

**SHAREHOLDERS' EQUITY**

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

**Valuation reserves**

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

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

## OWN FUNDS AND CAPITAL RATIOS

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

(\*) The IFRS 9 transition period ended on 31 December 2022 and the amounts shown in the column as at 30 June 2023 are therefore comparable with the previous IFRS 9 fully loaded period.

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

Own Funds, risk-weighted assets and the capital ratios as at 30 June 2023 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 876/2019 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.

With reference to IFRS 9, the transitional period (2018-2022) introduced by Regulation (EU) no. 2395/2017, of which the Group applied the "static" approach, ended on 31 December 2022.

With regard to the effects of the application of IFRS 17 and the end of the period of application of the Deferral Approach for IFRS 9 for the insurance companies, refer to the chapter "Accounting policies" of the Notes to the Half-yearly condensed consolidated financial statements.

**Own funds**

As at 30 June 2023, Own funds amounted to 57,159 million euro.

Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the elements to be deducted from own funds, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.

Own funds also take into account the applicable amount, object of deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 630/2019 of 17 April 2019.

Moreover, in compliance with art. 3 of the CRR ("Application of stricter requirements by institutions"), for the purpose of calculating own funds as at 30 June 2023, the voluntary deduction of calendar provisioning<sup>22</sup> on exposures within the scope of Pillar 2 was included, which entailed the deduction of an impact of around -30 basis points from CET 1.

It is also noted that, starting on 30 June 2023, the Intesa Sanpaolo Group will comply with EBA Q&A 2021\_6211, which clarifies that the amount of goodwill to deduct from an institution's CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. The latter amount was included in the calculation of risk-weighted assets (RWA), thus falling under the ordinary treatment that the Group reserves for investments in insurance companies.

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

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

#### *Risk-weighted assets*

As at 30 June 2023, risk-weighted assets came to 295,786 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risks.

Common Equity Tier 1 Capital and risk-weighted assets as at 30 June 2023 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) no. 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

#### *Solvency ratios*

On the basis of the foregoing, solvency ratios as at 30 June 2023 amounted to a Common Equity ratio of 13.7%, a Tier 1 ratio of 16.2% and a total capital ratio of 19.3%.

Finally, on 15 December 2022, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2023, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.95%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer<sup>24</sup> requirements.

### Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

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

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

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

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

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

<sup>23</sup> Coupons accrued on the Additional Tier 1 issues (160 million euro).

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