

SHAREHOLDERS' EQUITY

As at 30 September 2022, the Group's shareholders' equity, including the net income for the period, came to 62,705 million euro, compared to 63,775 million euro at the beginning of the year. The decrease is to be attributed to valuation reserves. The aggregate includes 3,284 million euro in net income accrued in the first nine months of the year, and reflects the final cash payment of the dividends for the net income of 2021, in May, as well as the purchases of own shares for annulment (buyback), to the extent finalised as at 30 September 2022.

Valuation reserves

| | Reserve 31.12.2021 | Change of the period | (millions of euro) Reserve 30.09.2022 |
|--|-----------------------|-------------------------|---|
| Financial assets designated at fair value through other comprehensive income (debt instruments) | -332 | -1,398 | -1,730 |
| Financial assets designated at fair value through other comprehensive income (equities) | -147 | -551 | -698 |
| Property and equipment | 1,598 | 169 | 1,767 |
| Foreign investment hedges | - | -17 | -17 |
| Cash flow hedges | -607 | 118 | -489 |
| Foreign exchange differences | -1,088 | 80 | -1,008 |
| Non-current assets held for sale and discontinued operations | - | - | - |
| Financial liabilities designated at fair value through profit or loss (change in its creditworthiness) | -77 | 199 | 122 |
| Actuarial profits (losses) on defined benefit pension plans | -417 | 190 | -227 |
| Portion of the valuation reserves connected with investments carried at equity | 53 | 18 | 71 |
| Legally-required revaluations | 308 | 3 | 311 |
| Valuation reserves (excluding valuation reserves pertaining to insurance companies) | -709 | -1,189 | -1,898 |
| Valuation reserves pertaining to insurance companies | 476 | -1,238 | -762 |

Bank valuation reserves were negative (-1,898 million euro) and worsening on 31 December 2021 (-709 million euro), primarily due to reserves on debt securities (-1,398 million euro) and reserves on equity instruments (-551 million euro). Valuation reserves for property and equipment increased by 169 million euro, mainly due to the reclassification to other reserves of taxation linked to the realignment of the taxable value of properties carried out in 2019, which became final once the three-year observation period was over. The valuation reserves of the insurance companies amounted to a negative 762 million euro, compared with a positive 476 million euro at the end of 2021.

OWN FUNDS AND CAPITAL RATIOS

| Own funds and capital ratios | (millions of euro) | | |
|---|-------------------------|-------------------------|-------------------------|
| | 30.09.2022 | 31.12.2021 | |
| | IFRS9 "Fully loaded" | IFRS9 "Transitional" | IFRS9 "Transitional" |
| Own funds | | | |
| Common Equity Tier 1 capital (CET1) net of regulatory adjustments | 40,241 | 40,995 | 47,247 |
| Additional Tier 1 capital (AT1) net of regulatory adjustments | 7,207 | 7,207 | 6,264 |
| TIER 1 CAPITAL | 47,448 | 48,202 | 53,511 |
| Tier 2 capital net of regulatory adjustments | 9,227 | 8,480 | 8,941 |
| TOTAL OWN FUNDS | 56,675 | 56,682 | 62,452 |
| Risk-weighted assets | | | |
| Credit and counterparty risks | 286,041 | 285,672 | 288,691 |
| Market and settlement risk | 12,249 | 12,249 | 12,792 |
| Operational risks | 26,335 | 26,335 | 25,305 |
| Other specific risks ^(a) | 108 | 108 | 115 |
| RISK-WEIGHTED ASSETS | 324,733 | 324,364 | 326,903 |
| % Capital ratios | | | |
| Common Equity Tier 1 capital ratio | 12.4% | 12.6% | 14.5% |
| Tier 1 capital ratio | 14.6% | 14.9% | 16.4% |
| Total capital ratio | 17.5% | 17.5% | 19.1% |

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

Own Funds, risk-weighted assets and the capital ratios as at 30 September 2022 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.

The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is "fully loaded" only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.

Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to comply with, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.

Own funds

As at 30 September 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 56,682 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 56,675 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a "fully-loaded" basis) take account of the provisions of the 2019 Budget Act calling for the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs have been considered at 75% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.

In addition, the Group has not yet adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category, both introduced by the European Commission in Regulation (EU) 2020/873 of 24 June 2020.

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

As at 30 September 2022, own funds take account of the deduction following the authorisation from the ECB to purchase own shares for cancellation (buyback), as approved by the Shareholders' Meeting on 29 April 2022, for a total of 3.4 billion euro, whose progress was previously illustrated in the opening chapter of this Interim Statement.

For the purposes of calculating own funds as at 30 September 2022 the net income for the first nine months of 2022 was considered, less the related dividend - calculated considering a payout ratio of 70%, equal to that envisaged in the 2022-2025 Business Plan - and other foreseeable charges²⁵.

Risk-weighted assets

As at 30 September 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 324,364 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, risk-weighted assets stood at 324,733 million euro.

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

Solvency ratios

On the basis of the foregoing, solvency ratios as at 30 September 2022, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 12.6%, a Tier 1 ratio of 14.9% and a Total capital ratio of 17.5%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 30 September 2022 were as follows: a Common Equity ratio of 12.4%, a Tier 1 ratio of 14.6% and a Total capital ratio of 17.5%.

Finally, on 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB’s final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.92%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer²⁶ requirements.

²⁵ Coupons accrued on the Additional Tier 1 issues.

²⁶ The Countercyclical Capital Buffer is calculated taking into account the exposure as at 30 September 2022 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2022).

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

| Captions | (millions of euro) | |
|--|--------------------|---------------|
| | 30.09.2022 | 31.12.2021 |
| Group Shareholders' equity | 62,705 | 63,775 |
| Minority interests | 224 | 291 |
| Shareholders' equity as per the Balance Sheet | 62,929 | 64,066 |
| Interim dividend (a) | - | 1,399 |
| Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period | | |
| - Other equity instruments eligible for inclusion in AT1 | -7,207 | -6,263 |
| - Minority interests eligible for inclusion in AT1 | - | -1 |
| - Minority interests eligible for inclusion in T2 | - | -1 |
| - Ineligible minority interests on full phase-in | -224 | -286 |
| - Ineligible net income for the period (b) | -2,343 | -3,031 |
| - Treasury shares included under regulatory adjustments (c) | 2,258 | 266 |
| - Buyback of own shares (d) | -1,862 | - |
| - Other ineligible components on full phase-in | -92 | -194 |
| Common Equity Tier 1 capital (CET1) before regulatory adjustments | 53,459 | 55,955 |
| Regulatory adjustments (including transitional adjustments) (e) | -12,464 | -8,708 |
| Common Equity Tier 1 capital (CET1) net of regulatory adjustments | 40,995 | 47,247 |

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

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

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

(d) The amount as at 30 September refers to the total amount of own shares for annulment (buyback) net of the first and second tranches already annulled from the accounts as at 30 September, own shares held as at 30 September to be annulled and a purchase commitment already accounted for.

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