

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

	Reserve 31.12.2022	Change of the period	Reserve 30.09.2023
	(millions of euro)		
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

Own funds and capital ratios	(millions of euro)		
	30.09.2023	31.12.2022	
	(*)	IFRS 9 "Fully loaded"	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 provisioning¹⁹ 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 charges²⁰.

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 Buffer²¹ requirements.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

Captions	(millions of euro)	
	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).