies, pension funds and non-life policies.

As at 30 September 2023, the investment portfolios, recorded at book value, amounted to 169,788 million euro. Of these, a part amounting to 86,152 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and shareholder fund. The other component, whose risk is borne solely by the policyholders, consists of investments related to Unit-linked policies and pension funds and amounted to 83,636 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and shareholder fund.

In terms of breakdown by asset class, net of derivative financial instruments, 84.3% of assets, i.e. approximately 72,729 million euro, were bonds, whereas assets subject to equity risk represented 2% of the total and amounted to 1,762 million euro. The remainder (11,812 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (13.7%).

The carrying value of derivatives came to around -151.2 million euro, of which around 20.3 million euro relating to effective management derivatives[30], and the remaining portion (around -171.5 million euro) is attributable to hedging derivatives.

At the end of the first nine months of 2023, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to around 255 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 6 million euro.

The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of around 4,359 million euro.

The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented around 5.3% of total investments and A bonds around 10.2%. Low investment grade securities (BBB) were around 80.9% of the total and the portion of speculative grade or unrated was minimal (3.6%).

A considerable portion of the BBB area is made up of securities issued by the Italian Republic.

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks made up around 74.4% of the total investments, while financial companies (mostly banks) contributed around 16.3% of exposure and industrial securities made up around 9.3%.

At the end of the third quarter of 2023, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was -2,162 million euro, with -1,326 million euro due to government issuers and -836 million euro to corporate issuers (financial institutions and industrial companies).

Impacts of the Russia-Ukraine conflict

Following the escalation of the geopolitical tensions between Russia and Ukraine, the Risk Management Department has constantly monitored the evolution of the risks and their effects on the business of the Insurance Group, with a specific focus on exposures to countries directly involved in the conflict. In that area, exposure is residual (less than 0.1% of total assets).

[30] ISVAP Regulation 36 of 31 January 2011 on investments defines as "effective management derivatives" all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Accounting policies

Criteria for the preparation of the Interim Statement

General preparation principles

As known, with Legislative Decree 25 of 15 February 2016, Directive 2013/50/EU, amending Directive 2004/109/EC (i.e. "Transparency Directive"), has been transposed into the Italian legal system. By transposing the European regulation, the provisions concerning financial reports were changed, among others, innovating the rules regarding the publication, by the listed issuers with Italy as Member State of origin, of additional periodic information other than the annual report and half-yearly report. The wording of Article 154-ter (Financial reports), paragraphs 5 and 5-bis, of the Consolidated Law on Finance, allows CONSOB to arrange, towards the issuers stated above, the obligation to publish the additional periodic information. However, in exercising its duties – and following a consultation process – CONSOB has given the issuers the choice on publishing the Interim Statements.
In this context, Intesa Sanpaolo publishes – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly report. This information consists of interim statements on operations approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

The Interim Statement as at 30 September 2023 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS-IC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

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

– this Interim Statement as at 30 September 2023 includes a specific section containing disclosures on the transition to IFRS 17 and IFRS 9 for the insurance companies, already presented in the Interim Statement as at 31 March 2023 and the Half-yearly consolidated financial statements. Refer to the specific section "Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies" for a complete illustration of the provisions of these standards, the Group's choices and the impacts deriving from the application of IFRS 17 and IFRS 9 for the insurance companies;
– the accounting standards adopted in preparation of this Interim Statement as at 30 September 2023, with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, have been updated, as already set out starting from the Interim Statement as at 31 March 2023, compared to those adopted for the Intesa Sanpaolo Group 2022 Annual Report, to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group;
– the structure of the consolidated financial statements has been updated to incorporate the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005[32], and the comparison periods adjusted following the retrospective application of the two standards. Specifically, the balance sheet balances were compared with the adjusted balance sheet as at 31 December 2022, while income statement balances were compared with the adjusted results for the first nine months of 2022.

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

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

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

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

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

Regulation no. 1392/2022 - Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies have to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[33]. The cases of interest for the Intesa Sanpaolo Group are related to the accounting for lease transactions in which the lessee initially recognises in the balance sheet the right of use and the corresponding lease liability, which are generally of equal amounts. Based on the applicable tax legislation, equal amounts of taxable and deductible temporary differences may arise at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial for Intesa Sanpaolo and for the Italian companies of the Group, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the initial application of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the tax decree. Therefore, no taxable or deductible temporary differences arise.
As regards impacts on the Group's international companies, no significant aspects to be highlighted were found.

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

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

Specific disclosure requirements are also set out for the companies impacted, with different disclosure obligations to be met in the periods in which the Pillar Two regulations are issued or substantially issued but not yet in force, and the periods in which the tax reform is in force. Those disclosure requirements are applicable from annual financial statements that start on or after 1 January 2023, and are not obligatory in the interim reports drawn up prior to 31 December 2023.
The Intesa Sanpaolo Group meets the subjective condition of the regulation in question and, therefore, could be impacted by it. As a result, the Group constantly monitors the progress of the regulations in Italy and the countries where it is present. The analyses aimed at ensuring the future proper management of the tax, also from an organisational and procedural perspective, initially focused on mapping the Group's entities, their characteristics and the relevant information for their classification, in addition to identifying the main interpretation and application issues. The focus has now moved on to identifying the data to be used for calculating any additional tax due, particularly for the countries which, based on the 2022 data, are unable to benefit from the safe harbours that are expected to be adopted by the individual governments when implementing these regulations.

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With regard to the criteria for the preparation of the Interim Statement as at 30 September 2023, it is worth providing some additional information on the profit and loss effects (or lack thereof) of the Italian regulations on so-called "excess bank profits" for the Intesa Sanpaolo Group.
In this regard, it should be recalled that Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, includes a provision for a one-off tax for banks determined by applying a rate of 40% – in the separate financial statements – on the amount of the "net interest income" included in caption 30 of the accounts for the year 2023 that exceeds the net interest income of the year 2021 by at least 10%. However, the rule sets a maximum limit of 0.26% of risk-weighted assets for the tax levy due. In summary, banks may decide not to pay the tax theoretically due if, upon approval of the 2023 financial statements, an amount equal to two and a half times the amount theoretically due is allocated to a non-distributable reserve.
With regard to any accounting impacts related to the application of this rule, the tax was considered to fall within the scope of IFRIC 21 "Levies", as it was applied on the net interest income (or, upon reaching a set cap by law, on the risk-weighted assets - RWA), which was not considered to constitute "taxable income" under IAS 12.
IFRIC 21 requires the recognition of the tax expense in profit or loss when an "obligating event" occurs that gives rise to the liability, i.e., the specific activity/action that triggers the payment of the tax. In the current case, the existence of an "obligating event" is positively triggered by the achievement of a net interest income above the threshold set by law. In addition, as noted, the law provides an option for those potentially subject to the liability not to pay the tax and instead establish a specific non-distributable reserve. In this regard, please note that, as already indicated in the Highlights paragraph of this Interim Statement and already disclosed to the market:
– on 25 October this year, the Board of Directors of Intesa Sanpaolo decided to propose to the Shareholders' Meeting, when approving 2023 financial statements, net income allocation and dividend distribution to shareholders, the allocation to non-distributable reserve of around 1,991 million euro, equivalent to 2.5 times the amount of the tax of around 797 million euro, in lieu of payment of said tax, thus taking up the option provided by the above-mentioned measure, and that
– on instruction of the Parent Company, similar commitments were also made by the Boards of Directors of the subsidiary banks affected by the measure: Fideuram - Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking and Isybank.

In lieu of the one-off tax, a proposal will therefore be made to the Shareholders' Meetings, called to approve the 2023 Financial Statements, for the allocation to a specific reserve, pursuant to Article 26 of Decree Law no. 104/2023 converted with amendments by Law no. 136/2023, of a total amount at Group level of 2,068.8 million euro, corresponding to 2.5 times the total tax amount of 827.5 million euro.
In consideration of the above, and with regard to the Interim Statement as at 30 September 2023, no obligation to pay the tax has been identified. Accordingly, no profit or loss effect has been recognised, because it is not considered likely that there will be an outflow of resources for the payment of the tax.

The Interim Statement as at 30 September 2023, drawn up in euro as the functional currency, contains the Consolidated balance sheet, the Consolidated income statement, the Statement of consolidated comprehensive income, the Changes in consolidated shareholders' equity, the Consolidated statement of cash flows and the explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.
The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.
In addition to the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 30 September 2022 for the Income statement and as at 31 December 2022 for the Balance sheet, amended, as indicated, with regard to the application of IFRS 17 and IFRS 9 by the Group's insurance companies.

Since the conditions pursuant to IFRS 5 have been met, the assets held for sale as at 30 September 2023 mainly include portfolios of non-performing loans and performing exposures classified as Stage 2 subject to de-risking initiatives launched during the second quarter, which are expected to be completed in the final months of the year. They also include the 100% equity investment in Intesa Sanpaolo Casa, which was transferred by Intesa Sanpaolo on 23 October 2023 to Homepal a Better Place – a next-generation online real estate agency – as part of the strategic partnership announced in September together with BPER Banca.
With regard to the assets classified as held for sale as at 31 December 2022, as already stated in the Half-yearly report as at 30 June 2023, the non-performing loans included in the 2021-2022 de-risking plans were sold in March, while the assets and

liabilities pertaining to the PBZ Card business line dedicated to merchant acquiring and the investment in Zhong Ou Asset Management Co. Ltd were disposed of on 28 February and 16 May 2023, respectively.

The Interim Statement as at 30 September 2023 is accompanied by certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance, and the consolidated financial statements are subject to a limited review by the Independent Auditors for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation no. 575/2013 and European Central Bank Decision no. 2015/656.
With regard to auditing activity, as previously reported, on 30 April 2019 the ordinary shareholders' meeting awarded EY S.p.A. the engagement for the independent audit of the accounts for the financial years 2021 to 2029.

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

This paragraph provides disclosure on the main impacts deriving from the introduction of IFRS 17 Insurance Contracts, as well as the application of IFRS 9 Financial Instruments for the Group's Insurance Companies, in relation to the requirements of IAS 8, paragraph 28[34], and in accordance with the guidance from the European Securities and Markets Authority (ESMA)[35].
The interaction between the two standards - IFRS 17 and IFRS 9 - that the insurance companies applied simultaneously for the first time as of 1 January 2023, are also illustrated, given the close correlation between the methods of accounting for insurance contracts and the related financial assets.

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

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

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

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

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

A. IFRS 17 Insurance Contracts

The provisions of IFRS 17

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

Classification and measurement

The main provisions of IFRS 17 are illustrated below, referring to the methods of recognition and measurement of insurance liabilities:

- initial recognition of the insurance liability: when the contract is signed with the policyholder, the insurance entity recognises a liability whose amount represents the sum of the present value of the expected contractual cash flows (Present Value Future Cash Flows – "PVFCF"), an appropriate Risk Adjustment ("RA") to cover non-financial risks and the Contractual Service Margin ("CSM"), which represents the present value of the future profits on insurance contracts;
- grouping of contracts: the application of IFRS 17 involves the identification of "portfolios" of insurance contracts (groups of contracts that are subject to similar risks and managed together, and those issued no more than one year apart - known as the "annual cohort" requirement). Each portfolio is further subdivided into groups consisting of contracts with similar characteristics in terms of expected profitability, thus distinguishing between profitable contracts (with a positive contractual service margin) and onerous contracts (with a negative contractual service margin);
- the measurement models envisaged by IFRS 17 envisages a measurement model known as General Model ("GM") applicable in principle to all contracts, except for contracts with direct participation features, for which the Variable Fee Approach ("VFA") must be applied, if the eligibility criteria based on the nature of the participation features are met. There is also an optional simplified model (Premium Allocation Approach – "PAA") for the valuation of the Liability for Remaining Coverage ("LRC", similar to the reserve for unearned premiums or premium carry-forward) for contracts with a coverage period of one year or less and for all contracts where the valuation is not materially different from that resulting from the application of the General Model;
- subsequent measurement of the insurance liability: IFRS 17 requires an update at each reporting period of the measurement of the above elements (cash flows, the risk adjustment and the contractual service margin), to verify the consistency of the estimates with the current market conditions. The effects of any updates are recorded at the first reporting date: in profit or loss for changes relating to current events or events that have already occurred or as a reduction of the contractual service margin (CSM) when the changes relate to future events. Solely with regard to changes in financial variables (and not the others, i.e. mainly related to policyholder behaviour), it is left to the entities to decide – for each grouping of contracts – whether to present the effects of the changes through profit or loss or through other comprehensive income (the so called OCI option);
- measurement of the insurance revenue: IFRS 17 requires the presentation in profit or loss of the earnings "by margins" achieved during the life of the policies, i.e. when the entity provides the services to the insured, and does not therefore require the recognition of any revenue at the time of entering into the contract. With regard to that aspect, the standard is asymmetrical, as, for groups of onerous contracts, it requires immediate recognition of losses through profit or loss;
- measurement of the performance: with a view to providing disclosure that ensures better comparability of the performance of the insurance companies, a distinct and separate presentation is required of the two main components that typically contribute to making up the earnings of insurance undertakings: the first, which represents the profit from the insurance service provided (the "technical margin") and the second, which brings together all the financial components (results of investments, effects of financial variables used in the valuations of the contracts, etc.). Changes in the future estimates of premiums linked to the outstanding contracts at the reporting date (cash flows to be received) and payments (cash flows to be paid) are recognised in profit or loss over the entire remaining contractual lifetime of the policies concerned;
- transition: upon first-time adoption, IFRS 17 requires that all contracts in the portfolio be accounted for as if the rules introduced had always been in force, with retrospective application of the standard. That transition approach is referred to as the Full Retrospective Approach ("FRA"). Given that its application can be very complex due to the unavailability of the time series of the attributes required to manage the breadth of the data model envisaged by IFRS 17, which enables its full application, the standard allows the possibility of using two other approaches, optional to each other:
    - the Modified Retrospective Approach ("MRA"), which approximates the results obtained from the FRA using a retrospective approach, including some simplifications regarding the estimation of the CSM, the level of aggregation of the contracts, the use of annual cohorts and the discount rates to be used;
    - the Fair Value Approach ("FVA"), according to which the CSM/Loss Component (in the case of onerous contracts) is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the Fulfilment Cash Flows at the same date (consisting of the sum of the PVFCF and RA).

Derecognition of previously recognised intangibles

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

Group methodological choices

Within the ISP Group, IFRS 17 is applicable to the insurance products and investment products with discretionary participation features of the insurance companies. The analyses conducted on the other Group companies showed no cases of interest attributable to the scope of application of IFRS 17.

The main methodological choices faced by the Group concerned the quantification of the cash flows according to IFRS 17, the definition of the discount curve in order to discount them, and the quantification of the CSM for the consolidated financial statements of the Intesa Sanpaolo Group, which differs from the CSM of the insurance companies, to take the actual distribution/management costs into account in the future flows of insurance liabilities rather than the fees settled between Group companies.
The main methodological choices made by the Intesa Sanpaolo Group are reported below:

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

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

  With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group has decided to exercise the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore to aggregate these types of contracts only based on the concept of similar risks and uniform management and belonging to the same profitability bucket.
- Discount curve: the Group has decided to use a bottom-up approach, which involves using risk-free rates with the addition of a liquidity premium, estimated based on the risk premium inherent in each company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.
- Risk adjustment: it is determined using a Value at Risk (VaR) approach that estimates the uncertainty of the non-financial risks based on the 75th percentile of the specific distribution of each risk considered.
- Variable Fee Approach (VFA): as noted above, the VFA is a mandatory model for contracts involving significant discretionary participation features for the policyholders. To determine whether discretionary participation features are significant, both a qualitative and quantitative test is performed to verify the requirements. Within the products of the insurance companies, all the insurance Linked contracts and all the contracts linked to a Separate Management, both individual and multi-line, are measured using the Variable Fee Approach.
- Premium Allocation Approach (PAA): as already mentioned, the PAA is an optional method applicable to contracts with a duration of less than one year or to contracts with a duration of more than one year for which it is demonstrated that the application of the PAA model does not lead to results that are significantly different from those that would be obtained with the general model. The Group applies this model solely to the Non-Life Business, with the general rule being to use the PAA model for insurance policies with a duration of one year or less.
- Coverage units: these are the drivers used to determine the CSM release to profit or loss, taking into account the amount of service provided to the policyholders and the expected duration of the group of contracts. The coverage units are determined differently based on whether they relate to Life Business or Non-Life Business. Specifically, for the Non-Life Business, the coverage units are identified by the earned premiums for the period, while for the Life Business, they are identified by the insured capitals for the period with respect to the whole life insured capitals, which represent the company's commitment to the policyholders during the valuation period.
- Contract boundaries: the determination of the contract boundaries is used to establish whether a particular contractual option is to be included in the cash-flow projection as soon as the contract is issued or whether the exercise of that option will result in the generation of a new group of contracts.
  The IFRS 17 contract boundaries include all the contractual options that establish the conditions for exercising the option in terms of pricing, already at the time when the contracts are issued. If the exercise of the option does not have conditions predetermined upon issue and the conditions are only defined at a later date or at the time of exercise by the policyholder, they are not included in the IFRS 17 contract boundaries and are not projected in the cash flows of the host contract; the exercise of the option generates a new group of contracts different from that of the host contract.
- Transition Approach: the Full Retrospective Approach was not applicable for the entire portfolio, as the high costs and implementation efforts necessary for the valuations made using actuarial engines outweighed the benefits that would be obtained in terms of the impact on the quality of information provided. Moreover, before the entry into force of the Solvency II regulation, there was no official framework subject to a process of validation for defining the assumptions used to calculate liabilities or availability of information on the profitability of contracts.
  For the above reasons, the Group has decided to use all three transition approaches envisaged by the standard based on the availability of the historical data required by the standard for determining the CSM at the FTA date. Specifically, the Full Retrospective Approach is used for the most recent generations of contracts, except for those of the acquired companies (ISP RBM Salute and former UBI), for which the Fair Value Approach is used. For multi-line life contracts and older non-life contracts the Modified Retrospective Approach is used, while for the remaining products and annuities the Fair Value Approach is used. In terms of amounts, the latter is used the most by the Group to estimate the CSM on FTA, followed by the Full Retrospective Approach and the Modified Retrospective Approach.
  The main simplifications used by the Group in applying the Modified Retrospective Approach are:
  - use of annual cohorts: the Group adopts the simplifications set out in the standard and aggregates the annual cohorts into a single Unit of Account for the Life and Non-Life Businesses;
  - discount rate: calculation of the discount rates using the median of the last 5 curves reconstructed for the years of valuation prior to the transition date;
  - no calculation of the closing balances for the previous periods.

The Fair Value Approach is based on calculating the CSM from the point of view of a third party acquirer rather than from the point of view of the insurance company that holds the portfolio of liabilities (Market Participant View). Estimating the CSM in accordance with this approach entails determining a cost of capital which represents the loss of earning that the acquirer company would suffer due to allocating capital to cover the risks implicit in the portfolio of contracts acquired.

– Quantification of the CSM for the Consolidated financial statements: under IFRS 17, the management of intragroup transactions entails the need, in order to quantify cash flows, to “replace” the intragroup costs projected by the insurance companies in the estimate of its standalone accounting values (typically fees paid to the banking distribution network) with the actual costs incurred by the Group with third parties. That operation entails the recognition of expected profit (CSM) which differs between the individual Group companies and the Group as a whole. The ESMA, in its annual statement on priorities for the 2022 financial reports[36], highlighted the importance of consistently applying the consolidation requirements pursuant to IFRS 10 in order to guarantee the correct application of IFRS 17 in the consolidated financial statements. Specifically, the ESMA notes that where banks of the group distribute insurance products, the consolidated CSM often differs from the insurance CSM.
– Impacts of IFRS 17 on Alternative Performance Measures: as a result of the changes introduced by the application of the new standard, the Group defined the best methods for presenting the insurance business in the reclassified balance sheet and income statement. For more details, refer to the Report on operations.

Main differences between the IFRS 17 framework and Solvency II

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

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

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

B. IFRS 9 Financial Instruments

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

Classification and Measurement

In order to comply with the provisions of IFRS 9 – which introduces a model where the classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the management intent for which they are held – the methods for performing the test on the contractual cash flow characteristics (known as the SPPI Test) have been drawn up, while the definition of the business models has been finalised.
Note that, given the composition of the portfolio pertaining to the insurance companies and the methods used to manage it, the introduction of IFRS 9 did not have material impacts in terms of measurement, confirming the fair value approach as the main approach.
With regard to the SPPI test on financial assets, the insurance companies adopt an approach defined at the level of the Intesa Sanpaolo Group, used since 2018. Moreover, the business models adopted for the correct classification were formalised on First Time Adoption (FTA) of the new standard.
With regard to debt securities, a detailed examination of the cash flow characteristics of instruments classified in the Financial assets available for sale category according to IAS 39 has been carried out, identifying the assets which, as they did not pass the SPPI test, were classified under assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. Only an insignificant percentage of the debt securities – with respect to the portfolio as a whole – failed the SPPI test, mainly consisting of structured securities.
Moreover, units of UCI (open-ended and closed-end funds) classified under Assets available for sale in accordance with IAS 39, in line with the provisions of the standard and the Group’s accounting policy, were classified under assets mandatorily measured at fair value through profit or loss.
With regard to the classification of equity instruments in the scope of IFRS 9, the insurance companies did not exercise the option, on first-time adoption of the standard, to classify the equity instruments at fair value through other comprehensive

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

income (FVTOCI without recycling to profit or loss), classifying them under assets mandatorily measured at fair value through profit or loss.
Lastly, the contribution of debt securities at amortised cost and receivables to financial assets of the Division was insignificant and did not entail specific impacts on FTA. Specifically, receivables are mainly represented by current accounts and other short-term types.
With regard to the second driver of classification of the financial assets (business model), i.e. the intention with which financial assets are held, the following is noted: for debt securities, the insurance companies adopted mainly a Hold To Collect and Sell business model, with the exception of portfolios connected to unit-linked products and open pension funds, for which an "Other" Business Model was adopted, with measurement of the assets at fair value through profit or loss.
In brief, the introduction of IFRS 9 mainly resulted in reclassifications among various categories of financial assets measured at fair value – specifically from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss for IFRS 9. As a result, no overall net impacts were recognised to Shareholders' Equity on those reclassifications due to different measurement.
Vice versa, there were very few cases of Financial assets measured at amortised cost which, following the application of the IFRS 9 classification criteria must be measured at fair value, with a marginal impact on Shareholders' Equity.

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

Impairment
With regard to impairment, a common approach and a process centralised within Intesa Sanpaolo's Risk Management structure have been established by the Parent Company Intesa Sanpaolo for the quantification of the expected credit loss for all the Group companies. Accordingly, for a full description of the choices adopted by the Group regarding the application of impairment in accordance with IFRS 9, see the Accounting Policies and the description provided in Part E of the Notes to the 2022 consolidated financial statements concerning risk management.
For the purpose of completeness, it is noted that the "Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy)" is also applicable to the insurance companies, with regard to the methodological guidelines defined by the Intesa Sanpaolo Group in application of IFRS 9 and approved by the competent levels of governance.
Please note in this regard that, for the insurance companies, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in the category Fair value through other comprehensive income. Thus, the application of the impairment approach does not result in a different measurement of that portfolio (as it is already at fair value) and, with regard to first-time adoption, entails a transfer between the valuation reserves and retained earnings reserves. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.
The main elements underlying the approach can be considered to be the following:
– method of tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income;
– definition of the parameters for determining the significant increase in credit risk, for the purposes of the correct allocation of performing exposures to Stage 1 or Stage 2, based on the change in lifetime probability of default since the time of initial recognition of the financial instrument. With regard to the impaired exposures, on the other hand, given the alignment of the definitions of accounting and regulatory default, the previous criteria for classifying exposures as "impaired" can be considered identical to the criteria for classifying exposures in Stage 3;
– definition of models – including forward-looking information – for the staging (with respect to the use of lifetime PD as a relative indicator of impairment) and for the calculation of the one-year ECL (to be applied to Stage 1 exposures) and lifetime ECL (to be applied to Stage 2 and Stage 3 exposures). In order to take into account forward-looking information and the macroeconomic scenarios in which the Group may find itself operating, the "Most likely scenario + Add-on" approach has been adopted.

With regard to the staging for securities, it must be considered that sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify a methodology to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, in line with the choice adopted by the Intesa Sanpaolo Group from 2018, the insurance companies also use the "first-in-first-out" or "FIFO" method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) which helps in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.
Moreover, a key element for the estimation of the expected losses is the inclusion of forward-looking factors and, in particular, macroeconomic scenarios. From a methodological perspective, the approach adopted by the Intesa Sanpaolo Group is the "Most likely scenario + Add-on". Under this approach, the calculation of the expected credit loss (ECL) and the stage assignment use the credit loss determined for the baseline scenario, which is considered the most likely scenario and is also used for other purposes within the Group (for example, for preparing the budget and the business plan), to which an add-on is applied to reflect the effects from the non-linearity of the variables used for the conditioning of the macro-economic parameters. A similar approach is therefore also applied to the insurance companies.
Lastly, with regard only to the initial application of the standard - i.e. 1 January 2023 - for performing debt securities recognised at fair value through other comprehensive income, the low credit risk exemption set out in IFRS 9 was used, based on which exposures that, at the date of transition to the new standard, had an investment grade (or similar) rating were identified as exposures with low credit risk and, therefore, to be considered in Stage 1.

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

C. Interaction between IFRS 17 and IFRS 9
In some cases, the interaction between IFRS 17 and IFRS 9 may generate accounting mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI). The choice of disaggregation is made at portfolio level for the insurance contracts and must be made consistently with the valuation approach used for the assets. In particular:

- with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
- for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments, including the change in the expected credit loss recognised during the period, is reclassified to other comprehensive income (mirroring).

Pursuant to IFRS 9, the insurance companies finalised the definition of business models adopted: Hold To Collect and Sell for debt financial instruments, with the exception of those connected with linked products and open pension funds (to which the Other Business Model is applied, with the resulting measurement at fair value through profit or loss). With regard to the classification of equity instruments that come under the scope of IFRS 9, the insurance companies apply the fair value measurement through profit or loss. As a result, in order to reduce potential accounting mismatches, the Group has decided to adopt the OCI option on all the insurance contract portfolios, except for the unit-linked policies not connected to multi-line products and open pension funds.
Moreover, the introduction of IFRS 17 eliminates the shadow accounting treatment envisaged by IFRS 4, which approximated the correlation between two values that are not uniform: 1) the value of the technical reserve relating to contracts measured at cost (with discretionary participation features) and 2) the value of the related assets measured at fair value.
The application of IFRS 17 ensures greater correlation between the measurement of insurance liabilities and the underlying investments, both in periods of increases in fair values (decrease in market interest rates) and in periods of reduction of fair values (increase in market interest rates). IFRS 17 introduces a forward-looking approach also for measuring insurance liabilities, thereby guaranteeing comparison on a like-for-like basis with the fair value changes of the related assets, increasing the effectiveness compared to the past. Moreover, for the VFA measurement approach, the adoption of the OCI option (mirroring) means that such greater correlation than under IFRS 4 is contributed to shareholders' equity.

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

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

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

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

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

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

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

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

C. **Interaction between IFRS 17 and IFRS 9**:
   - the valuation reserves are adjusted to take account of the different recognition of the portions of gains/losses on investments underlying liabilities of the insured parties which, due to IFRS 17, also include the shares pertaining to the insurance company. The measurement of insurance liabilities at present values, with specific reference to contracts with direct participation features, requires the substantially full recognition of the changes in fair value of the investments underlying insurance liabilities (Contractual Service Margin) in line with the accounting allocation of the underlying financial assets. That effect (mirroring) is also recognised on transition[37]. The effect of the interaction between the two standards is already recognised in the fair value measurement of insurance liabilities and the recognition of valuation reserves reported in point A above.

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

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

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

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

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This section illustrates the reconciliation of the accounting balances as at 31 December 2022 adjusted due to the application of the new rules required by IFRS 17 and IFRS 9.

With regard to the representation of IFRS 17 in the consolidated financial statements of banks leading financial conglomerates, note that on 17 November 2022 the Bank of Italy published the 8th update to Circular no. 262 of 22 December 2005, applicable to financial statements ended or under way as at 31 December 2023.

In order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the equivalent provisions issued by IVASS[38] with reference to IAS/IFRS insurance financial statements, providing a reference to those provisions for the aspects relating to insurance contracts pertaining to consolidated insurance companies. The changes introduced regard the alignment of the consolidated financial statements and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS.

Specifically, with regard to the consolidated financial statements presented in this Interim Statement as at 30 September 2023, in the Consolidated balance sheet, the captions “80. Insurance assets” and “110. Insurance liabilities” provide information on the insurance contracts issued and reinsurance contracts held. With regard to the consolidated income statement, income from insurance business shall distinguish between revenues/expenses for insurance services – which are presented in the caption “160. Insurance service result” – and net financial income/expenses relating to insurance contracts issued and reinsurance contracts held – presented in the caption “170. Balance of financial income/expenses relating to insurance business”.

The Bank of Italy did not make changes regarding the presentation of IFRS 9 amounts. Therefore, financial instruments belonging to insurance companies (including insurance products to which IFRS 9 is applied) in the financial statements pursuant to Circular 262 are presented along with those of the Bank[39].

Specifically, the tables below provide the specific information:

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

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

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

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

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

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

Financial Instruments pertaining to insurance companies are presented in the captions already used by the Group’s banks, according to the scheme set out in Circular 262.

changes that involve the captions highlighted in the tables are illustrated below, which present the balance sheet assets and liabilities attributable to the insurance segment and are, thus, impacted by the application of the two accounting standards.

Assets

(millions of euro)

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

With regard to **assets**, the main reclassifications resulted from the application of the new classification rules introduced by IFRS 9 (Business Model and SPPI test) and, with less material effects, the introduction of IFRS 17.
Specifically, as illustrated in greater detail below, the introduction of IFRS 9 entailed several reclassifications among the various categories of financial assets measured at fair value – mainly referring to financial assets available for sale pursuant to IAS 39, reclassified among financial assets measured at fair value through profit or loss – confirming the use of fair value as the main measurement method and, thus, without impacts on measurement.

Caption 35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39 included the following captions as at 31 December 2022, for an amount of around 172,725 million euro:

- 902 million euro in assets held for trading;
- 86,217 million euro in financial assets measured at fair value;
- 85,593 million euro in financial assets available for sale;
- 13 million euro in hedging derivatives.

Following the application of the classification criteria of IFRS 9 the financial assets pertaining to the insurance companies were attributed to the following captions:

- **Caption 20 Financial assets measured at fair value through profit or loss** for 102,775 million euro, of which:
  - **caption 20 a) Financial assets held for trading** for 85 million euro, referring to derivatives;
  - **caption 20 c) Other financial assets mandatorily measured at fair value** for 102,690 million euro. In addition to financial assets underlying investment products classified under the fair value option pursuant to IAS 39 and now attributed to the "Other" business model (86,217 million euro), that caption also includes the assets previously classified as available for sale which, pursuant to IFRS 9 do not have the necessary characteristics to pass the SPPI Test. Specifically, these are 12,657 million euro in units of UCI (open-ended and closed-end funds), 2,146 million

euro in equity instruments and 1,646 million euro in debt securities. The caption also includes 24 million euro in derivatives (attributable to the management of the units and open pension funds);

- **caption 30. Financial assets measured at fair value through other comprehensive income** for 69,937 million euro, which include the financial assets previously recognised among assets available for sale, net of the components described above which no longer have the characteristics required by IFRS 9 to be recognised in this category;
- **caption 50. Hedging derivatives** for 13 million euro, in line with the classification pursuant to IAS 39.

Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 included, as at 31 December 2022, for a total amount of 80 million euro, due from banks for 40 million euro and loans to customers for 40 million euro.
Following the application of the classification criteria of IFRS 9, the caption was mainly attributed to:

- **caption 30. Financial assets measured at fair value through other comprehensive income** for around 76 million euro, as it related to debt securities that are included in a Hold to collect and sell business model and pass the SPPI test;
- **caption 40. Financial assets measured at amortised cost** for around 3 million euro.

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

Caption 130. Other Assets, which as at 31 December 2022 had a total balance at consolidated level of 22,851 million euro, was mainly attributed to:

- **caption 20. Financial assets mandatorily measured at fair value** for 264 million euro, attributable to assets relating to unit-linked products and pension funds, previously recognised under other assets, without entailing the recognition of impacts due to measurement;
- **caption 80. Insurance assets** for 108 million euro, mainly attributable to receivables due from insured parties and reinsurers;
- **caption 130. Other assets** for 22,704 million euro.

Liabilities

(millions of euro)

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

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

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

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

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

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

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

Shareholders' equity

(millions of euro)

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

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

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

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

Specifically, the following details are provided:

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

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

Assets

(millions of euro)

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

Within the asset captions, the most significant impacts include, pursuant to the application of IFRS 17:

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

caption posted among insurance liabilities, representing the future profits of the insurance company. That derecognition on transition resulted in the reversal of the effects recorded during 2022, due to the elimination of the accumulated amortisation of those captions (equal to around 92 million euro);

- the derecognition of other assets as at 1 January 2022 of 84 million euro and 159 million euro during 2022 mainly includes the derecognition of deferred acquisition costs.

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

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

Liabilities

(millions of euro)

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

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

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

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

Shareholders' equity

(millions of euro)

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

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

– greater insurance liabilities[40] for 731 million euro (505 million euro net of the tax effect) due to the different measurement criteria set out in IFRS 17 in place of the previous IFRS 4 and, in particular, the recognition of the present value of future profits on insurance contracts (Contractual Service Margin) under insurance liabilities and the adjustment for non-financial risk (Risk Adjustment);
– derecognition of intangible assets (new business and distribution) with a finite useful life, for a total of 685 million euro (480 million euro net of the tax effect), as illustrated above.

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

Impairment

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

Effects on regulatory capital

The accounting effects described above also have consequences on the regulatory capital and prudential ratios.
Specifically, Shareholders' Equity in terms of own funds decreased as at 31 December 2022 by -408 million euro[41], with an impact of -11 basis points on the CET 1 ratio.

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

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

The impact as at 31 December 2022 derived from:
- a decrease in Shareholders' equity in terms of own funds (-14 basis points);
- lower absorption due to application of the Danish Compromise (+3 basis points) as a result of the decrease in the carrying amount of the insurance investment.

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

The main financial statement captions

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

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

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

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

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

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

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

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

Classification criteria

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

This caption therefore includes:

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

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.
Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

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

Classification criteria

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

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

In particular, this caption includes:

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

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

Recognition criteria

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

Measurement criteria

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

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

Derecognition criteria

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

Financial assets measured at amortised cost

Classification criteria

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

– the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

More specifically, the following are recognised in this caption:

– loans to banks in their various forms that meet the requirements referred to above;
– loans to customers in their various forms that meet the requirements referred to above;
– debt securities that meet the requirements referred to above.

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

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

Recognition criteria

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

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

Measurement criteria

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.
The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.
The measurement criteria, as described in more detail in the paragraph "Impairment of financial assets" of the 2022 Financial Statements, are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (stage 3) consists of non-performing financial assets and the remaining (stages 1 and 2) of performing financial assets.

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

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

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

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

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

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

The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Recoveries on impairment with time value effects are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must therefore consider:

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

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

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

Hedging transactions

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

Classification criteria: type of hedge
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
– fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
– cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
– hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

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

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

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

Measurement criteria

Hedging derivatives are measured at fair value. In particular:

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

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

Effectiveness is assessed at every close of annual or interim financial statements using:

– prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
– retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:

– the hedging instrument expires or is sold, terminated, or exercised;
– the hedge no longer meets the hedge accounting criteria described above;
– the entity revokes the designation.

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

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:

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

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

Insurance assets and liabilities

Classification criteria

This category contains the insurance assets and liabilities within the scope of application of IFRS 17 Insurance Contracts.
Specifically, the caption insurance liabilities presents the liabilities recognised by the Group for contracts for which insurance risk is deemed significant and which include: temporary class I life policies and income and mixed policies with guaranteed

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

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

Measurement criteria
IFRS 17 requires the measurement of insurance liabilities based on up-to-date information that reflects the conditions existing at the measurement date.
Specifically, the standard sets out:
– a reference accounting model (General Model) used for life insurance contracts without contractual links to other assets and liabilities (life policy products and credit protection insurance) and for long-term non-life contracts ineligible for the simplified model;
– a model that modifies the General Model called the Variable Fee Approach, which is mandatory for measuring certain specific types of liabilities (for example, contracts linked to separate management schemes); and
– an optional simplified approach called the Premium Allocation Approach.

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

For insurance contracts with direct participation features (life products whose value is influenced by the underlying assets), the standard requires the mandatory application of a modified version of the General Model called the Variable Fee Approach.
A contract has direct participating features if its terms and conditions envisage that:
- the policyholder obtains returns linked to a clearly identified group of underlying items;
- the entity expects to pay out a substantial share of the fair value returns on the underlying assets;
- a substantial proportion of the cash flows that the issuer expects to pay the policyholder will vary with the change in the **fair value** of the underlying assets.

The Variable Fee Approach has the same rules of initial recognition as the General Model, but provides several variants on the changes in subsequent measurements.
Under the Variable Fee Approach, the contractual service margin includes, in addition to that set out in the General Model, the financial profits pertaining to the Group deriving from the management of the assets underlying contracts measured using the Variable Fee Approach.
To determine whether discretionary participation features are significant, the Group performs both a qualitative and quantitative test to verify the requirements. Within the Insurance Division's products, all the linked insurance contracts and pension funds and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.

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

In line with the decisions to classify the securities under assets to cover the insurance products, and to reduce potential accounting mismatches, the Intesa Sanpaolo Group adopts the disaggregation illustrated above (also known as the "OCI option") on all portfolios of insurance contracts, except those relating to unit-linked policies not linked to multi-line products or open pension funds.

Modification and derecognition criteria
According to IFRS 17, an insurance contract is derecognised from the accounts when, and only when, the contract is extinguished, i.e., when the specific obligation in the insurance contract has expired or has been fulfilled or eliminated.
Moreover, following contractual modifications (agreed between the parties or due to changes in regulations) that reflect at least one of the following conditions:
- the modified contract would have been excluded from the scope of application of IFRS 17 if the modified terms had been included in the contract on initial recognition; the separation of the different components, bringing a different contract to be measured under IFRS 17; or a substantially different "contract boundary"[42] or the assignment of a different group of contracts;
- the original contract meets the definition of insurance contract with direct participation features, but the modified contract no longer does, and vice versa;
- the original contract is measured using the simplified approach or the premium allocation approach, but the modified contract no longer meets the eligibility criteria to be measured using this approach;

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

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

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

Discount rate

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

Estimates of future cash flows for the performance of insurance contracts

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

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

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

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

The other technical assumptions are also obtained starting with the historical data taken from ERP/management applications. Specifically, for redemption rates, a statistical analysis is conducted by claim duration[43] of the historical frequencies recorded by the single insurance companies, suitably adjusted based on expert judgement, specifically regarding the claim durations not yet subject to observation.

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

Methods used to measure the adjustment for non-financial risk

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

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

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

Financial liabilities measured at amortised cost

Classification criteria

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.

[43] Time passed since the contract was entered into.

It also includes the payables recorded by the entity in the capacity of lessee in lease transactions.

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

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

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

Financial liabilities held for trading

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

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

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

Financial liabilities designated at fair value

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

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

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

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

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

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

Other information

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

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

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

The good is transferred when, or in the period when, the customer acquires control of the good.
In particular:
– interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued up to the reporting date, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
– overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
– dividends are posted in the income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
– commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
– profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
– profits deriving from insurance contracts recorded pursuant to IFRS 17, posted in the balance sheet caption Contractual Service Margin are released to the income statement for the estimated portion of insurance services rendered during the period;
– revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

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

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

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

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

With regard to the recoverability of the amounts of intangible assets with an indefinite life and the recoverability of deferred tax assets recognised, there were no factors identified in the period that suggest that the amounts posted under assets are no longer recoverable. In particular, the were no significant changes in the overall updated macroeconomic scenario compared to the one used for the Half-yearly Report as at 30 June 2023.

Scope of consolidation and consolidation methods

Scope of consolidation

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

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

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

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

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

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2022 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Interim Statement as at 30 September 2023 refer to the same date.
In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
In particular, with regard to the Ukrainian subsidiary Pravex Bank, considering the limited impact on the consolidated financial statements of the balance sheet and income statement balances of the bank, and with a view to reducing operational risks, the Group decided to consolidate the Ukrainian subsidiary on a line-by-line basis, maintaining in the accounts the balance sheet balances as at 30 June 2023 and making central value adjustments linked to the impairment of the Bank’s assets. The balance sheet and income statement results of the subsidiary Banca Intesa Russia as at 30 September 2023 were incorporated through line-by-line consolidation.
Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

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

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 30 September 2023 corresponds to corporate records, books and accounts.

Milan, 3 November 2023

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

Attachments

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

Reconciliation between published consolidated income statement for the period ended 30 September 2022 and consolidated income statement for the period ended 30 September 2022 according to the new Circular 262

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

Reconciliation between consolidated income statement for the period ended 30 September 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for the period ended 30 September 2022

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for the period ended 30 September 2022 and restated consolidated income statement for the period ended 30 September 2022

Restated consolidated financial statements

Consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

(millions of euro)

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

(millions of euro)

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

(millions of euro)

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

Reconciliation between published consolidated income statement for the period ended 30 September 2022 and consolidated income statement for the period ended 30 September 2022 according to the new Circular 262 - (Continued)

(millions of euro)

30 September 2022 published / 30 September 2022 New 262		10. Interest and similar income	20. Interest and similar expense	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net fee and commission income**	70. Dividend and similar income	80. Profits (Losses) on trading	90. Fair value adjustments in hedge accounting	100. Profits (Losses) on disposal or repurchase of:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	c) financial liabilities	110. Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	a) financial assets and liabilities designated at fair value	b) other financial assets mandatorily measured at fair value	115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	**120. Net interest and other banking income**	130. Net losses/recoveries for credit risks associated with:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	140. Profits (Losses) on changes in contracts without derecognition	**150. Net income from banking activities**	**TOTAL**
10.	Interest and similar income	8,719	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,673	-	-	-	-	-	-	-	**10,392**
20.	Interest and similar expense	-	-2,166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-58	-	-	-	-	-	-	-	**-2,224**
30.	**Interest margin**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**8,168**
40.	Fee and commission income	-	-	-	8,517	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**8,517**
50.	Fee and commission expense	-	-	-	-	-2,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-2,050**
60.	**Net fee and commission income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**6,467**
70.	Dividend and similar income	-	-	-	-	-	-	184	-	-	-	-	-	-	-	-	-	296	-	-	-	-	-	-	-	**480**
80.	Profits (Losses) on trading	-	-	-	-	-	-	-	-224	-	-	-	-	-	-	-	-	-26	-	-	-	-	-	-	-	**-250**
90.	Fair value adjustments in hedge accounting	-	-	-	-	-	-	-	-	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**45**
100	Profits (Losses) on disposal or repurchase of:	-	-	-	-	-	-	-	-	-	-40	-	-	-	-	-	-	-194	-	-	-	-	-	-	-	**-234**
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	*204*	-	-	-	-	-	-	-	-	-	-	-	-	-	**204**
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	*-261*	-	-	-	-	*-194*	-	-	-	-	-	-	-	**-455**
	c) financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	*17*	-	-	-	-	-	-	-	-	-	-	-	**17**
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	978	-	-	-1,236	-	-	-	-	-110	-	-	**-368**
	a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*991*	-	*7,432*	-	-	-	-	-	-	-	**8,423**
	b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-13*	*-8,668*	-	-	-	-	*-110*	-	-	**-8,791**
120.	**Net interest and other banking income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**14,308**
130.	Net losses/recoveries for credit risks associated with:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,779	-	-	-49	-	-	**-1,828**
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-1,729*	-	-	-	-	**-1,729**
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-50*	*-49*	-	-	**-99**
140.	Profits (Losses) on changes in contracts without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	**8**
150.	**Net income from banking activities**	**8,719**	**-2,166**	**6,553**	**8,517**	**-2,050**	**6,467**	**184**	**-224**	**45**	**-40**	**204**	**-261**	**17**	**978**	**991**	**-13**	**455**	**14,418**	**-1,779**	**-1,729**	**-50**	**-159**	**8**	**12,488**	**12,488**

(millions of euro)

30 September 2022 published / 30 September 2022 New 262		160. Net insurance premiums	170. Other net insurance income (expense)	**180. Net income from banking and insurance activities**	190. Administrative expenses:	a) personnel expenses	b) other administrative expenses	200. Net provisions for risks and charges	a) commitments and guarantees given	b) other net provisions	210. Net adjustments to / recoveries on property and equipment	220. Net adjustments to / recoveries on intangible assets	230. Other operating expenses (income)	**240. Operating expenses**	250. Profits (Losses) on investments in associates and companies subject to joint control	260. Valuation differences on property, equipment and intangible assets measured at fair value	270. Goodwill impairment	280. Profits (Losses) on disposal of investments	**290. Income (Loss) before tax from continuing operations**	300. Taxes on income from continuing operations	**310. Income (Loss) after tax from continuing operations**	320. Income (Loss) after tax from discontinued operations	**330. Net income (loss)**	340. Minority interests	**350. Parent Company' s net income (loss)**	**TOTAL**
160.	Insurance service result	6,729	-5,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1,107**
	a) insurance revenue arising from insurance contracts issued	*6,849*	*47*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**6,896**
	b) insurance service expenses arising from insurance contracts issued	-	*-5,764*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-5,764**
	c) insurance revenue arising from reinsurance contracts held	-	*75*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**75**
	d) insurance service expenses arising from reinsurance contracts held	*-120*	*20*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-100**
170.	Balance of financial income and expenses related to insurance operations	-	223	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**223**
	a) net financial expenses/revenue related to insurance contracts issued	-	*223*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**223**
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
180.	**Net income from banking and insurance activities**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**13,818**
190	Administrative expenses:	-	-	-	-8,445	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-8,445**
	a) personnel expenses	-	-	-	-	*-4,850*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-4,850**
	b) other administrative expenses	-	-	-	-	-	*-3,595*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-3,595**
200	Net provisions for risks and charges	-	-	-	-	-	-	-160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-160**
	a) commitments and guarantees given	-	-	-	-	-	-	-	*-72*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-72**
	b) other net provisions	-	-	-	-	-	-	-	-	*-88*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-88**
210	Net adjustments to / recoveries on property and equipment	-	-	-	-	-	-	-	-	-	-508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-508**
220	Net adjustments to / recoveries on intangible assets	-	-	-	-	-	-	-	-	-	-	-692	-	-	-	-	-	-	-	-	-	-	-	-	-	**-692**
230	Other operating expenses (income)	-	-	-	-	-	-	-	-	-	-	-	702	-	-	-	-	-	-	-	-	-	-	-	-	**702**
240.	**Operating expenses**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-9,103**
250	Profits (Losses) on investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	-	-	-	-	-	209	-	-	-	-	-	-	-	-	-	-	**209**
260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-2	-	-	-	-	-	-	-	-	-	**-2**
270	Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
280	Profits (Losses) on disposal of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	-	-	-	-	-	-	-	**17**
290.	**Income (Loss) before tax from continuing operations**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**4,939**
300.	Taxes on income from continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,644	-	-	-	-	-	**-1,644**
310.	**Income (Loss) after tax from continuing operations**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,295**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
330.	**Net income (loss)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,295**
340.	Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-11	-	**-11**
350.	**Parent Company's net income (loss)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3,284**
TOTAL		**6,729**	**-5,399**	**13,818**	**-8,445**	**-4,850**	**-3,595**	**-160**	**-72**	**-88**	**-508**	**-692**	**702**	**-9,103**	**209**	**-2**	**-**	**17**	**4,939**	**-1,644**	**3,295**	**-**	**3,295**	**-11**	**3,284**	

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

(millions of euro)

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

(millions of euro)

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

(millions of euro)

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

Reconciliation between consolidated income statement for the period ended 30 September 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for the period ended 30 September 2022

(millions of euro)

		TOTAL as at 30.09.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9/IFRS 17 (b) Effect during the first nine months of 2022	TOTAL as at 30.09.2022 (c) = (a) + (b) POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Interest and similar income	10,392	-	10,392
20.	Interest and similar expense	-2,224	-	-2,224
30.	**Interest margin**	**8,168**	**-**	**8,168**
40.	Fee and commission income	8,517	-	8,517
50.	Fee and commission expense	-2,050	9	-2,041
60.	**Net fee and commission income**	**6,467**	**9**	**6,476**
70.	Dividend and similar income	480	-	480
80.	Profits (Losses) on trading	-250	-	-250
90.	Fair value adjustments in hedge accounting	45	-	45
100	Profits (Losses) on disposal or repurchase of:	-234	-	-234
	a) financial assets measured at amortised cost	*204*	-	*204*
	b) financial assets measured at fair value through other comprehensive income	*-455*	-	*-455*
	c) financial liabilities	*17*	-	*17*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-368	-4,249	-4,617
	a) financial assets and liabilities designated at fair value	*8,423*	*-2,567*	*5,856*
	b) other financial assets mandatorily measured at fair value	*-8,791*	*-1,682*	*-10,473*
120.	**Net interest and other banking income**	**14,308**	**-4,240**	**10,068**
130.	Net losses/recoveries for credit risks associated with:	-1,828	-	-1,828
	a) financial assets measured at amortised cost	*-1,729*	-	*-1,729*
	b) financial assets measured at fair value through other comprehensive income	*-99*	-	*-99*
140.	Profits (Losses) on changes in contracts without derecognition	8	-	8
150.	**Net income from banking activities**	**12,488**	**-4,240**	**8,248**
160.	Insurance service result	1,107	270	1,377
	a) insurance revenue arising from insurance contracts issued	*6,896*	*-4,391*	*2,505*
	b) insurance service expenses arising from insurance contracts issued	*-5,764*	*4,667*	*-1,097*
	c) insurance revenue arising from reinsurance contracts held	*75*	*26*	*101*
	d) insurance service expenses arising from reinsurance contracts held	*-100*	*-32*	*-132*
170.	Balance of financial income and expenses related to insurance operations	223	3,574	3,797
	a) net financial expenses/revenue related to insurance contracts issued	*223*	*3,574*	*3,797*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-
180.	**Net income from banking and insurance activities**	**13,818**	**-396**	**13,422**
190	Administrative expenses:	-8,445	353	-8,092
	a) personnel expenses	*-4,850*	*237*	*-4,613*
	b) other administrative expenses	*-3,595*	*116*	*-3,479*
200	Net provisions for risks and charges	-160	-	-160
	a) commitments and guarantees given	*-72*	-	*-72*
	b) other net provisions	*-88*	-	*-88*
210	Net adjustments to / recoveries on property and equipment	-508	17	-491
220	Net adjustments to / recoveries on intangible assets	-692	93	-599
230	Other operating expenses (income)	702	-	702
240.	**Operating expenses**	**-9,103**	**463**	**-8,640**
250	Profits (Losses) on investments in associates and companies subject to joint control	209	-	209
260	Valuation differences on property, equipment and intangible assets measured at fair value	-2	-	-2
270	Goodwill impairment	-	-	-
280	Profits (Losses) on disposal of investments	17	-	17
290.	**Income (Loss) before tax from continuing operations**	**4,939**	**67**	**5,006**
300.	Taxes on income from continuing operations	-1,644	-48	-1,692
310.	**Income (Loss) after tax from continuing operations**	**3,295**	**19**	**3,314**
320.	Income (Loss) after tax from discontinued operations	-	-	-
330.	**Net income (loss)**	**3,295**	**19**	**3,314**
340.	Minority interests	-11	-	-11
350.	**Parent Company's net income (loss)**	**3,284**	**19**	**3,303**

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

The IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 did not require any adjustments.

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for the period ended 30 September 2022 and restated consolidated income statement for the period ended 30 September 2022

(millions of euro)

		30.09.2022 (IFRS 9/IFRS 17 insurance segment)	Change in the scope of consolidation (a)	Contribution of Training Business Line (b)	30.09.2022 Restated
10.	Interest and similar income	10,392	5	-	10,397
	of which: interest income calculated using the effective interest rate method	*10,042*	-	-	*10,042*
20.	Interest and similar expense	-2,224	-3	-	-2,227
30.	**Interest margin**	**8,168**	**2**	**-**	**8,170**
40.	Fee and commission income	8,517	21	-	8,538
50.	Fee and commission expense	-2,041	-4	-	-2,045
60.	**Net fee and commission income**	**6,476**	**17**	**-**	**6,493**
70.	Dividend and similar income	480	-	-	480
80.	Profits (Losses) on trading	-250	6	-	-244
90.	Fair value adjustments in hedge accounting	45	-	-	45
100.	Profits (Losses) on disposal or repurchase of:	-234	-	-	-234
	a) financial assets measured at amortised cost	*204*	-	-	*204*
	b) financial assets measured at fair value through other comprehensive income	*-455*	-	-	*-455*
	c) financial liabilities	*17*	-	-	*17*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-4,617	-	-	-4,617
	a) financial assets and liabilities designated at fair value	*5,856*	-	-	*5,856*
	b) other financial assets mandatorily measured at fair value	*-10,473*	-	-	*-10,473*
120.	**Net interest and other banking income**	**10,068**	**25**	**-**	**10,093**
130.	Net losses/recoveries for credit risks associated with:	-1,828	-	-	-1,828
	a) financial assets measured at amortised cost	*-1,729*	-	-	*-1,729*
	b) financial assets measured at fair value through other comprehensive income	*-99*	-	-	*-99*
140.	Profits (Losses) on changes in contracts without derecognition	8	-	-	8
150.	**Net income from banking activities**	**8,248**	**25**	**-**	**8,273**
160.	Insurance service result	1,377	-	-	1,377
	a) insurance revenue arising from insurance contracts issued	*2,505*	-	-	*2,505*
	b) insurance service expenses arising from insurance contracts issued	*-1,097*	-	-	*-1,097*
	c) insurance revenue arising from reinsurance contracts held	*101*	-	-	*101*
	d) insurance service expenses arising from reinsurance contracts held	*-132*	-	-	*-132*
170.	Balance of financial income and expenses related to insurance operations	3,797	-	-	3,797
	a) net financial expenses/revenue related to insurance contracts issued	*3,797*	-	-	*3,797*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-
180.	**Net income from banking and insurance activities**	**13,422**	**25**	**-**	**13,447**
190.	Administrative expenses:	-8,092	-22	-33	-8,147
	a) personnel expenses	*-4,613*	*-15*	*5*	*-4,623*
	b) other administrative expenses	*-3,479*	*-7*	*-38*	*-3,524*
200.	Net provisions for risks and charges	-160	-	-	-160
	a) commitments and guarantees given	*-72*	-	-	*-72*
	b) other net provisions	*-88*	-	-	*-88*
210.	Net adjustments to / recoveries on property and equipment	-491	-1	-	-492
220.	Net adjustments to / recoveries on intangible assets	-599	-1	2	-598
230.	Other operating expenses (income)	702	2	-	704
240.	**Operating expenses**	**-8,640**	**-22**	**-31**	**-8,693**
250.	Profits (Losses) on investments in associates and companies subject to joint control	209	-	-	209
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-2	-	-	-2
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	17	-	-	17
290.	**Income (Loss) before tax from continuing operations**	**5,006**	**3**	**-31**	**4,978**
300.	Taxes on income from continuing operations	-1,692	-1	10	-1,683
310.	**Income (Loss) after tax from continuing operations**	**3,314**	**2**	**-21**	**3,295**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**3,314**	**2**	**-21**	**3,295**
340.	Minority interests	-11	-2	21	8
350.	**Parent Company's net income (loss)**	**3,303**	**-**	**-**	**3,303**

(a) The restatement relates to the income statement results of Compagnie de Banque Privée Quilvest (now Intesa Sanpaolo Wealth Management S.A.) for the first six months of 2022.

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

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.09.2023	31.12.2022	Changes	
				amount	%
10.	Cash and cash equivalents	85,585	112,924	-27,339	-24.2
20.	Financial assets measured at fair value through profit or loss	145,746	150,616	-4,870	-3.2
	a) financial assets held for trading	*41,855*	*42,607*	*-752*	*-1.8*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*103,890*	*108,008*	*-4,118*	*-3.8*
30.	Financial assets measured at fair value through other comprehensive income	130,493	119,508	10,985	9.2
40.	Financial assets measured at amortised cost	519,533	528,081	-8,548	-1.6
	a) due from banks	*31,778*	*32,884*	*-1,106*	*-3.4*
	b) loans to customers	*487,755*	*495,197*	*-7,442*	*-1.5*
50.	Hedging derivatives	9,607	10,075	-468	-4.6
60.	Fair value change of financial assets in hedged portfolios (+/-)	-10,152	-9,752	400	4.1
70.	Investments in associates and companies subject to joint control	2,558	2,013	545	27.1
80.	Insurance assets	747	151	596	
	a) insurance contracts issued that are assets	*451*	*18*	*433*	
	b) reinsurance contracts held that are assets	*296*	*133*	*163*	
90.	Property and equipment	9,643	10,505	-862	-8.2
100.	Intangible assets	9,245	9,237	8	0.1
	of which:				
	- goodwill	*3,671*	*3,626*	*45*	*1.2*
110.	Tax assets	15,871	18,130	-2,259	-12.5
	a) current	*2,779*	*3,520*	*-741*	*-21.1*
	b) deferred	*13,092*	*14,610*	*-1,518*	*-10.4*
120.	Non-current assets held for sale and discontinued operations	256	638	-382	-59.9
130.	Other assets	28,002	22,461	5,541	24.7
Total assets		**947,134**	**974,587**	**-27,453**	**-2.8**

(millions of euro)

Liabilities and Shareholders' Equity		30.09.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	634,186	670,127	-35,941	-5.4
	a) due to banks	*98,172*	*138,132*	*-39,960*	*-28.9*
	b) due to customers	*437,046*	*454,595*	*-17,549*	*-3.9*
	c) securities issued	*98,968*	*77,400*	*21,568*	*27.9*
20.	Financial liabilities held for trading	47,439	46,512	927	2.0
30.	Financial liabilities designated at fair value	67,103	63,007	4,096	6.5
40.	Hedging derivatives	4,845	5,517	-672	-12.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,702	-8,031	-329	-4.1
60.	Tax liabilities	3,116	2,021	1,095	54.2
	a) current	*474*	*303*	*171*	*56.4*
	b) deferred	*2,642*	*1,718*	*924*	*53.8*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	13	15	-2	-13.3
80.	Other liabilities	12,946	10,763	2,183	20.3
90.	Employee termination indemnities	763	852	-89	-10.4
100.	Allowances for risks and charges	4,134	4,960	-826	-16.7
	a) commitments and guarantees given	*538*	*711*	*-173*	*-24.3*
	b) post-employment benefits	*81*	*139*	*-58*	*-41.7*
	c) other allowances for risks and charges	*3,515*	*4,110*	*-595*	*-14.5*
110.	Insurance liabilities	115,616	117,575	-1,959	-1.7
	a) insurance contracts issued that are liabilities	*115,539*	*117,561*	*-2,022*	*-1.7*
	b) reinsurance contracts held that are liabilities	*77*	*14*	*63*	
120.	Valuation reserves	-2,383	-2,458	-75	-3.1
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,939	7,211	728	10.1
150.	Reserves	14,607	15,073	-466	-3.1
155.	Interim dividend (-)	-	-1,400	-1,400	
160.	Share premium reserve	28,003	28,053	-50	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Own shares (-)	-146	-124	22	17.7
190.	Minority interests (+/-)	164	166	-2	-1.2
200.	Net income (loss) (+/-)	6,122	4,379	1,743	39.8
Total liabilities and shareholders' equity		**947,134**	**974,587**	**-27,453**	**-2.8**

Restated consolidated income statement

(millions of euro)

		30.09.2023	30.09.2022	Changes	
			Restated	amount	%
10.	Interest and similar income	23,324	10,397	12,927	
	of which: interest income calculated using the effective interest rate method	*20,552*	*10,042*	*10,510*	
20.	Interest and similar expense	-10,994	-2,227	8,767	
30.	**Interest margin**	**12,330**	**8,170**	**4,160**	**50.9**
40.	Fee and commission income	7,963	8,538	-575	-6.7
50.	Fee and commission expense	-2,046	-2,045	1	0.0
60.	**Net fee and commission income**	**5,917**	**6,493**	**-576**	**-8.9**
70.	Dividend and similar income	486	480	6	1.3
80.	Profits (Losses) on trading	-133	-244	-111	-45.5
90.	Fair value adjustments in hedge accounting	-28	45	-73	
100.	Profits (Losses) on disposal or repurchase of:	-188	-234	-46	-19.7
	a) financial assets measured at amortised cost	*100*	*204*	*-104*	*-51.0*
	b) financial assets measured at fair value through other comprehensive income	*-309*	*-455*	*-146*	*-32.1*
	c) financial liabilities	*21*	*17*	*4*	*23.5*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	1,028	-4,617	5,645	
	a) financial assets and liabilities designated at fair value	*-1,307*	*5,856*	*-7,163*	
	b) other financial assets mandatorily measured at fair value	*2,335*	*-10,473*	*12,808*	
120.	**Net interest and other banking income**	**19,412**	**10,093**	**9,319**	**92.3**
130.	Net losses/recoveries for credit risks associated with:	-963	-1,828	-865	-47.3
	a) financial assets measured at amortised cost	*-931*	*-1,729*	*-798*	*-46.2*
	b) financial assets measured at fair value through other comprehensive income	*-32*	*-99*	*-67*	*-67.7*
140.	Profits (Losses) on changes in contracts without derecognition	11	8	3	37.5
150.	**Net income from banking activities**	**18,460**	**8,273**	**10,187**	
160.	Insurance service result	1,543	1,377	166	12.1
	a) insurance revenue arising from insurance contracts issued	2,405	2,505	-100	-4.0
	b) insurance service expenses arising from insurance contracts issued	-870	-1,097	-227	-20.7
	c) insurance revenue arising from reinsurance contracts held	148	101	47	46.5
	d) insurance service expenses arising from reinsurance contracts held	-140	-132	8	6.1
170.	Balance of financial income and expenses related to insurance operations	-2,604	3,797	-6,401	
	a) net financial expenses/revenue related to insurance contracts issued	-2,604	3,797	-6,401	
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	
180.	**Net income from banking and insurance activities**	**17,399**	**13,447**	**3,952**	**29.4**
190.	Administrative expenses:	-8,190	-8,147	43	0.5
	a) personnel expenses	*-4,655*	*-4,623*	*32*	*0.7*
	b) other administrative expenses	*-3,535*	*-3,524*	*11*	*0.3*
200.	Net provisions for risks and charges	-186	-160	26	16.3
	a) commitments and guarantees given	*34*	*-72*	*106*	
	b) other net provisions	*-220*	*-88*	*132*	
210.	Net adjustments to / recoveries on property and equipment	-502	-492	10	2.0
220.	Net adjustments to / recoveries on intangible assets	-687	-598	89	14.9
230.	Other operating expenses (income)	705	704	1	0.1
240.	**Operating expenses**	**-8,860**	**-8,693**	**167**	**1.9**
250.	Profits (Losses) on investments in associates and companies subject to joint control	216	209	7	3.3
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-22	-2	20	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	161	17	144	
290.	**Income (Loss) before tax from continuing operations**	**8,894**	**4,978**	**3,916**	**78.7**
300.	Taxes on income from continuing operations	-2,743	-1,683	1,060	63.0
310.	**Income (Loss) after tax from continuing operations**	**6,151**	**3,295**	**2,856**	**86.7**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**6,151**	**3,295**	**2,856**	**86.7**
340.	Minority interests	-29	8	-37	
350.	**Parent Company's net income (loss)**	**6,122**	**3,303**	**2,819**	**85.3**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets		30.09.2023	31.12.2022
Cash and cash equivalents		**85,585**	**112,924**
Caption 10	Cash and cash equivalents	85,585	112,924
Due from banks		**30,116**	**31,273**
Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (Contribution of banking business)	30,081	31,144
Caption 20a (partial)	Financial assets held for trading - Due from banks (Contribution of banking business)	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks (Contribution of banking business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks (Contribution of banking business)	35	29
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks (Contribution of banking business)	-	100
Loans to customers		**433,710**	**446,854**
Loans to customers measured at amortised cost		***431,824***	***444,244***
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (Contribution of banking business)	425,962	437,973
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of banking business)	5,862	6,271
Loans to customers designated at fair value through other comprehensive income and through profit or loss		***1,886***	***2,610***
Caption 20a (partial)	Financial assets held for trading - Loans to customers (Contribution of banking business)	91	86
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers (Contribution of banking business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers (Contribution of banking business)	748	916
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers (Contribution of banking business)	1,047	1,608
Financial assets measured at amortised cost which do not constitute loans		**57,626**	**52,690**
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks) (Contribution of banking business)	1,697	1,740
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of banking business)	55,929	50,950
Financial assets at fair value through profit or loss		**45,652**	**46,546**
Caption 20a (partial)	Financial assets held for trading (Contribution of banking business)	41,728	42,436
Caption 20b (partial)	Financial assets designated at fair value - Debt securities (Contribution of banking business)	1	1
Caption 20c (partial)	Other financial assets mandatorily measured at fair value (Contribution of banking business)	3,923	4,109
Financial assets at fair value through other comprehensive income		**60,310**	**48,008**
Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (Contribution of banking business)	60,310	48,008
Financial assets pertaining to insurance companies measured at amortised cost		**2**	**3**
Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (Contribution of insurance business)	-	-
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (Contribution of insurance business)	2	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss		**99,226**	**103,052**
Caption 20a (partial)	Financial assets held for trading (Contribution of insurance business)	36	85
Caption 20b (partial)	Financial assets designated at fair value (Contribution of insurance business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value (Contribution of insurance business)	99,184	102,954
Caption 50 (partial)	Hedging derivatives (Contribution of insurance business)	6	13
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income		**69,136**	**69,792**
Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (Contribution of insurance business)	69,136	69,792
Equity investments		**2,558**	**2,013**
Caption 70	Investments in associates and companies subject to joint control	2,558	2,013
Property, equipment and intangible assets		**18,888**	**19,742**
Assets owned		***17,486***	***18,248***
Caption 90 (partial)	Property and equipment	8,241	9,011
Caption 100	Intangible assets	9,245	9,237
Rights of use acquired under leases		***1,402***	***1,494***
Caption 90 (partial)	Property and equipment	1,402	1,494
Tax assets		**15,871**	**18,130**
Caption 110	Tax assets	15,871	18,130
Non-current assets held for sale and discontinued operations		**256**	**638**
Caption 120	Non-current assets held for sale and discontinued operations	256	638
Other assets		**28,198**	**22,922**
Caption 50	Hedging derivatives (Contribution of banking business)	9,601	10,062
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-10,152	-9,752
Caption 80	Insurance assets	747	151
Caption 130	Other assets	28,002	22,461
Total Assets		**947,134**	**974,587**

(millions of euro)

Liabilities		30.09.2023	31.12.2022
Due to banks at amortised cost		**97,390**	**137,489**
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks (Contribution of banking business)	97,394	137,495
-Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of banking business)	-4	-6
Due to customers at amortised cost and securities issued		**533,143**	**528,795**
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers (Contribution of banking business)	436,762	454,038
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued (Contribution of banking business)	97,604	76,066
-Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of banking business)	-1,223	-1,309
Financial liabilities held for trading		**47,428**	**46,512**
Caption 20	Financial liabilities held for trading (Contribution of banking business)	47,428	46,512
Financial liabilities designated at fair value		**16,388**	**8,795**
Caption 30	Financial liabilities designated at fair value (Contribution of banking business)	16,388	8,795
Financial liabilities pertaining to insurance companies measured at amortised cost		**2,422**	**2,522**
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (Contribution of insurance business)	778	637
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (Contribution of insurance business)	284	557
Caption 10 c) (partial)	Financial liabilities measured at amortised cost - Securities issued (Contribution of insurance business)	1,364	1,334
-Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of insurance business)	-	-
-Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of insurance business)	-4	-6
Financial liabilities held for trading pertaining to insurance companies		**193**	**171**
Caption 20 (partial)	Financial liabilities held for trading (Contribution of insurance business)	11	-
Caption 40 (partial)	Hedging derivatives (Contribution of insurance business)	182	171
Financial liabilities pertaining to insurance companies designated at fair value		**50,715**	**54,212**
Caption 30 (partial)	Financial liabilities designated at fair value (Contribution of insurance business)	50,715	54,212
Tax liabilities		**3,116**	**2,021**
Caption 60	Tax liabilities	3,116	2,021
Liabilities associated with non-current assets held for sale and discontinued operations		**13**	**15**
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	13	15
Other liabilities		**11,138**	**9,399**
Caption 40	Hedging derivatives (Contribution of banking business)	4,663	5,346
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,702	-8,031
Caption 80	Other liabilities	12,946	10,763
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of banking business)	4	6
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of insurance business)	-	-
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of banking business)	1,223	1,309
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of insurance business)	4	6
Insurance liabilities		**115,616**	**117,575**
Caption 110	Insurance liabilities	115,616	117,575
Allowances for risks and charges		**4,897**	**5,812**
Caption 90	Employee termination indemnities	763	852
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	538	711
Caption 100 b)	Allowances for risks and charges - Post-employment benefits	81	139
Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	3,515	4,110
Share capital		**10,369**	**10,369**
Caption 170	Share capital	10,369	10,369
Reserves		**42,464**	**43,002**
Caption 130	Redeemable shares	-	-
Caption 150	Reserves	14,607	15,073
Caption 160	Share premium reserve	28,003	28,053
- Caption 180	Treasury shares (-)	-146	-124
Valuation reserves		**-1,917**	**-1,939**
Caption 120	Valuation reserves (Contribution of banking business and including IAS19 Reserves pertaining to insurance business)	-1,917	-1,939
Valuation reserves pertaining to insurance companies		**-466**	**-519**
Caption 120	Valuation reserves (Contribution of insurance business)	-466	-519
Interim dividend		**-**	**-1,400**
Caption 155	Interim dividend (-)	-	-1,400
Equity instruments		**7,939**	**7,211**
Caption 140	Equity instruments	7,939	7,211
Minority interests		**164**	**166**
Caption 190	Minority interests	164	166
Net income (loss)		**6,122**	**4,379**
Caption 200	Net income (loss) (+/-)	6,122	4,379
Total Liabilities and Shareholders' Equity		**947,134**	**974,587**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions		30.09.2023	30.09.2022 Restated
Net interest income		**10,651**	**6,436**
Caption 30	Interest margin	12,330	8,170
- Caption 30 (partial)	Net interest income (Contribution of insurance business)	-1,554	-1,633
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	6	7
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	83	67
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	1	33
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	6	1
+ Caption 80 (partial)	Hedging swap differentials	-168	-195
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-32	-14
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-21	-
Net fee and commission income		**6,448**	**6,697**
Caption 60	Net fee and commission income	5,917	6,493
- Caption 60 (partial)	Net fee and commission income - Insurance segment	447	199
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	2	2
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-1	-33
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	41	34
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	170	107
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	2	-9
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of banking business) Fee and commission income Private Banking Division investment advisors	-36	-9
+ Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-49	-45
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	-45	-42
Income from insurance business		**1,275**	**1,280**
Caption 160	Insurance service result	1,543	1,377
Caption 170	Balance of financial income and expenses related to insurance operations	-2,604	3,797
+ Caption 30 (partial)	Net interest income (Contribution of insurance business)	1,554	1,633
+ Caption 60 (partial)	Net fee and commission income - Insurance segment	-447	-199
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of insurance business)	327	296
+ Caption 80 (partial)	Profits (Losses) on trading (Contribution of insurance business)	-70	-54
+ Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of insurance business)	-	-
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income - Contribution of insurance business	-476	-193
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss - Contribution of insurance business	-1,233	4,876
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Contribution of insurance business)	2,300	-10,596
+ Caption 130 b) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income (Contribution of insurance business)	-12	-49
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	239	237
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	125	116
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	17	17
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	29	15
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of banking business) Fee and commission income Private Banking Division investment advisors	36	9
- Caption 160b (partial)	Costs for insurance services deriving from insurance contracts issued - release of insurance liabilities	-52	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of insurance business	-1	-2

(millions of euro)

Captions		30.09.2023	30.09.2022 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**389**	**1,380**
Caption 80	Profits (Losses) on trading	-133	-244
Caption 90	Fair value adjustments in hedge accounting	-28	45
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	-1,307	5,856
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value	2,335	-10,473
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	-309	-455
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	21	17
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of banking business)	150	184
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	-6	-1
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-41	-34
- Caption 80 (partial)	Profits (Losses) on trading (Contribution of insurance business)	70	54
- Caption 80 (partial)	Hedging swap differentials	168	195
- Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of insurance business)	-	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income (Contribution of insurance business)	476	193
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	124	360
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of banking business) - Effect associated with profits (losses) on trading	3	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-	3
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-170	-107
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Contribution of insurance business)	1,233	-4,876
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Contribution of insurance business)	-2,300	10,596
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-23	68
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-7	2
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	131	-6
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of banking business)	-1	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities - Reclassification of operations of entities not subject to management and coordination (Effect of purchase price allocation)	-	-2
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	3	5

(millions of euro)

Captions		30.09.2023	30.09.2022 Restated
Other operating income (expenses)		**2**	**-20**
Caption 70	Dividend and similar income	486	480
Caption 230	Other operating expenses (income)	705	704
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-6	-7
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-2	-2
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	7	-19
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of banking business)	-150	-184
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of insurance business)	-327	-296
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-24	-16
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-671	-670
- Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	12	18
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	7	5
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-3	-5
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-7	-6
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-50	-40
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-4	-3
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	29	21
Operating income		**18,765**	**15,773**
Personnel expenses		**-4,797**	**-4,821**
Caption 190 a)	Personnel expenses	-4,655	-4,623
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	15	-68
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	32	14
- Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	49	45
- Caption 190 a) (partial)	Personnel expenses (One-off contribution to personnel)	-	48
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	-239	-237
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	1	-
Other administrative expenses		**-2,085**	**-2,047**
Caption 190 b)	Other administrative expenses	-3,535	-3,524
- Caption 190 b) (partial)	Other administrative expenses (Amounts attributed to Net interest income - For Funding initiative)	-	-
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	32	37
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	744	785
- Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	45	42
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	7	6
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	53	37
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	-125	-116
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	671	670
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	23	16
Adjustments to property, equipment and intangible assets		**-979**	**-936**
Caption 210	Net adjustments to / recoveries on property and equipment	-502	-492
Caption 220	Net adjustments to / recoveries on intangible assets	-687	-598
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of insurance business	1	2
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	43	45
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	9	2
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	50	40
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	-17	-17
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	-29	-15
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	105	65
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	4	5
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	40	24
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	4	3
Operating costs		**-7,861**	**-7,804**
Operating margin		**10,904**	**7,969**

(millions of euro)

Captions		30.09.2023	30.09.2022 Restated
Net adjustments to loans		**-913**	**-1,928**
Caption 140	Profits/losses from changes in contracts without derecognition	11	8
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	34	-72
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Loans (Contribution of banking business)	-44	-158
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of banking business)	17	2
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) (Contribution of banking business)	60	66
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	-131	6
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Contribution of banking business)	-879	-1,686
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of banking business)	-5	-18
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Loans (Contribution of banking business)	16	-10
+ Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	8	-66
Other net provisions and net impairment losses on other assets		**-238**	**-156**
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-22	-2
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-220	-88
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	14	-40
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of banking business)	-48	-23
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities due to Banks (Contribution of banking business)	1	-2
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Debt securities (Contribution of banking business)	-36	-40
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-	2
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-	-3
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	21	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-2	-11
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-8	66
+ Caption 160b (partial)	Costs for insurance services deriving from insurance contracts issued - release of insurance liabilities	52	-
- Caption 260 (partial)	Valuation differences on property, equipment and intangible assets measured at fair value	24	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-9	-2
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-4	-5
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-1	-8
Other income (expenses)		**319**	**147**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	216	209
Caption 280	Profits (Losses) on disposal of investments	161	17
Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of banking business)	124	360
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of banking business)	3	-
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-124	-360
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of banking business) - Effect associated with profits (losses) on trading	-3	-
+ Caption 190 a) (partial)	Personnel expenses (One-off contribution to personnel)	-	-48
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-12	-18
+ Caption 260 (partial)	Valuation differences on property, equipment and intangible assets measured at fair value	-24	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-29	-21
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	6	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	1	8
Income (Loss) from discontinued operations		**-**	**-**
Caption 320	Income (Loss) after tax from discontinued operations	-	-
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Gross income (loss)		**10,072**	**6,032**

(millions of euro)

Captions		30.09.2023	30.09.2022 Restated
Taxes on income		**-3,150**	**-2,035**
Caption 300	Taxes on income from continuing operations	-2,743	-1,683
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	-53	-37
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-60	-19
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-60	-48
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-234	-248
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Charges (net of tax) for integration and exit incentives		**-142**	**-62**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-15	68
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-32	-37
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-	3
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-43	-45
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-105	-65
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-7	-5
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	60	19
Effect of purchase price allocation (net of tax)		**-126**	**-96**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-83	-67
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) - (Contribution of banking business)	-60	-66
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of banking business)	1	-
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities - Reclassification of operations of entities not subject to management and coordination (Effect of purchase price allocation)	-	2
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	2	11
+ Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-40	-24
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	-6	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	60	48
Levies and other charges concerning the banking industry (net of tax)		**-503**	**-544**
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-	-3
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	7	-2
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-	-2
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-744	-785
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	234	248
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
Caption 270	Goodwill impairment	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
Minority interests		**-29**	**8**
Caption 340	Minority interests	-29	8
Net income (loss)		**6,122**	**3,303**

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication
Telephone: +39 02 8794 3180
Fax +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Editing and production: Agema®

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GALLERIE D’ITALIA.
FOUR MUSEUMS, ONE NATIONWIDE CULTURAL NETWORK.

Gallerie d’Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: the art collections of the Bank, ranging from archaeological artefacts to contemporary works of art, are housed in historic buildings located in four cities, in a unique network of museums.

Gallerie d’Italia - Milano hosts, in a building of great architectural importance, a significant selection of two hundred 19th century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on 20th century Italian art.

Gallerie d’Italia - Vicenza showcases examples of 18th century art from the Veneto region, including a collection of paintings by Pietro Longhi and the extraordinary sculpture depicting *The Fall of the Rebel Angels*, with more than seventy figures carved from a single block of Carrara marble. It also holds one of the most important collections of Russian icons in the West.

Gallerie d’Italia - Napoli: the new location opened in spring 2022 through a project by Michele De Lucchi – AMDL Circle transforms the spaces of the historic monumental building of the former Banco di Napoli and expands the well-known collection of Neapolitan and southern Italian art to include masterpieces from the 17th to the 20th century, an exhibit of Attic and Magna Graecia pottery and a rich offering of modern and contemporary art.

Gallerie d’Italia - Torino: the recent architectural project designed by Michele De Lucchi - AMDL Circle transforms the spaces of Palazzo Turinetti into a place where photography and video art document and preserve images, events and reflections to promote issues related to the evolution of sustainability. Gallerie d’Italia – Torino is also home to an invaluable collection of Piedmontese works, withpaintings, sculptures, tapestries and furnishings from the 14th to the 18th centuries, including the nine large canvases produced in the second half of the 17th century for the old Oratory of the Saint Paul Company, which has since been destroyed; it also holds the Intesa Sanpaolo Publifoto Archive, which is a collection of more than seven million images from the news as well as political, cultural and social events from the 1930s to the 1980s.

Cover:

Gallerie d’Italia - Torino
Sala Turinetti
Piazza San Carlo 156, Turin
Inside the new museum complex
Project by AMDL CIRCLE and
Michele De Lucchi
Photo: DSL Studio