Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED CAPITAL

A. Qualitative information

The control of capital adequacy both at consolidated level and at single entities level is ensured by capital management which defines the size and optimum combination of the different capital instruments in accordance with regulatory constraints and consistently with the risk exposure taken on by the Group.
The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, considering this to be an instrument for strategic leverage, as well as a way to ensure consistency of the operating plans of the business units.
Once the Group's strategic profitability, capital strength and liquidity objectives have been defined, capital and financial resources are allocated to the business units through a process that evaluates their growth potential, capacity to generate value and financial autonomy.
The capital at risk considered is twofold:
- regulatory capital covering Pillar 1 risks;
- overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and by their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from operational measurements.
Hence, the capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory Pillar 1 constraints (in compliance with Basel 3 rules, effective from 1 January 2014) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the available resources are adequate to cover all risks, even in adverse conditions. Furthermore, since 2013, the Group has been drawing up a Recovery Plan, in line with regulatory indications (directives "Bank Recovery and Resolution Directive – BRRD" - 2014/59/EU transposed in Italy through Legislative Decrees 180 and 181 on 16 November 2015 and "Bank Recovery and Resolution Directive – BRRD II" - Directive (UE) 2019/879, transposed into Italian law on 8 November 2021 by Legislative Decree 193, which entered into force on 1 December), with international practice and in compliance with both the Group Risk Appetite Framework and the crisis management model adopted by the Bank.
As part of the process of defining budget targets, a projection compatibility analysis is conducted annually at Group level and at the level of individual entities in the Group. Depending on the expected performance of balance sheet and income statement aggregates, the appropriate capital management measures to ensure the required financial resources for the individual business units are already identified in this phase, if necessary. Compliance with the target levels of capitalisation is monitored on a quarterly basis, taking appropriate action when necessary.
Compliance with capital adequacy is sought via various levers, such as the dividend distribution policy, the definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of investments, particularly loans, on the basis of counterparty risk.
Further analyses for preliminary assessment of capital adequacy are performed during extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the scope of consolidation of the Group.
Following the Supervisory Review and Evaluation Process (SREP), the ECB annually makes a final decision on the capital requirement that Intesa Sanpaolo must comply with at consolidated level.

On 25 November 2020, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2021.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.59%.
This is the result of:
a) an SREP requirement in terms of Total Capital ratio of 9.5%, comprising a minimum Pillar 1 capital requirement of 8%, and an additional Pillar 2 capital requirement of 1.5%, of which 4.5% and 0.84%, respectively, in the Common Equity Tier 1 ratio and 6% and 1.13%, respectively, in the Tier 1 ratio;
b) the additional Capital Conservation Buffer requirement of 2.5% on a fully-loaded basis already from 2019 and the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis in 2021.

Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer, the Common Equity Tier 1 ratio was 8.63% in 2021 and 8.64% on a fully-loaded basis[86].

With effect from 30 September 2019, following permission from the ECB, the Intesa Sanpaolo Group calculates capital ratios applying the so-called Danish Compromise, under which insurance investments, held indirectly through Intesa Sanpaolo Vita, are risk weighted instead of being deducted from capital.
As stated in Part E, compared to 31 December 2020, with regard to the scope of application of internal credit risk models, the ECB's authorisations to use the new Institutions and Retail SME models for regulatory purposes were implemented starting from June 2021.
With regard to the scope of application of internal counterparty risk models, with respect to 31 December 2020 the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for

[86] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2021 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 2021 and for the first quarter of 2022).

reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. In compliance with the regulatory transaction thresholds, several of the Group's international subsidiary banks have adopted simplified methods for calculating exposures.
With regard to the scope of application of internal operational risk models, on 30 June 2021 the Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 July 2021) and IW Bank Private Investments. Moreover, on 31 December 2021, the extension of the advanced model to UBI Factor (merged by incorporation into Intesa Sanpaolo S.p.A. on 25 October 2021), Pramerica SGR and Pramerica Management Company (merged by incorporation into Eurizon Capital SGR S.p.A. and into Eurizon Capital S.A., respectively, on 1 July 2021) was authorised. The current scope of the Advanced Measurement Approach (AMA) is therefore comprised of Intesa Sanpaolo and the main banks and companies in the Private Banking and Asset Management Divisions, as well as by VUB Bank and PBZ Banka.

On 3 February 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2022.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.76%.
This is the result of:
a) an SREP requirement in terms of Total Capital ratio of 9.79%, comprising a minimum Pillar 1 capital requirement of 8%, and an additional Pillar 2 capital requirement of 1.79%, of which 4.5% and 1.01%, respectively, in the Common Equity Tier 1 ratio and 6% and 1.34%, respectively, in the Tier 1 ratio;
b) the additional Capital Conservation Buffer requirement of 2.5% on a fully-loaded basis already from 2019 and the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis already from 2021.
Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer, the Common Equity Tier 1 ratio to be met is 8.81% on a fully loaded basis.

The transitional period (2018-2022), aimed at mitigating the capital impacts linked to the introduction of the new financial reporting standard IFRS 9, started from 1 January 2018. Intesa Sanpaolo has exercised the option provided in EU Regulation 2395/2017 to adopt the "static" approach that allows the neutralisation of a progressively decreasing amount of the impact of IFRS 9 in its CET 1 relating solely to the FTA component of the impairment. In particular, the result from the comparison between the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018 – relating to performing loans and securities (stage 1 and 2) and adjustments to NPLs (stage 3), net of tax and having eliminated any existing shortfall – is re-included in the capital according to phase-in percentages of 70% in 2020, 50% in 2021 and 25% in 2022. Within the framework of the COVID-19 pandemic scenario, Regulation (EU) 2020/873 of 24 June 2020, amending Regulations (EU) 575/2013 (CRR) and Regulation (EU) 2019/876 (CRR 2) containing temporary support provisions in terms of capital and liquidity, was published with an accelerated approval procedure (the "quick fix"). Among the provisions set out in Regulation (EU) 2020/873 relating to the calculation of own funds, the Intesa Sanpaolo Group opted not to use, as from 30 June 2020, either the changes to the transitional regime for the application of IFRS 9 (art. 473 bis of the CRR) or the temporary reintroduction of the prudential filter aimed at excluding unrealised gains and losses measured at fair value through other comprehensive income (FVOCI) on exposures to central governments and public sector entities (art. 468 CRR).
For the purposes of calculating capital ratios, starting from 31 December 2020, the Intesa Sanpaolo Group has applied Commission Delegated Regulation (EU) 2020/2176, which entered into force on 23 December 2020 and which amends Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. The Regulation, which is, inter alia, intended to support the transition to a more digitalised banking sector, introduces the criterion of prudential amortisation applied to all software assets over a three-year period, regardless of their estimated useful lives for accounting purposes. Specifically, the difference, where positive, between prudential cumulative amortisation and accounting cumulative amortisation (including impairment losses) is fully deducted from CET1.

B. Quantitative information

B.1. Consolidated book shareholders' equity: breakdown by type of company

(millions of euro)

Balance sheet captions	Prudential consolidation	Insurance companies	Other companies	Netting and adjustments on consolidation	TOTAL	*of which minority interests*
1. Share capital	**10,122**	**-**	**101**	**-**	**10,223**	***139***
2. Share premium reserves	**27,308**	**-**	**1**	**-**	**27,309**	***23***
3. Reserves	**18,060**	**759**	**-561**	**-233**	**18,025**	***319***
3.5 (Interim dividend)	**-1,399**	**-**	**-**	**-**	**-1,399**	**-**
4. Equity instruments	**6,282**	**-**	**-**	**-**	**6,282**	-
5. (Treasury shares)	**-136**	**-5**	**-**	**5**	**-136**	-
6. Valuation reserves:	**-285**	**474**	**91**	**-561**	**-281**	***-48***
- Equities designated at fair value through other comprehensive income	-143	-	-	-	-143	*4*
- Hedges of equities designated at fair value through other comprehensive income	-	-	-	-	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	-328	-	-	-	-328	*5*
- Property and equipment	1,594	-	33	-	1,627	*30*
- Intangible assets	-	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-	-
- Cash flow hedges	-607	-	-	-	-607	-
- Hedging instruments (non-designated items)	-	-	-	-	-	-
- Foreign exchange differences	-1,219	-	52	1	-1,166	*-80*
- Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-77	-	-	-	-77	-
- Actuarial gains (losses) on defined benefit plans	-422	-2	-	-	-424	*-7*
- Share of valuation reserves connected with investments carried at equity	609	-	6	-562	53	-
- Legally-required revaluations	308	-	-	-	308	-
- Share of valuation reserves pertaining to insurance companies	-	476	-	-	476	-
7. Parent company's net income (loss) and minority interest (+/-)	**4,054**	**607**	**8**	**-626**	**4,043**	***-142***
Shareholders' equity	**64,006**	**1,835**	**-360**	**-1,415**	**64,066**	**291**

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In further detail, the column for the Banking group indicates the amount resulting from the consolidation of the companies belonging to such group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the Banking group and consolidated on a line-by-line basis are stated at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the Banking group. The columns Netting and Adjustments on consolidation show the adjustments required to obtain the figure presented in the financial statements.

B.2. Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		TOTAL	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	689	-638	400	-23	-	-	-400	23	689	-638
- of which measured pursuant to IAS 39	*400*	*-23*	*400*	*-23*	-	-	*-400*	*23*	*400*	*-23*
2. Equities	253	-353	45	-1	-	-	-45	1	253	-353
- of which measured pursuant to IAS 39	*45*	*-1*	*45*	*-1*	-	-	*-45*	*1*	*45*	-1
2bis. Quotas of UCI (pursuant to IAS 39)	63	-15	63	-15	-	-	-63	15	63	-15
4. Loans	7	-2	-	-	-	-	-	-	7	-2
Total as at 31.12.2021	**1,012**	**-1,008**	**508**	**-39**	**-**	**-**	**-508**	**39**	**1,012**	**-1,008**
Total as at 31.12.2020	**1,481**	**-626**	**778**	**-21**	**-**	**-**	**-778**	**21**	**1,481**	**-626**

The reserve on equities classified as level 1 is negative for about 283 million euro.

B.3. Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

(millions of euro)

	Debt securities	*Debt securities: of which measured pursuant to IAS39*	Equities	*Equities: of which measured pursuant to IAS39*	Quotas of UCI (pursuant to IAS39)	Loans
1. Opening balance	**895**	***687***	**-76**	***33***	**37**	**-1**
2. Increases	**5,181**	***4,708***	**298**	***145***	**58**	**7**
2.1. Fair value increases	4,505	*4,109*	251	*134*	56	6
2.2. Adjustments for credit risk	16	-	X	-	-	1
2.3. Reversal to the income statement of negative reserves from disposal	36	-	4	*4*	-	-
2.3bis Reversal to the income statement of negative reserves from impairment (pursuant to IAS39)	-	-	-	-	-	-
2.4. Transfer to other shareholders' equity items (equities)	-	-	5	-	-	-
2.5. Other increases	624	*599*	38	*7*	2	-
3. Decreases	**-6,025**	***-5,018***	**-322**	***-134***	**-47**	**-1**
3.1. Fair value decreases	-5,384	*-4,862*	-306	*-122*	-40	-
3.2. Recoveries for credit risk	-6	-	-	-	-	-1
3.2bis Impairment losses (pursuant to IAS39)	-	-	-	-	-	-
3.3. Reversal to the income statement of positive reserves from disposal	-490	*-53*	-1	*-1*	-3	-
3.4. Transfer to other shareholders' equity items (equities)	-	-	-1	-	-	-
3.5. Other decreases	-145	*-103*	-14	*-11*	-4	-
4. Final balance	**51**	***377***	**-100**	***44***	**48**	**5**

"Other changes", both positive and negative, mainly include the balance contributed by Assicurazioni Vita and Lombarda Vita, which entered the scope of consolidation in 2021.

Trading on treasury shares

During the year, Intesa Sanpaolo and the Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares:

Ordinary shares:

Initial number	no.	65,933,744
Purchases	no.	20,568,055
Sales	no.	-46,020,243
End-of-year number	no.	40,481,556

B.4. Valuation reserves relating to the defined benefit plans: annual changes

During the year, the reserves at issue recorded an increase of 4 million euro. Therefore, as at 31 December 2021 there was an overall negative reserve equal to approximately 424 million euro for defined benefit plans.

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS FOR BANKS

Reference is made to the “Basel 3 Pillar 3” public disclosure as at 31 December 2021 for the disclosure on own funds and capital adequacy.