SHAREHOLDERS' EQUITY

As at 31 March 2022, the Group's shareholders' equity, including the net income for the period, came to 64,724 million euro compared to the 63,775 million euro at the beginning of the year. The growth is to be attributed to the equity instruments issued (+0.9 billion euro); the aggregate includes the 1,024 million euro of net income accrued in the first three months of the year.

The Group assigned net income of 4,185 million euro for the year 2021 to reserves, pending distribution in May 2022 of the remaining cash amount to shareholders, for a total payout ratio, including interim dividend and remaining amount, of 70% of 2021 consolidated net income.

Valuation reserves

(millions of euro)

	Reserve 31.12.2021	Change of the period	Reserve 31.03.2022
Financial assets designated at fair value through other comprehensive income (debt instruments)	-332	-330	-662
Financial assets designated at fair value through other comprehensive income (equities)	-147	-290	-437
Property and equipment	1,598	-19	1,579
Foreign investment hedges	-	-1	-1
Cash flow hedges	-607	64	-543
Foreign exchange differences	-1,088	-85	-1,173
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-77	30	-47
Actuarial profits (losses) on defined benefit pension plans	-417	12	-405
Portion of the valuation reserves connected with investments carried at equity	53	8	61
Legally-required revaluations	308	-	308
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-709**	**-611**	**-1,320**
Valuation reserves pertaining to insurance companies	**476**	**-356**	**120**

Bank valuation reserves were negative (-1,320 million euro) and worsening on 31 December 2021 (-709 million euro), primarily due to reserves on debt securities (-330 million euro), reserves on equity instruments (-290 million euro) and foreign exchange differences (-85 million euro). The valuation reserves of the insurance companies amounted to a positive 120 million euro, compared with 476 million euro at the end of 2021.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	**31.03.2022**		**31.12.2021**
	IFRS9 "Fully loaded"	IFRS9 "Transitional"	IFRS9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	44,874	45,629	47,247
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,248	7,248	6,264
TIER 1 CAPITAL	**52,122**	**52,877**	**53,511**
Tier 2 capital net of regulatory adjustments	9,206	8,459	8,941
TOTAL OWN FUNDS	**61,328**	**61,336**	**62,452**
Risk-weighted assets			
Credit and counterparty risks	290,081	289,653	288,691
Market and settlement risk	15,441	15,441	12,792
Operational risks	25,305	25,305	25,305
Other specific risks (a)	115	115	115
RISK-WEIGHTED ASSETS	**330,942**	**330,514**	**326,903**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.6%	13.8%	14.5%
Tier 1 capital ratio	15.7%	16.0%	16.4%
Total capital ratio	18.5%	18.6%	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 31 March 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 31 March 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 61,336 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 61,328 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.

For the purposes of calculating own funds as at 31 March 2022 the net income for the first quarter was considered, less the related dividend, consistent with the payout ratio envisaged in the 2022-2025 Business Plan (70%) and other foreseeable charges.

Risk-weighted assets
As at 31 March 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 330,514 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 330,942 million euro.
Common Equity Tier 1 Capital and risk-weighted assets as at 31 March 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 31 March 2022, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 13.8%, a Tier 1 ratio of 16.0% and a total capital ratio of 18.6%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 31 March 2022 were as follows: a Common Equity ratio of 13.6%, a Tier 1 ratio of 15.7% and a total capital ratio of 18.5%.
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 the Bank has to meet in terms of Common Equity Tier 1 ratio is currently 8.86% on a fully loaded basis, considering the countercyclical capital buffer requirements established to date by the competent national authorities for the various countries in which the Group is present.

Reconciliation of Shareholders’ equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.03.2022	31.12.2021
Group Shareholders' equity	64,724	63,775
Minority interests	260	291
Shareholders' equity as per the Balance Sheet	**64,984**	**64,066**
Interim dividend (a)	1,399	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	-7,247	-6,263
- Minority interests eligible for inclusion in AT1	-1	-1
- Minority interests eligible for inclusion in T2	-1	-1
- Ineligible minority interests on full phase-in	-254	-286
- Ineligible net income for the period (b)	-760	-3,031
- Treasury shares included under regulatory adjustments	259	266
- Other ineligible components on full phase-in (c)	-3,097	-194
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**55,282**	**55,955**
Regulatory adjustments (including transitional adjustments) (d)	**-9,653**	**-8,708**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**45,629**	**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 31 March 2022 includes the net income as at that date, less the related dividend, calculated taking into account the payout envisaged in the 2022-2025 Business Plan (70% for 2022) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments net of tax).

(c) The amount as at 31 March 2022 primarily includes the dividend and the portion intended for charitable donations relating to 2021 net income, as approved by the Shareholders' Meeting on 29 April 2022.

(d) Adjustments for the transitional period as at 31 March 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.