



Basel 3 Pillar 3

Disclosure as at 30 September 2020

This is an English translation of the original Italian document "Terzo Pilastrò di Basilea 3 Informativa al pubblico al 30 settembre 2020". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.

This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

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Introduction

Notes to the Basel 3 Pillar 3 disclosure

With effect from 1 January 2014, the reforms of the accord by the Basel Committee (“Basel 3”) were implemented in the EU legal framework. Their aim is to improve the banking sector’s ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and increase banks’ transparency and disclosures.

In doing so, the Committee maintained the approach founded on three Pillars, underlying the previous capital accord, known as “Basel 2”, supplementing and strengthening it to increase the quantity and quality of intermediaries’ available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.

In particular, Pillar 3 – which concerns public disclosure obligations on capital adequacy, risk exposure and the general characteristics of related management and control systems, with the aim of better regulating the market – was also reviewed. Amongst other things, the amendments introduced greater transparency requirements, more information on the composition of regulatory capital and the methods used by banks to calculate capital ratios.

That said, the content of “Basel 3” was incorporated into two EU legislative acts:

- Regulation (EU) 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV), which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy, in particular with Circular 285 of 17 December 2013, which contains the prudential supervision regulations applicable to Italian banks and banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and taking into account the needs detected while supervising banks and other intermediaries.

The above Circular does not dictate specific rules for the preparation and disclosure of Pillar 3 reporting, but simply reports the list of provisions envisaged for that purpose by the CRR. Therefore, the issue is directly regulated by:

- the CRR, Part Eight “Disclosure by Institutions” (Art. 431-455), as amended by Regulation (EU) 2019/876 (CRR II), progressively applicable in accordance with the provisions of Art. 3, point 3(k), and supplemented by Regulation (EU) 2013/1423, issued in accordance with the mandate given to the EBA by Art. 492 of the CRR, in Part Ten, Title I, Chapter 3 “Transitional provisions for disclosure of own funds”;
- the Regulations of the European Commission, whose preparation may be entrusted to the European Banking Authority (EBA), which draws up plans for regulatory or implementing technical standards;
- the Guidelines issued by the EBA – in line with the mandate entrusted to it by Regulation (EU) 1093/2010, which created it - for the purpose of establishing uniform templates for the publication of various types of information.

The issue of disclosure, handled for the first time in 2004, and subsequently revised in 2006 in the “Basel Framework” document, was the subject of an initial revision by the Basel Committee through its standard “Revised Pillar 3 disclosure requirements”, published in January 2015. This document contains indications that the Supervisory Authorities should incorporate in the national regulations (in our case the EU) so that they come into force. At the end of March 2017, the Basel Committee published the standard “Pillar 3 disclosure requirements – consolidated and enhanced framework” which constitutes the second phase of the review of the regulatory framework concerning public disclosure, started with the abovementioned document issued in January 2015. This second review aims to further promote market regulations through the consolidation of all the requirements already introduced and the arrangement of a dashboard of a bank’s key prudential metrics to support the market in the analysis of the data and achieve greater comparability.

The third phase of the review process initiated by the Basel Committee on Banking Supervision (BCBS) was completed in December 2018 – following the public consultation launched in February and concluded in May of that year – with the publication of the final version of the document “Pillar 3 disclosure requirements – updated framework”. This document, in line with the previous revision phases and together with the revision of the leverage ratio disclosure requirements contained in the document “Revisions to leverage ratio disclosure requirements” published in June 2019, aims to establish a single reference framework for disclosure, with the scope to harmonise the market rules. The new updated framework covers the following areas:

- i) revisions and additions to the Pillar 3 regulatory framework resulting from the completion of the reform of the Basel 3 regulatory framework in December 2017, with the introduction of changes to the disclosure requirements for credit risk, operational risk, leverage ratio, credit valuation adjustment (CVA), the risk management summary models, the determination of risk-weighted assets (RWA), and the key prudential metrics;
- ii) new requirements on encumbered assets, with the introduction of a new disclosure requirement that obliges banks to provide disclosure on both encumbered and unencumbered assets;

iii) new disclosure requirements on capital distribution restrictions to provide Pillar 3 users with additional information on the capital ratios that would give rise to capital distribution restrictions imposed by national regulators.

The new information introduced is intended to strengthen the disclosure requirement, with particular regard to the risk of coupon cancellation, and to provide greater support for investment decisions, price formation and market stability.

Further guidance on Pillar 3 was provided by the EBA in December 2014 with the document regarding the guidelines on materiality, proprietary and confidentiality and on the frequency of disclosure to be provided in Pillar 3 “Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) 575/2013” (EBA/GL/2014/14), which governs the following additional significant aspects of the preparation of Pillar 3 disclosure:

- application by the institutions of the materiality criterion;
- application by the institutions of the proprietary and confidentiality criteria;
- need to publish the disclosure more frequently than once a year.

In this regard, on 14 December 2016, the EBA published the first version of the “Guidelines on disclosure requirements under Part Eight of Regulation (EU) 575/2013” (EBA/GL/2016/11), subsequently updated on 4 August 2017. These guidelines aim to increase and improve the consistency and comparability of the information to be provided for Pillar 3, requiring, from 31 December 2017, the publication of new tables in the Pillar 3 disclosure, for G-SIBs and O-SIBs banks, specifying their frequency of publication, with detailed information on credit and counterparty risk - including risk mitigation techniques and credit quality - as well as market risk. These guidelines were also implemented in the amendment of the CRR (CRR II) published in the Official Journal of the European Union (Regulation (EU) 2019/876).

The EBA also supplemented the above-mentioned guidelines (EBA/GL/2016/11) with the publication, in June 2017, of the “Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) 575/2013” (EBA/GL/2017/01), containing additional disclosure requirements for liquidity risk measured through the liquidity coverage ratio.

In January 2018, the EBA issued the “Guidelines on uniform disclosures under Article 473a of Regulation (EU) 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds” (EBA/GL/2018/01) which establish the templates for the publication of information relating to the impacts on own funds resulting from the introduction of the Regulation (EU) 2017/2395, containing “Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds”. As the Intesa Sanpaolo Group opted for the transitional arrangement through the “static” approach to mitigate this impact, it is also required to provide market disclosure on the amounts of its own funds, Common Equity Tier 1 Capital, Tier 1 Capital, CET1 ratio, Tier 1 ratio, Total ratio and fully loaded Leverage ratio, as if it had not adopted this transitional arrangement.

In addition to the disclosure requirements set out in the “Guidance to banks on non-performing loans”, published by the ECB in March 2017 and applicable from the reporting dates for the financial year 2018, which formed the basis for the supplementation of existing tables, in December 2018 the EBA published the final version of the document “Guidelines on disclosures of non-performing and forborne exposures” (EBA/GL/2018/10), applicable from 31 December 2019 and aimed at promoting uniformity in the disclosure requirements for NPLs. This latest document has already been taken into account in the preparation of the related tables in Section 7 – Credit risk: credit quality of the Basel 3 Pillar 3 – Disclosure as at 31 December 2019.

Commission Implementing Regulation 1423/2013 of 20 December 2013, applicable from 31 March 2014, laid down implementing technical standards with regard to disclosure of own funds requirements, establishing uniform templates for the purposes of disclosure of information regarding: i) the full reconciliation of Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital, as well as the filters and deductions applied; and ii) the terms and conditions of outstanding instruments in Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital.

Starting from 1 January 2016, in application of Delegated Regulation 2015/1555 of 28 May 2015 which sets out “regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440 of the CRR”, the disclosure obligations concerning the countercyclical capital buffers have also been applied. Accordingly, the disclosure by the Intesa Sanpaolo Group includes – in addition to the amount of the countercyclical capital buffer – details on the geographical distribution of relevant credit exposures for the purpose of calculating the countercyclical capital buffer according to the regulations.

With specific reference to the information on the Leverage ratio, in February 2016 Commission Implementing Regulation 2016/200 was published in the Official Journal of the European Union, laying down implementing technical standards with regard to the disclosure on the Leverage ratio, under Regulation (EU) 575/2013.

Consequently, the Intesa Sanpaolo Group is publishing the Leverage ratio on the basis of the provisions contained in the above-mentioned Regulation.

With specific regard to the information on encumbered assets, in December 2017 Commission Delegated Regulation (EU) 2017/2295 was published in the Official Journal of the European Union, which adopts the EBA Regulatory Technical Standards (RTS) (EBA/RTS/2017/03) and establishes the regulatory technical standards for the disclosure of encumbered and unencumbered assets. Consequently, the Intesa Sanpaolo Group is publishing this disclosure on the basis of the provisions contained in the above-mentioned Regulation.

Following the publication in the Official Journal of the European Union on 7 June 2019 of Regulation (EU) 2019/876 – also known as CRR II (Capital Requirements Regulation) and part of the broader package of regulatory reforms, also referred to

as the Risk Reduction Measures (RRM), which also include the CRD V (Capital Requirements Directive), the BRRD II (Banking Recovery and Resolution Directive) and the SRMR II (Single Resolution Mechanism Regulation) – significant changes were made, particularly with regard to Part Eight of the CRR. In line with the regulatory changes introduced by CRR II, and to streamline and standardise the periodic disclosure to be provided to the market, in June 2020, the EBA, in accordance with the mandate given to it by Article 434 bis “Uniform disclosure formats” of the CRR II, after the conclusion of the public consultation process that ended on 16 January 2020, published the implementing technical standards (EBA/ITS/2020/04) for all the entities subject to the disclosure requirements set out in Part Eight of the CRR and applicable from June 2021.

In the aftermath of the COVID-19 pandemic, in order to mitigate the possible negative effects of the current crisis generated by the COVID-19 pandemic and ensure disclosure regarding the areas affected by the containment measures adopted for that purpose, thereby promoting sufficient and suitable understanding of the risk profile of supervised institutions, on 2 June 2020, the EBA published the final version of the document “*Guidelines to address gaps in reporting data and public information in the context of COVID-19*” (EBA/GL/2020/07), which contains the guidelines for reporting and disclosure of exposures subject to the measures applied in response to the COVID-19 crisis, whose first-time application, for disclosure purposes, starts on 30 June 2020.

Starting from 30 June 2020, therefore, the three templates required by the above-mentioned Guidelines have been added to the Intesa Sanpaolo Group’s public disclosure in “Credit risk: credit quality” section.

Also within the emergency scenario outlined above, Regulation (EU) 2020/873 of 24 June 2020, amending Regulations (EU) 575/2013 and Regulation (EU) 2019/876 containing temporary support provisions in terms of capital and liquidity, was published with an accelerated approval procedure (the “quick fix”).

The above-mentioned Regulation establishes that institutions that decide to apply the provisions of the new transitional IFRS 9 rules relating to adjustments to loans after 31 December 2019, amending the rules introduced by Regulation (EU) 2017/2395, and/or the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (the prudential filter for exposures to central governments classified as FVTOCI), in addition to disclosing the information required in Part Eight of the CRR, they are required to disclose the amounts of own funds, Common Equity Tier 1 capital and Tier 1 capital, the total capital ratio, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, and the leverage ratio they would have in case they did not apply that treatment.

To complete the regulatory framework that took shape due to the pandemic crisis, on 11 August, the EBA published additional guidelines on reporting and disclosure as a result of the adoption of the CRR “quick-fix”, in which it provides clarifications and instructions for the applications of the regulatory changes for the purpose of filling out the credit risk, market risk, own funds and leverage ratio reporting templates and, for the latter, the related disclosure (EBA/GL/2020/11 “Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic”), as well as the “Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic” (EBA/GL/2020/12), which clarify the disclosure obligations relating to temporary treatment introduced by the quick-fix.

Among the numerous provisions set out in Regulation (EU) 2020/873, the Intesa Sanpaolo Group opted not to use either the changes to the transitional regime for the application of IFRS 9 (art. 473 bis of the CRR) or the FVOCI prudential filter (art. 468 CRR) for the purpose of calculating own funds as at 30 September 2020, in line with what has been done as at 30 June 2020.

Lastly, with regard to the aftermath of the COVID-19 pandemic more generally, details of the specific guidance provided by the Authorities and the consequent choices made by the Group can be found in the Half-yearly Report as at 30 June 2020 and in the Interim Statement as at 30 September 2020.

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In accordance with the above provisions and in line with the approach described above, this document has been prepared on a consolidated basis with reference to a “prudential” scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes.

During the third quarter, UBI Banca and its subsidiaries belonging to the banking group joined the prudential scope of consolidation, in addition to Intesa Sanpaolo (Qingdao) Service Company Limited. On the other hand, the exits in the third quarter regarded the mergers by incorporation of Banca IMI into the Parent Company and of Neva Finventures into Intesa Sanpaolo Innovation Center, as well as the ceasing of operations of Morval Vonwiller Asset Management Co. Ltd.

For the purpose of completeness, note that there were no significant changes in the prudential scope of consolidation with respect to 31 December 2019, because the entry of RBM Assicurazione Salute into the scope of consolidation on a line-by-line basis, which was the only significant change in the ISP Group’s accounting scope of consolidation, was not included in the prudential scope because it is an insurance company. Lastly, the changes concerning the entities under common control – which thus do not have any impact at consolidated level – consist solely of the exit of PBZ Nekretnine D.O.O. (merged by incorporation into PBZ Card D.O.O. within the PBZ Group).

In line with the related supervisory reports, the comparative data relating to previous periods were not restated to take account of the changes in the scope of consolidation.

Under the terms of Art. 433 of the CRR, banks publish the disclosures envisaged in European regulations at least once a year, in conjunction with the date of publication of the financial statements. They are also required to assess the need to publish some or all these disclosures more frequently, based on the significant characteristics of current activities.

In particular, entities must assess whether there is a need to publish disclosures more frequently in relation to "Own Funds" (Art. 437), "Capital Requirements" (Art. 438), and disclosures regarding risk exposure or other aspects subject to rapid change. In this regard, it is also necessary to consider the specific instructions introduced by the EBA Guidelines (EBA/GL/2016/11, EBA/GL/2018/10 and EBA/GL/2020/07), which require interim disclosures of certain information. Given the above regulatory provisions, when issuing its interim statements for March and September, the Intesa Sanpaolo Group publishes summary disclosures on its "Own Funds", "Capital Requirements", "Liquidity Risk" and "Leverage ratio", supplemented in the half-yearly report with additional information on credit, counterparty, market and operational risks.

In relation to the scope of application of the provisions of the CRR, which refers – as previously indicated – to a "prudential" consolidation scope, and the provisions of the CRR, this document does not illustrate all the types of risk that the Intesa Sanpaolo Group is exposed to. Details on own funds and capital ratios are also published in the consolidated Interim Statements for March and September and in the Half-yearly Report.

All the amounts reported in this disclosure, unless otherwise specified, are stated in millions of euro.

The preparation of the Pillar 3 disclosure on capital adequacy, risk exposure and the general characteristics of the related management and control systems of Intesa Sanpaolo is governed, in compliance with the applicable regulations, by the "Guidelines on the disclosure of Financial information to the Market", approved by the Board of Directors. Under the governance of the Pillar 3 disclosure, the Manager responsible for preparing the Company's financial reports, the Chief Risk Officer, and the structures reporting to them, must ensure – within their respective areas of responsibility – that the disclosure contained in the document corresponds to the supporting documentation, ledgers and other accounting records and that the information provided is consistent with Group risk management guidelines and policies and with the measurement and control of the Group's exposure to the different risk categories.

The preparation of Financial disclosures to the Market is one of the processes subject to assessment under the Group "Administrative and Financial Governance Guidelines", which were also approved by the Board of Directors and updated in 2017, as required by Art. 154-bis of the Consolidated Law on Finance, which has qualified by law the role of the Manager responsible for preparing the Company's financial reports, assigning to this role specific responsibilities aimed at guaranteeing the presentation of a true and fair view of the information on balance sheet, income statement and financial position of the Group.

The Basel 3 Pillar 3 disclosure of Intesa Sanpaolo is accompanied by the certification by the Manager responsible for preparing the Company's financial reports, in accordance with paragraph 2 of the already mentioned Art. 154-bis of the Consolidated Law on Finance.

The Group's website publishes information, upon the required deadlines, on the value of the indicators of global systemic importance (Governance\Risk management Section of the website: "Indicators of the assessment methodology to identify the global systemically important banks").

Own funds

Qualitative and quantitative disclosure

Introduction

As previously mentioned, the harmonised rules for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013 and amended by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) into European Union laws, became applicable from 1 January 2014.

The above provisions have been incorporated into the following two regulations:

- Bank of Italy Circular 285: “Supervisory regulations for banks” which renders the above-mentioned provisions operational;
- Implementing Regulation No. 680/2014, as amended, laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) 575/2013 (CRR) of the European Parliament and of the Council.

These provisions are supplemented by the European Commission Delegated Regulations and the ECB Decisions on the definition of Own Funds, listed below:

- Commission Delegated Regulation (EU) 342/2014 of 21 January 2014, supplementing Directive 2002/87/EC of the European Parliament and of the Council and Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the application of the calculation methods of capital adequacy requirements for financial conglomerates;
- Commission Delegated Regulation (EU) 2015/923 of 11 March 2015, amending Delegated Regulation (EU) 241/2014 supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions;
- Commission Delegated Regulation (EU) 2016/101 of 26 October 2015 supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation;
- Decision No. 2015/656 of the European Central Bank of 4 February 2015 on the conditions under which credit institutions are permitted to include interim or year-end profits in Common Equity Tier 1 capital;
- Regulation (EU) 2017/2395¹ of the European Parliament and Council of 12 December 2017, amending Regulation (EU) 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State, updating Regulation 575/2013 CRR through the addition of the new Article 473a “Introduction of IFRS 9”.

This regulatory framework requires that Own Funds (or regulatory capital) are made up of the following tiers of capital:

- Tier 1 Capital, in turn composed of:
 - o Common Equity Tier 1 Capital (CET1);
 - o Additional Tier 1 Capital (AT1);
- Tier 2 Capital (T2).

Tier 1’s predominant element is Common Equity, mainly composed of equity instruments (e.g. ordinary shares net of treasury shares), share premium reserves, retained earnings reserves, retained earnings for the period, valuation reserves, eligible minority interests, net of the deducted items.

In order to be eligible for Common Equity, the equity instruments issued must guarantee absorption of losses on going concern, by satisfying the following characteristics:

- maximum level of subordination;
- option for suspending the payment of dividends/coupons at the full discretion of the issuer and in a non-cumulative manner;
- unredeemability;
- absence of redemption incentives.

At present, with reference to the Intesa Sanpaolo Group, no equity instrument other than ordinary shares is eligible for inclusion in Common Equity.

A number of prudential filters are also envisaged with effects on Common Equity:

- filter on profits associated with future margins deriving from securitisations;
- filter on cash flow hedge (CFH) reserves;
- filter on profits or losses on liabilities designated at fair value (derivatives or otherwise) associated with changes in own credit risk (DVA);
- adjustments to fair value assets associated with the “prudent valuation”.

The regulation also envisages a series of elements to be deducted from Common Equity Tier 1:

- losses for the current year;

¹ As already mentioned in the Introduction of this document, this Regulation has been amended by Regulation 2020/873.

- goodwill, intangible assets and residual intangible assets;
- deferred tax assets (DTA) associated with future income not deriving from temporary differences (e.g. DTA on losses carried forward);
- expected losses exceeding total credit risk adjustments (the shortfall reserve) for exposures weighted according to IRB approaches;
- net assets deriving from defined benefit plans;
- direct, indirect or synthetic holdings of the entity in Common Equity Tier 1 Capital instruments;
- exposures for which it is decided to opt for deduction rather than a 1,250% weighting among RWA;
- non-significant investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the thresholds envisaged in the regulations);
- deferred tax assets (DTA) that rely on future profitability and arise from temporary differences (deducted for the amount exceeding the thresholds envisaged in the regulation);
- significant investments in CET1 instruments issued by companies operating in the financial sector (deducted for the amount exceeding the thresholds envisaged in the regulation);
- the applicable amount of insufficient coverage for non-performing exposures, as governed by Regulation 2019/630 of the European Parliament and Council of 17 April 2019 (minimum loss coverage for non-performing exposures).

The AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares or AT1 equity instruments), once the deductions of items and exemptions provided for in Regulation (EU) 575/2013 (CRR) have been applied.

Tier 2 Capital is mainly composed of items such as eligible subordinated liabilities and any excess of credit risk adjustments over and above expected losses (the excess reserve) for exposures weighted according to IRB approaches, once the deductions of items and exemptions provided for in Regulation (EU) 575/2013 (CRR) have been applied. Following the issue of Regulation (EU) 2019/876 (CRR II), the eligibility of class 2 instruments with a residual duration of less than five years (being amortised) is determined based on the carrying amount instead of the nominal value.

The transitional period for the introduction of the “Basel 3” regulatory framework, which provided for the partial inclusion within or deduction from Own Funds of certain items to enable a gradual impact of the new regulatory requirements, in accordance with the provisions of Directive 2013/36/EU (CRD IV) and the CRR, ended in 2017, and the exemption period established by Regulation (EU) 575/2013 (CRR), regarding the amendments to be applied to IAS 19, also ended in 2018. In addition, as at 30 September 2020, the Intesa Sanpaolo Group no longer held any subordinated instruments subject to specific transitional rules (i.e. grandfathering, which would have ended in 2021) aimed at the gradual exclusion from own funds of instruments that do not meet the requirements of the new rules.

The transitional period (2018-2022), also aimed at mitigating the capital impacts linked to the introduction of the new financial reporting standard IFRS 9, started from 1 January 2018. The Intesa Sanpaolo Group has exercised the option provided in EU Regulation 2395/2017 of adopting the “static” approach that allows the neutralisation of a progressively decreasing amount of the impact of IFRS 9 in its CET1 solely for 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 shortfall reserve – is re-included in the capital according to phase-in percentages of 95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, and 25% in 2022. During the transitional period, the Group may also elect to change this approach once only, subject to authorisation from the Supervisory Authority, moving from the “static” approach to the “dynamic” approach or suspending the application of the transitional treatment in favour of the fully loaded regime. During 2018, two EBA Q&As were published (2018_3784, 2018_4113) which specified that, during the transitional period, any Deferred Tax Assets (DTAs) connected to IFRS 9 FTA-related adjustments should not be considered as deductions from CET1 as envisaged by the CRR.

Considering that the approval of Law 145 of 30 December 2018 (2019 Budget Act) led to the recognition of DTAs linked to the deferred deductibility, over 10 financial years starting from 2018, of the value adjustments recognised in shareholders’ equity because they are related to the first-time adoption of IFRS 9, as envisaged by the aforementioned Regulation and the subsequent EBA Q&As, those DTAs have been neutralised for the purposes of CET 1 Capital during the transitional period established for the IFRS 9 impact (which extends until 2022) limited to the complementary portion of the phase-in percentages detailed above. Law 160 of 27 December 2019 (2020 Budget Act), like the previous Law, deferred the deduction of the portions pertaining to 2019 of the above value adjustments to the tax period 2028.

In November 2019, Q&A 2018_4302 was published which allows the amount of net deferred tax assets that rely on future profitability to be treated for prudential purposes, within the deductions from the CET1 items provided for in the CRR, independently and distinctly from the accounting framework applied to them. In this respect, the EBA clarified that for the deduction of the above-mentioned DTAs from CET1 items, the netting rules established by the CRR apply and that therefore the amount of the DTAs – calculated for prudential purposes – may differ from the related net balance reported in the periodic reports and determined according to the applicable accounting rules.

With regard to Regulation (EU) 2019/876, also known as CRR II (Capital Requirements Regulation) – which is part of the broader package of regulatory reforms that also include the CRD V (Capital Requirements Directive), the BRRD II (Banking Recovery and Resolution Directive) and the SRMR II (Single Resolution Mechanism Regulation) – and to Regulation (EU) 2019/630 as regards minimum loss coverage for non-performing exposures, these are all in force as at 30 September 2020 and already partially applicable.

The above-mentioned Regulation (EU) 2019/876 (CRR II), in Article 494b “Grandfathering of own funds instruments and eligible liabilities instruments”, introduced a new transitional regime, applicable until 28 June 2025, which allows own funds instruments – issued before 27 June 2019 (the date of entry into force of CRR II), which do not meet the specific conditions

set out in points p), q) and r) of Article 52 (“Additional Tier 1 instruments”), as amended by Article 1 point 23) of CRR II, and in points n), o) and p) of Article 63 (“Tier 2 instruments”), as amended by Article 1 point 27) of CRR II – to be respectively qualified as AT1 and T2 instruments.

For the Intesa Sanpaolo Group, these transitional rules only applied to one T2 instrument, for a nominal amount of 1,250 million euro, issued in July 2010, which matured before the end of the above-mentioned transitional period, in July 2020.

Lastly, as already mentioned in the introduction to this document, as at 30 September 2020, the Group, in line with what has been done as at 30 June 2020, has not neither 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 FVTOCI category, both introduced by the European Commission in Regulation 2020/873 of 24 June 2020.

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 30 September 2020 is summarised in the table below.

	(millions of euro)	
	30.09.2020	31.12.2019
A. Common Equity Tier 1 (CET1) before the application of prudential filters	58,613	48,520
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	562	499
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	59,175	49,019
D. Items to be deducted from CET 1	-10,983	-10,067
E. Transitional period - Impact on CET1 (+/-)	2,133	2,590
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	50,325	41,542
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	7,496	4,096
of which AT1 instruments subject to transitional adjustments	-	-
H. Items to be deducted from AT1	-	-
I. Transitional period - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G - H +/- I)	7,496	4,096
M. Tier 2 (T2) before items to be deducted and effects of transitional period	9,531	7,244
of which T2 instruments subject to transitional adjustments	-	-
N. Items to be deducted from T2	-255	-187
O. Transitional period - Impact on T2 (+ / -)	-	-
P. Total Tier 2 (T2) (M - N +/- O)	9,276	7,057
Q. Total own funds (F + L + P)	67,097	52,695

The tables below provide a detailed summary of the various capital levels before regulatory adjustments and transitional regime adjustments, together with the reconciliation between Common Equity Tier 1 and net book value.

Attachment 1 to this document contains details of the terms and conditions of the Additional Tier 1 instruments and Tier 2 Capital instruments issued during the nine months of 2020.

The full terms and conditions of all other Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments have been reported in Attachment 1 to the Basel 3 Pillar 3 - Disclosure as at 31 December 2019 of the Intesa Sanpaolo Group and in the Pillar 3 Disclosure of the UBI Group as at 31 December 2019.

Attachment 2, on the other hand, reports the General Own Funds Disclosure Template envisaged in Implementing Regulation (EU) 1423/2013.

Reconciliation of net book value and Common Equity Tier 1 Capital

Captions	(millions of euro)	
	30.09.2020	31.12.2019
Group Shareholders' equity	68,364	55,968
Minority interests	277	554
Shareholders' equity as per the Balance Sheet	68,641	56,522
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,490	-4,091
- Minority interests eligible for inclusion in AT1	-6	-5
- Minority interests eligible for inclusion in T2	-3	-3
- Ineligible minority interests on full phase-in	-237	-511
- Ineligible net income for the period (a)	-2,389	-3,451
- Treasury shares included under regulatory adjustments	244	230
- Other ineligible components on full phase-in	-	-
Common Equity Tier 1 capital (CET1) before regulatory adjustments	58,760	48,691
Regulatory adjustments (including transitional adjustments) (b)	-8,435	-7,149
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	50,325	41,542

(a) Common Equity Tier 1 capital as at 30 September 2020 includes the income for the first nine months of 2020, less the related dividend (and other foreseeable charges), calculated by applying the pay-out ratio of 75% envisaged for 2020, excluding the contribution of provisional negative goodwill deriving from the acquisition of the UBI Group.

(b) Adjustments for the transitional period as at 30 September 2019 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (70% in 2020) set to decrease progressively until 2022.

The figures as at 30 September 2020 include assets and liabilities in relation to the UBI Group.

Common Equity Tier 1 Capital (CET1)

Information	(millions of euro)	
	30.09.2020	31.12.2019
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	10,076	9,086
Share premium reserve	27,422	25,075
Reserves (a)	17,395	13,246
Accumulated other comprehensive income (b)	-298	347
Net income (loss) for the period	6,376	4,182
Net income (loss) for the period not eligible (c)	-2,389	-
Dividends and other foreseeable charges (d)	-	-3,451
Minority interests	31	35
Common Equity Tier 1 capital (CET1) before regulatory adjustments	58,613	48,520
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-244	-230
Goodwill	-4,737	-4,465
Other intangible assets	-3,787	-3,547
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-1,620	-1,360
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-268	-316
Defined benefit pension funds assets	-	-
Prudential filters	662	641
- of which Cash Flow Hedge Reserve	822	862
- of which Gains or Losses due to changes in own credit risk (DVA)	75	61
- of which Prudent valuation adjustments	-235	-282
- of which Other prudential filters	-	-
Exposures to securitisations deducted rather than risk weighted at 1250%	-100	-142
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically, which exceed the threshold of 10% of Common Equity	-	-
Deductions with 10% threshold (e)	-	-
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	-	-
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-	-
Deductions with threshold of 17.65% (e)	-	-
Positive or negative elements - other	-327	-149
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10,421	-9,568
Total adjustments in the transitional period (CET1)	2,133	2,590
Common Equity Tier 1 (CET1) - Total	50,325	41,542

(a) Amount included in CET1, includes a negative effect of about 3,265 million euro deriving from the adoption of IFRS 9, in addition to the 2019 income allocated to reserves.

(b) The caption "Accumulated other comprehensive income" includes a positive effect of about 328 million euro deriving from the adoption of IFRS 9.

(c) Common Equity Tier 1 capital as at 30 September 2020 includes the net income for the first nine months of 2020 net of the related dividend (and other foreseeable charges) calculated on the basis of the 75% payout ratio envisaged for 2020, excluding the contribution of the provisional negative goodwill deriving from the acquisition of the UBI Group.

(d) As at 31.12.2019 the figure considers the dividends on 2019 results, the portion of the remuneration of the AT1 instruments issued at that date and the portion of 2019 income allocated to charity, net of the tax effect. It is also noted that, in compliance with the European Central Bank communication of 27 March 2020 (as amended by Recommendation of 27 July 2020) concerning the dividend policy in the situation resulting from the COVID-19 epidemic, the Shareholders' Meeting of 27 April 2020 approved the assignment of the net income for 2019 to reserves.

(e) See the specific table for the details of the calculation of the deduction thresholds.

Common Equity Tier 1 Capital takes account of the net income for the first nine months of 2020, less the related dividend (and other foreseeable charges), calculated on the basis of the 75% payout ratio envisaged for 2020 excluding the contribution of the provisional negative goodwill deriving from the acquisition of the UBI Group. The 75% pay-out ratio is based on Intesa Sanpaolo's intention to confirm for 2020 the dividend policy set out in the 2018-2021 Business Plan, subject to the recommendations that will be provided by the ECB in the fourth quarter of 2020 regarding dividend distributions after

1 January 2021 and not to distribute the definitive negative goodwill, as resulting from the finalisation of the purchase price allocation process for the business combination and net of charges for integration and the reduction of the risk profile. It bears reiterating that the positive effect associated with the negative goodwill relating to the acquisition of UBI Banca and included in Common Equity Tier 1 capital as at 30 September 2020 (3,264 million euro) is to be considered absolutely provisional, and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA (Purchase Price Allocation) procedure through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Group. Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking. The above amount of negative goodwill takes account of not only the provisional effects of the acquisition, but also the capital loss on the sale of UBI Banca and Intesa Sanpaolo branches, for which the corresponding risk-weighted assets continue to be included in the consolidated figures, since they have not yet been eliminated from the scope of consolidation.

As envisaged by Article 36 (1)(k)(ii) of (EU) Regulation 575/2013 which governs this circumstance, in place of the weighting of the positions towards securitisations that meet the requirements to receive a weighting of 1,250%, it was chosen to proceed with the direct deduction of these exposures from the Own Funds.

The amount of such deduction as at 30 September 2020 is equal to -100 million euro.

Additional Tier 1 Capital (AT1)

Information	(millions of euro)	
	30.09.2020	31.12.2019
Additional Tier 1 capital (AT1)		
AT1 instruments	7,490	4,091
Minority interests	6	5
Additional Tier 1 capital (AT1) before regulatory adjustments	7,496	4,096
Regulatory adjustments to Additional Tier 1 (AT1)	-	-
Adjustments in the transitional period, including minority interests (AT1)	-	-
AT1 instruments eligible for grandfathering	-	-
Additional Tier 1 (AT1) - Total	7,496	4,096

Additional Tier 1 (AT1) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to the own funds (millions of euro)
Intesa Sanpaolo	6.25% fixed rate (up to the first call date)	NO	16-May-2017	perpetual	16-May-2024	Eur	NO	750,000,000	745
Intesa Sanpaolo	7.70% fixed rate (up to the first call date)	NO	19-Jan-2016	perpetual	19-Jan-2021	Eur	NO	1,250,000,000	1,243
Intesa Sanpaolo	7.75% fixed rate (up to the first call date)	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,243
Intesa Sanpaolo	7.70% fixed rate (up to the first call date)	NO	17-Sep-2015	perpetual	17-Sep-2025	Usd	NO	1,000,000,000	879
Intesa Sanpaolo	3.75% fixed rate (up to the first call date)	NO	27-Feb-2020	perpetual	27-Feb-2025	Eur	NO	750,000,000	745
Intesa Sanpaolo	4.125% fixed rate (up to the first call date)	NO	27-Feb-2020	perpetual	27-Feb-2030	Eur	NO	750,000,000	745
Intesa Sanpaolo	5.875% fixed rate (up to the first call date)	NO	1-Sep-2020	perpetual	1-Sep-2031	Eur	NO	750,000,000	745
Intesa Sanpaolo	5.5% fixed rate (up to the first call date)	NO	1-Sep-2020	perpetual	1-Mar-2028	Eur	NO	750,000,000	745
Ubi Banca	5.875% fixed rate (up to the first call date)	NO	20-Sep-2020	perpetual	20-Jan-2025	Eur	NO	400,000,000	400
Total Additional Tier 1 equity instruments									7,490

In February 2020, two new Additional Tier 1 Capital instruments were issued for a total of 1.5 billion euro (750 million euro each), listed on the Luxembourg Stock Exchange. For both instruments, the coupon will be payable semi-annually in arrears on 27 February and 27 August of each year, with the first payment on 27 August 2020. The two instruments – up to the date for early redemption set, for the first issue, at 27 February 2025 and, for the second, at 27 February 2030 – will pay coupons of 3.75% and 4.125% per annum respectively. For both issues, if this early redemption option is not exercised, a new fixed-rate coupon will be set for the following five years (until the next recalculation date).

In September 2020, two new Additional Tier 1 Capital instruments were issued for a total of 1.5 billion euro (750 million euro each), also listed on the Luxembourg Stock Exchange. For both instruments, the coupon will be payable semi-annually in arrears on 1 September and 1 March of each year, with the first payment on 1 March 2021. The two instruments – up to the date for early redemption set, for the first issue, at 1 March 2028 and, for the second, at 1 September 2031 – will pay coupons

of 5.5% and 5.875% per annum respectively. For both issues, if this early redemption option is not exercised, a new fixed-rate coupon will be set for the following five years (until the next recalculation date).

Lastly, with regard to the acquisition of UBI Banca, it should be noted that in January 2020, UBI Banca issued an Additional Tier 1 instrument for 400 million euro, listed on the Irish Stock Exchange. The coupon is payable in semi-annual instalments in arrears on 20 January and 20 June of each year, with the first payment on 20 June 2020. Up to the date of any early redemption, which may be exercised by the issuer on any day between 20 January 2025 and 20 June 2025 inclusive, the instrument pays coupons of 5.875% per annum. If this early redemption option is not exercised, a new fixed-rate coupon will be set for the following five years (until the next recalculation date).

The instruments described above have characteristics in line with the indications of CRD IV and the CRR and have a perpetual term. As envisaged by the regulations applicable to AT 1 instruments, the payment of coupons for all instruments is discretionary and subject to certain limitations.

Tier 2 Capital (T2)

	(millions of euro)	
	30.09.2020	31.12.2019
Tier 2 Capital (T2)		
T2 Instruments	9,528	7,241
Minority interests	3	3
Excess of provisions over expected losses eligible (excess reserve)	-	-
Tier 2 capital before regulatory adjustments	9,531	7,244
Tier 2 Capital (T2): Regulatory adjustments		
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-255	-187
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	-255	-187
Total adjustments in the transitional period, including minority interests (T2)	-	-
Tier 2 Capital (T2) - Total	9,276	7,057

Tier 2 (T2) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to the own funds (millions of euro)
Intesa Sanpaolo	3-month Euribor + 1.9%/4	NO	26-Sep-2017	26-Sep-2024	NO	Eur	NO	724,000,000	571
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,408
Intesa Sanpaolo	6.6625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	925
Intesa Sanpaolo	5.71% fixed rate	NO	15-Jan-2016	15-Jan-2026	NO	Usd	NO	1,500,000,000	1,360
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	1,067
Intesa Sanpaolo	3-month Euribor + 237 bps/4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	266
Intesa Sanpaolo	2.855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	478
Intesa Sanpaolo	1.98% fixed rate	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	160,250,000	158
Intesa Sanpaolo	3-month Euribor + 206 bps/4	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	188,000,000	179
Intesa Sanpaolo	3.75% fixed rate	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	309,250,000	295
Intesa Sanpaolo	3-month Euribor + 405 bps/4	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	590,500,000	561
Intesa Sanpaolo	5.148% fixed rate	NO	10-Jun-2020	10-Jun-2030	NO	GBP	NO	350,000,000	372
Ubi Banca	4.25% fixed rate	NO	5-May-2016	5-May-2026	NO	Eur	NO	750,000,000	710
Ubi Banca	4.45% fixed rate	NO	15-Mar-2017	15-Sep-2027	NO	Eur	NO	500,000,000	455
Ubi Banca	5.875% fixed rate	NO	4-Mar-2019	4-Mar-2029	NO	Eur	NO	500,000,000	473
Ubi Banca	4.375% fixed rate	NO	12-Jul-2019	12-Jul-2029	NO	Eur	NO	300,000,000	250
Total Tier 2 instruments									9,528

In June 2020, two new Tier 2 Capital instruments were issued for a total of around 900 billion euro (309.25 million euro and 590.5 million euro, respectively), listed on the ExtraMOT PRO market. Both instruments have characteristics in line with the indications of CRD IV and the CRR and have a term of 7 years. Both instruments are reserved exclusively for subscription by professional customers and qualified investors as defined in Directive 2014/65/EU ("MIFID II") and meeting the definition of qualified investors set out in Article 2 e) of Regulation (EU) 2017/1129 of 14 June 2017. For the first of the two instruments, the gross annual interest of 3.75% will be payable in annual instalments in arrears on 29 June each year from 29 June 2021. For the second of the two instruments, the gross interest will be payable in quarterly instalments in arrears (29 March, 29 June, 29 September and 29 December each year) from 29 September 2020 and will be determined on the basis of an annual rate of 3-month EURIBOR +4.05%.

In addition, in June 2020, a new Tier 2 capital instrument was issued for 350 million GBP, listed on the Luxembourg Stock Exchange and reserved exclusively for professional customers and qualified investors as defined in Directive 2014/65/EU ("MIFID II"). This instrument has characteristics in line with the indications of CRD IV and the CRR and has a term of 10 years. The gross annual interest of 5.148% will be payable in half-yearly instalments in arrears (10 June and 10 December each year from 10 December 2020).

Deduction thresholds for DTAs and investments in companies operating in the financial sector

	(millions of euro)	
	30.09.2020	31.12.2019
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	4,819	3,895
B. Threshold of 10% for CET1 instruments of financial sector entities where the institution has a significant investment and for DTA that rely on future profitability and arise from temporary differences	4,819	3,895
C. Threshold of 17.65% for significant investments and DTA not deducted in the threshold described under point B	7,529	6,280

The regulations envisage that for certain regulatory adjustments, such as those for DTAs based on future income and deriving from temporary differences, and for significant and minor investments in CET1 instruments issued by companies in the financial sector, certain thresholds or “deductibles” are specified, calculated on Common Equity estimated using different approaches:

- for minor investments in CET1 instruments issued by companies in the financial sector, the deduction of amounts exceeding 10% of CET1 prior to deductions deriving from exceeding the thresholds is envisaged;
- for significant investments in CET1 instruments and DTAs, on the other hand, the following is envisaged:
 - an initial threshold for deductions, calculated as 10% of CET1 prior to deductions deriving from exceeding the thresholds, adjusted to take into account any excess over the threshold described in the previous point;
 - a further threshold is indicated, calculated on 17.65% of Common Equity (calculated in the same way as the point above, minus the DTAs that are dependent on future profitability and arise from temporary differences and significant investments in CET1 instruments issued by financial sector entities), to be applied in aggregate on amounts not deducted using the first threshold.

All amounts not deducted must be weighted among risk-weighted assets at 250%.

Capital requirements

Qualitative and quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's total own funds must amount to at least 12.59% of total risk-weighted assets (total capital ratio including the minimum requirement for Pillar 1, the additional Pillar 2 requirement of 1.5%, the capital conservation buffer of 2.5% on a phased-in basis for 2020, the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.56% under the transitional arrangements in force for 2020, and the institution-specific countercyclical capital buffer of 0.03% in the third quarter of 2020) arising from the risks typically associated with banking and financial activity (credit, counterparty, market and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risks as a result of insurance coverage. The competent authorities, as part of the Supervisory Review and Evaluation Process (SREP), may require higher capital requirements compared to those resulting from the application of the regulatory provisions.

As already illustrated in the Section on "Own Funds", the total regulatory capital is made up of the algebraic sum of the elements specified below:

- Tier 1 Capital (capable of absorbing losses under going concern conditions). This capital is divided into Common Equity Tier 1 Capital and Additional Tier 1 Capital;
- Tier 2 Capital (capable of absorbing losses in the event of a crisis).

The elements indicated above are subject to the following limits:

- Common Equity Tier 1 must at all times be equal to at least 4.5% of risk-weighted assets;
- Tier 1 Capital must at all times be equal to at least 6% of risk-weighted assets;
- Own Funds (i.e. the total regulatory capital), equal to Tier 1 plus Tier 2 Capital, must at all times be equal to at least 8.0% of risk-weighted assets.

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 26 November 2019, Intesa Sanpaolo received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2020.

When the regulatory amendment introduced by the ECB with effect from 12 March this year – which establishes that the Pillar 2 requirement may be met by partially using capital instruments other than Common Equity Tier 1 – is applied, the overall capital requirement the Bank is required to meet in terms of Common Equity Tier 1 ratio is 8.40% under the transitional arrangements for 2020 and 8.59% on a fully loaded basis.

This is the result of:

- a) a 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 0.56% under the transitional arrangements in force for 2020 and 0.75% on a fully-loaded basis in 2021.

Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer², the Common Equity Tier 1 ratio to be met is 8.44% under the transitional arrangements in force for 2020 and 8.63% on a fully loaded basis.

There were no changes relating to the authorisations for the internal credit risk models with respect to 31 December 2019.

There were no changes in the scope of application of the internal models concerning counterparty risk for OTC and ETD derivatives and SFTs compared to 31 December 2019.

There were no changes in the scope of application of the internal models for operational risk compared to 31 December 2019.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2020.

² Countercyclical Capital Buffer calculated taking into account the exposure as at 30 September 2020 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities for 2020-2021, if available, or at the latest update of the reference period (this requirement was set to zero per cent for Italy for the fourth quarter 2020).

Overview of RWAs (EU OV1 LG EBA 2016/11)

(millions of euro)

		RWAs		MINIMUM CAPITAL REQUIREMENTS	
		30.09.2020	30.06.2020	30.09.2020	
	1	Credit risk (excluding CCR)	269,836	231,869	21,587
Article 438(c)(d)	2	Of which the standardised approach	82,951	66,968	6,636
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	1,199	1,061	96
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	159,841	134,832	12,787
Article 438(d)	5	Of which equity with simple risk-weighted approach or PD/LGD	25,845	29,008	2,068
Article 107 Article 438(c)(d)	6	CCR	8,109	8,126	648
Article 438(c)(d)	7	Of which mark to market	1,840	1,941	147
Article 438(c)(d)	8	Of which original exposure	-	-	-
	9	Of which the standardised approach	-	-	-
	10	Of which internal model method (IMM)	5,018	4,806	401
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	229	227	18
Article 438(c)(d)	12	Of which CVA	1,022	1,152	82
Article 438(e)	13	Settlement risk	-	-	-
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	7,762	7,205	621
	15	Of which IRB approach	-	-	-
	16	Of which IRB supervisory formula approach (SEC-IRBA)	5,475	4,744	438
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach (SEC-SA and SEC-ERBA)	2,287	2,461	183
Article 438 (e)	19	Market risk	18,226	19,617	1,458
	20	Of which the standardised approach	2,506	2,384	200
	21	Of which IMA	15,720	17,233	1,258
Article 438(e)	22	Large exposures	-	-	-
Article 438(f)	23	Operational risk	26,282	22,258	2,103
	24	Of which basic indicator approach	617	485	50
	25	Of which standardised approach	3,415	2,090	273
	26	Of which advanced measurement approach	22,250	19,683	1,780
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	12,036	6,898	963
Article 500	28	Floor adjustment	-	-	-
	29	TOTAL	342,251	295,973	27,380

The total amount of risk-weighted exposures recorded as at 30 September 2020 was around 342.25 billion euro, with a change of approximately +46.3 billion euro compared to June 2020. In particular, please note the following:

- for credit risk (excluding counterparty risk), a significant increase in the Standard and IRB portfolios, mainly attributable to the inclusion of the UBI exposures in the Group. The trend for stand-alone Intesa Sanpaolo only partially mitigates that change, due to the decrease in the SMEs and Banks segments. In particular, the former is impacted both by the economic support measures to handle the COVID-19 by providing guarantees on loans disbursed to businesses, with an increase in the coverage ratio of the portfolio, and the implementation, following the receipt from the ECB of the related authorisation, of the changes made to the model as a result of updating the time series. With regard to equity instruments, the decrease refers to the transfer of investments to the category of significant investments and, to a lesser extent, to the review of the scope of private equity exposures authorised by the Supervisory Authority;
- counterparty risk is stable overall;
- for securitisations included in the banking book, growth linked mainly to the contribution of UBI positions;
- for market risk, the decrease derives from de-risking activities and the effect of diversification following the integration of Banca IMI;
- for operational risk, the change was due to the entry of UBI, while there was no change in the stand-alone Intesa Sanpaolo component, in line with the half-yearly update of the models;
- with regard to the amounts below the thresholds for deduction (250%), there was an increase mainly due to greater significant investments, also connected with the contribution of UBI.

For details of the RWA changes with the IRB, IMM and IMA approaches, see the qualitative comments at the bottom of the RWA flow statements (EU CR8, EU CCR7 and EU MR2-B).

It is noted that, as required by the rules (EBA/GL/2016/11), these tables show the movements of RWAs during the last quarter.

RWA flow statements of credit risk exposures under the IRB approach in the third quarter (EU CR8 EBA GL 2016/11)

		(millions of euro)	
		RWA amounts	Capital requirements
1	RWAs as at 30 June 2020	166,197	13,296
2	Asset size	-4,620	-370
3	Asset quality	-58	-5
4	Model updates	-2,243	-179
5	Methodology and policy	-25	-2
6	Acquisitions and disposals	30,606	2,448
7	Foreign exchange movements	-680	-54
8	Other	1,594	128
9	RWAs as at 30 September 2020 (*)	190,771	15,262

(*) As at 30 September 2020, the RWA relating to IRB models amounted to 190,771 million euro and was attributable to the Foundation IRB approach for 1,199 million euro (Row 3 EU OV1), to the Advanced IRB approach for 159,841 million euro (Row 4 EU OV1), to equity instruments measured using the simple weighted average or PD/LGD approach for 25,845 million euro (Row 5 EU OV1), and to amounts below the deduction thresholds for 3,886 million euro (of which Row 27 EU OV1).

The aggregate of RWAs relating to credit risk exposures assessed with an advanced method³ is equal to 190,771 million euro in September 2020, showing an increase with respect to the amount of the previous quarter, equal to 166,197 million euro. The changes in the period related to regulatory and lending aspects are mainly due to the following components:

- 30,606 million euro due to the inclusion of the exposures of UBI Banca and IWBanK (which use advanced approaches for credit risk mitigation) in the Group;
- -58 million euro due to a marginal improvement in the credit quality of the counterparties in the portfolio;
- -680 million euro due to changes in exchange rates for foreign currency exposures, in particular for the exposures denominated in US dollars;
- -2,243 million euro due to two model changes occurred during the quarter, in particular: the authorisation, received from ECB, to update the Corporate and Retail portfolios time series and the review in the identifying exposures criteria related to private equity portfolio;
- -4,620 million euro due to a decrease in operating volumes. A significant portion of the change is linked to an increase in the coverage of the guarantees granted by the Ministry of Finance, as part of the measures against COVID-19 crisis, which led the reclassification of a portion of operations already existing in June 2020 from Corporate to Sovereign portfolio, with the resulting decrease in nominal values and RWA.

³ The risk-weighted exposures have been calculated in accordance with the instructions of the CRR, Part Three, Title II, Chapter 3, and the capital requirement has been calculated in accordance with Article 92(3)(a).

RWA flow statements of CCR exposures under the IMM (Internal Model Method) in the third quarter (EU CCR7 LG EBA 2016/11)

		(millions of euro)	
		RWA amounts	Capital requirements
1	RWAs as at 30 June 2020	4,806	384
2	Asset size	322	26
3	Credit quality of counterparties	12	1
4	Model updates (IMM only)	-121	-10
5	Methodology and policy (IMM only)	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-1	-
8	Other	-	-
9	RWAs as at 30 September 2020	5,018	401

With regard to the changes in RWAs related to CCR exposures (derivatives and SFTs, determined based on the IMM, in accordance with part three, title II, chapter 6 of the CRR), the value of the aggregate increased between the two quarters: 4,806 million euro in June 2020 and 5,018 million euro in September 2020. The change of 212 million euro is attributable to the following components:

- +322 million euro due to the increase in exposures in the portfolio;
- +12 million euro due to the deterioration in the credit rating of the counterparties in the portfolio;
- -121 million euro due to the authorisation, received from ECB, to update the Corporate and Retail portfolios time series.

RWA flow statements of market risk exposures under the IMA in the third quarter (EU MR2-B LG EBA 2016/11)

		(millions of euro)						
		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
1	RWAs as at 30 June 2020	5,910	7,570	3,514	-	239	17,233	1,379
1a	Regulatory adjustment	4,347	5,726	557	-	3	10,633	851
1b	RWAs at the previous quarter-end (end of the day)	1,563	1,844	2,957	-	236	6,600	528
2	Movement in risk levels	379	1,232	-1,105	-	-9	497	40
3	Model updates/changes	-	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	RWAs at the end of the reporting period (end of the day)	1,942	3,076	1,852	-	227	7,097	568
8b	Regulatory adjustment	4,027	4,119	474	-	3	8,623	690
8	RWAs as at 30 September 2020	5,969	7,195	2,326	-	230	15,720	1,258

The RWAs for the third quarter decreased with respect to the end of June figures. In addition to the effective de-risking of the portfolio, the total requirement benefited from the effect of the diversification deriving from the integration of Banca IMI.

Institution-specific Countercyclical Capital Buffer

Below is the information relating to the “Countercyclical capital buffer”, prepared based on the ratios applicable at 30 September 2020 and Delegated Regulation (EU) 2015/1555 of the Commission of 28 May 2015 which integrates regulation (EU) No. 575/2013 of the European Parliament and of the Council (so-called CRR) regarding the regulatory technical standards pertaining to the publication of information in relation to the compliance of the institutions’ obligation to hold a countercyclical capital buffer pursuant to Article 440 of the same CRR. As established by Article 140, paragraph 1, of directive 2013/36/EU (so-called CRD IV), the institution-specific countercyclical capital buffer is the weighted average of the countercyclical ratios which are applied in the countries where the relevant credit exposures of the institutions are located.

CRD IV established the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer (CCyB) starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Italy with Bank of Italy circular 285, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the Bank of Italy decided to set the countercyclical buffer rate (for exposures towards Italian counterparties) at 0% also for the fourth quarter of 2020.

The relevant credit exposures include all the classes of exposure other than those under Article 112, letters from a) to f), of regulation (EU) 575/2013. The following portfolios are excluded: exposures to central administrations or central banks; exposures to regional administrations or local authorities; exposures to public-sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

With reference to 30 September 2020:

- the countercyclical capital ratios at individual country level were set, with the methods summarised above, generally equal to 0%, with the exception of the following countries: Slovakia (1.00%), Hong Kong (1.00%), Norway (1.00%), Czech Republic (0.50%), Bulgaria (0.50%) and Luxembourg (0.25%);
- at consolidated level, Intesa Sanpaolo’s specific countercyclical ratio amounts to 0.032%.

Amount of the Institution-specific Countercyclical Capital Buffer

(millions of euro)

Total risk exposure	342,251
Specific countercyclical ratio of the institution	0.032%
Specific countercyclical capital buffer requirement of the institution	110

Comparison of own funds, capital ratios and leverage ratio with and without the application of transitional provisions for IFRS 9 (EU IFRS 9-FL LG EBA 2018/01)

(millions of euro)

Available capital (amounts)	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
1 Common Equity Tier 1 capital (CET1)	50,325	43,260	42,339	41,542	41,747
2 Common Equity Tier 1 capital (CET1) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48,193	41,128	40,212	38,952	39,208
3 Tier 1 capital	57,821	48,856	47,935	45,638	46,468
4 Tier 1 capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	55,689	46,724	45,808	43,048	43,929
5 Total capital	67,097	56,788	54,971	52,695	53,167
6 Total capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	65,838	55,506	53,711	50,953	51,486
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	342,251	295,973	297,119	298,524	298,393
8 Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	343,750	297,523	298,732	300,510	300,284
Capital ratios					
9 Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	14.7%	14.6%	14.2%	13.9%	14.0%
10 Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.0%	13.8%	13.5%	13.0%	13.1%
11 Tier 1 capital (as a percentage of the risk exposure amount)	16.9%	16.5%	16.1%	15.3%	15.6%
12 Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.2%	15.7%	15.3%	14.3%	14.6%
13 Total capital (as a percentage of the risk exposure amount)	19.6%	19.2%	18.5%	17.7%	17.8%
14 Total capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.2%	18.7%	18.0%	17.0%	17.1%
Leverage ratio					
15 Leverage ratio total exposure measure	881,054	745,133	722,405	682,781	724,167
16 Leverage ratio	6.6%	6.6%	6.6%	6.7%	6.4%
17 Leverage ratio if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.3%	6.3%	6.4%	6.3%	6.1%

As described in the chapter "Own Funds", the first-time adoption of IFRS 9 and the adoption of the "static" approach during the transitional period (2018-2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios as at 30 September 2020 (with and without applying the transitional provisions for IFRS 9) shown in the table above due to the following:

- the reduction of CET1, due to the FTA impact linked to the first-time adoption of IFRS 9, after eliminating the shortfall existing as at 31 December 2017 on IRB exposures;
- the increase in CET1 due to the re-inclusion of the gradually decreasing transitional component as a result of the adoption of the adjustment introduced by the afore-mentioned Regulation, aimed at mitigating the impact of FTA;
- a positive impact on CET1 resulting from the change in the classification of the financial assets in the new categories established by IFRS 9 and the consequent change in measurement metrics;
- a reduction in the CET1 ratio as a result of the increase in DTAs that rely on future profitability limited to the complementary portion of the phase-in percentages envisaged for the transitional period, as established by the related Q&As (2018_3784 and 2018_4113);
- the increase in the excess reserve, based on the provisions of the aforementioned Regulation, may be added to the Tier 2 Capital, up to the amount of 0.6% of IRB RWA, solely for the part in excess of the amount re-included in CET1 as a result of the adoption of said transitional adjustment;
- the reduction of the risk-weighted assets (RWA) on standard exposures which, as a result of the increase in the provisions linked to the first-time adoption of IFRS 9, reduced the risk exposure (EAD);
- the increase in risk-weighted assets (RWA) on standard exposures due to the application, under said provisions, of the scaling factor set out in Regulation (EU) 2017/2395.

From 30 September 2019, the deduction of DTAs and investments in companies in the financial sector described in the section on Own Funds ceased to be applied following the application of the Danish Compromise. As a consequence, the difference between the amount of the 250% risk-weighted DTAs in the IFRS 9 transitional approach and those re-determined

on the assumption IFRS 9 had not been applied (fully-loaded IFRS 9), as described in detail in the above-mentioned section, results in an increase in risk-weighted exposures for the latter, which will cease at the end of the transitional period (2022).

The methods for determining the measurement of the overall exposure of the leverage ratio during the transitional period, following a Q&A published in 2019, were extended to exposures subject to internal models (IRB) for the purposes of credit risk, thus adopting the same scaling factor already applied to standard exposures in line with the aforementioned Regulation. Capital ratios as at 30 September 2020 include the effects of the consolidation of the UBI Group, the impacts of which are primarily attributable to the capital increase in service of the Public Purchase and Exchange Offer, the calculation of the negative goodwill recognised as at 30 September 2020 - although it is entirely provisional since the purchase price allocation process for the acquisition cost under IFRS 3 will be concluded for the 2020 Financial Statements - and the consideration of the UBI Group's risk-weighted assets. It should be noted that risk-weighted assets take account of the contribution attributable to the branches that will be sold to BPER in 2021, although the estimated capital loss on the sale of these branches has already been recognised during the period ended 30 September 2020.

Account has also been taken of the net income for the first nine months of 2020, less the related dividend (and other foreseeable charges), calculated on the basis of the 75% payout ratio envisaged for 2020, excluding the contribution of the provisional negative goodwill. The 75% pay-out ratio is based on Intesa Sanpaolo's intention to confirm for 2020 the dividend policy set out in the 2018-2021 Business Plan, subject to the recommendations that will be provided by the ECB in the fourth quarter of 2020 regarding dividend distributions after 1 January 2021 and not to distribute the definitive negative goodwill, as resulting from the finalisation of the purchase price allocation process for the business combination and net of charges for integration and the reduction of the risk profile.

As described in the chapter Own funds, it bears reiterating that the positive effect of 3,264 million euro associated with the negative goodwill relating to the acquisition of UBI Banca and included in Common Equity Tier 1 capital as at 30 September 2020 is to be considered absolutely provisional, and will be redetermined at the time of preparation of the 2020 financial statements following the outcome of the PPA (Purchase Price Allocation) procedure through the exact calculation, as at the date of acquisition, of the fair value of identifiable assets acquired and liabilities assumed of the UBI Group. Moreover, the 2020 Financial Statements will recognise the charges currently being determined, related to the integration and improvement of the operating efficiency and to the de-risking.

It is also noted that the above amount of negative goodwill, as already stated, takes account of not only the provisional effects of the acquisition, but also the capital loss on the sale of UBI Banca and Intesa Sanpaolo branches, for which the corresponding risk-weighted assets continue to be included in the consolidated figures, since they have not yet been eliminated from the scope of consolidation.

Liquidity risk

LIQUIDITY RISK

The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from stable customer deposits - remained within the risk limits set out in the current Group Liquidity Policy in the first nine months of 2020. Both regulatory indicators, LCR and NSFR, which also benefited from the positive contribution from the UBI Group from the end of August, were largely above 100%.

Over the last 12 months, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) no. 2015/61, consolidating also the UBI Group in the last two months, has amounted to an average of 154.2%. The table below contains the quantitative information on the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured in accordance with the EU regulations and subject to periodic reporting to the competent Supervisory Authority. The figures shown refer to the simple average of the last 12 months of monthly observations⁴ for each quarter.

⁴EBA – “Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) 575/2013”, June 2017

Liquidity Coverage Ratio (LCR) disclosure template and additional disclosure (EU LIQ1 EBA GL 2017/01)

(millions of euro)

SCOPE OF CONSOLIDATION		TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
		30-set-20	30-giu-20	31-mar-20	31-dic-19	30-set-20	30-giu-20	31-mar-20	31-dic-19
Quarter ending		30-set-20	30-giu-20	31-mar-20	31-dic-19	30-set-20	30-giu-20	31-mar-20	31-dic-19
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUIDITY ASSETS									
1	Total high-quality liquid assets (HQLA) (a)					108,645	98,980	96,818	97,082
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	227,253	212,544	207,032	203,409	16,020	15,032	14,634	14,332
3	Stable deposits	163,195	152,165	148,392	146,514	8,160	7,608	7,420	7,326
4	Less stable deposits	64,058	60,379	58,640	56,895	7,860	7,424	7,214	7,006
5	Unsecured wholesale funding	114,918	107,675	104,202	101,397	51,565	49,576	48,871	47,889
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	38,418	36,578	35,248	34,113	9,602	9,142	8,809	8,525
7	Non operational deposits (all counterparties)	73,815	67,927	65,659	64,012	39,278	37,264	36,767	36,092
8	Unsecured debt	2,685	3,170	3,295	3,272	2,685	3,170	3,295	3,272
9	Secured wholesale funding					1,432	1,557	1,562	1,545
10	Additional requirements	65,123	63,640	62,138	59,126	17,384	16,816	15,928	14,580
11	Outflows related to derivative exposure and other collateral	4,801	4,430	3,834	3,323	4,555	4,215	3,577	2,932
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	60,322	59,210	58,304	55,803	12,829	12,601	12,351	11,648
14	Other contractual funding obligations	2,155	2,273	1,767	1,495	2,153	2,270	1,764	1,491
15	Other contingent funding obligations	98,997	92,915	95,920	101,385	4,340	4,143	3,906	3,571
16	TOTAL CASH OUTFLOWS					92,894	89,394	86,665	83,408
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	28,701	32,206	36,311	42,159	925	1,116	1,231	1,408
18	Inflows from fully performing exposures	21,532	21,545	20,996	20,351	13,783	13,742	13,322	12,927
19	Other cash inflows	21,850	21,876	22,075	21,723	8,378	8,619	8,571	8,339
19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restriction or which are denominated in non-convertible currencies)					-	-	-	-
19b	(Excess inflows from related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	72,083	75,627	79,382	84,233	23,086	23,477	23,124	22,674
20a	Fully exempt inflows	-	-	-	-	-	-	-	-
20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
20c	Inflows subject to 75% cap	72,083	75,627	79,382	84,233	23,086	23,477	23,124	22,674
21	LIQUIDITY BUFFER					108,645	98,980	96,818	97,082
22	TOTAL NET CASH OUTFLOWS					69,808	65,917	63,541	60,734
23	LIQUIDITY COVERAGE RATIO (%)					154.2%	150.0%	152.8%	160.6%

(a) Liquidity reserves held by subsidiaries based in a third country subject to restrictions to assets transferability are recognised only for the portion intended to cover net cash outflows in that third country. All excess amounts are therefore excluded from the Group's consolidated LCR.

At the end of September 2020, the amount of total unencumbered HQLA reserves at the various Treasury Departments of the Group, considering cash and deposits held with Central Banks, totalled 162 billion euro (96 billion euro in December 2019). With the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, added in, the Group's unencumbered liquidity reserves totalled 182 billion euro (118 billion euro in December 2019).

	(millions of euro)	
	Unencumbered (net of haircut)	
	30.09.2020	31.12.2019
HQLA Liquidity Reserves	161,833	95,762
Cash and Deposits held with Central Banks (HQLA)	53,119	22,326
Highly liquid securities (HQLA)	108,714	73,436
Other eligible and/or marketable reserves	19,772	22,594
Total Group's Liquidity Buffer	181,605	118,356

In view of the high stock of available liquidity reserves (liquid or eligible), the period of independence from wholesale funding, measured by the cumulative projected wholesale imbalances indicator, identifies a financial independence in situations of freeze of the money market ("survival period") for more than 12 months. Also the stress tests, in a combined scenario of market and specific crises (with significant loss in customer deposits), yielded results in excess of the maximum threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.

Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the risk factors.

Leverage Ratio

Qualitative and quantitative disclosure

Under the Basel 3 prudential regulations, the Leverage ratio entered definitively into effect on 1 January 2015. The Leverage ratio measures the degree to which Tier 1 Capital covers the Banking Group's total exposure. The ratio is calculated by considering off-balance sheet exposures and assets. The objective of the indicator is to contain the degree of indebtedness on banks' accounts by establishing a minimum level of coverage of exposures with equity. The ratio, which is monitored by the authorities, is expressed in percent form and is subject to a regulatory minimum threshold of 3% (the Basel Committee's reference value).

The Leverage ratio is calculated quarterly. The indicator is monitored at both the individual and Banking Group level.

The Leverage ratio is calculated as the ratio of Tier 1 Capital to total exposure. Focusing on the denominator of the ratio, total exposure includes on-balance sheet exposures, net of any components deducted from Tier 1 Capital, and off-balance sheet exposures.

Leverage ratio of the Intesa Sanpaolo Group

The disclosure of the Leverage ratio of the Intesa Sanpaolo Group as at 30 September 2020 is presented below, disclosed in accordance with the regulatory principles of the CRR and set out according to the provisions of (EU) Implementing Regulation 2016/200.

The Leverage ratio is indicated according to the transitional provisions.

	(millions of euro)	
Capital and total exposure measure	30.09.2020	31.12.2019
Tier 1 capital	57,821	45,638
Leverage ratio total exposure measure	881,054	682,781
Leverage ratio	6.6%	6.7%

Declaration of the Manager responsible for preparing the Company's financial reports

The Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 3 - Pillar 3 as at 30 September 2020" corresponds to the corporate records, books and accounts.

Milan, 4 November 2020

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

Attachment 1

Own Funds: Terms and conditions of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments issued during the period

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS2124979753
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	745
	Nominal amount of instrument: original amount in currency of issuance (mln)	750
9	Nominal amount of instrument: original amount - currency of issuance	EUR
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	750
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
	Optional call date	27/02/2025 (and thereafter on each interest payment date)
15	Contingent call dates and redemption amount	Regulatory and Tax Event
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, payment of interest may be blocked by the Regulator anytime.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to reevaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS2124980256
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	745
	Nominal amount of instrument: original amount in currency of issuance (mln)	750
9	Nominal amount of instrument: original amount - currency of issuance	EUR
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	750
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	27/02/2030 (and thereafter on each interest payment date)
	Contingent call dates and redemption amount	Regulatory and Tax Event
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2030
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.125% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, payment of interest may be blocked by the Regulator anytime.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to reevaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Unione di Banche Italiane S.p.A.
2	Unique identifier	XS2105110329
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	400
9	Nominal amount of instrument: original amount in currency of issuance (mln)	400
	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	400
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	20/01/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	From 20/01/2025 to 20/06/2025 (and thereafter on each interest payment date)
	Contingent call dates and redemption amount	Capital and Tax Event
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 20/06/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, payment of interest may be blocked by the Regulator anytime.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of UBI Banca is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of UBI Banca returns to 5.125 pct or above, the issuer may decide to reevaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior to Equity, pari passu to other AT1 instruments and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS2223762381
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	745
	Nominal amount of instrument: original amount in currency of issuance (mln)	750
	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	400
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
	Optional call date	01/03/2028 (and thereafter on each interest payment date)
	Contingent call dates and redemption amount	Regulatory and Tax Event
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 1/03/2028
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.5% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, payment of interest may be blocked by the Regulator anytime.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to reevaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS2223761813
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	745
	Nominal amount of instrument: original amount in currency of issuance (mln)	750
9	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	400
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	01/09/2031 (and thereafter on each interest payment date)
	Contingent call dates and redemption amount	Regulatory and Tax Event
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 1/09/2031
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, payment of interest may be blocked by the Regulator anytime.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to reevaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	IT0005412264
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital (€/mln)	295
	Nominal amount of instrument: original amount in currency of issuance (mln)	309
9	Nominal amount of instrument: original amount - currency of issuance	Euro
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	309
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	NO
	Optional call date	N/A
15	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% fixed
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	<p>Except in case of bail-in, the loan shall be redeemed:</p> <p>i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds;</p> <p>ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level;</p> <p>iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.</p>
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	IT0005412256
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital (€/mln)	561
9	Nominal amount of instrument: original amount in currency of issuance (mln)	591
	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	591
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	NO
15	Optional call date	N/A
	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 405 bps/4
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Except in case of bail-in, the loan shall be redeemed: <ul style="list-style-type: none"> i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS2185883100
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital (€/mln)	372
	Nominal amount of instrument: original amount in currency of issuance (mln)	350
9	Nominal amount of instrument: original amount - currency of issuance	GBP
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	393
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	10/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	10/06/2030
14	Issuer call subject to prior supervisory approval	NO
	Optional call date	N/A
15	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.148% fixed
19	Existence of a dividend stopper	No
	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	<p>Except in case of bail-in, the loan shall be redeemed:</p> <p>i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds;</p> <p>ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level;</p> <p>iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.</p>
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

Attachment 2

Own funds: own funds disclosure template

		30.09.2020	31.12.2019	(millions of euro)
				Reference article of Regulation (EU) 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	37,498	34,161	26, paragraph 1, 27, 28, 29
	of which: instrument type 1	37,498	34,161	EBA list as per article 26 (3)
	of which: instrument type 2	-	-	EBA list as per article 26 (3)
	of which: instrument type 3	-	-	EBA list as per article 26 (3)
2	Retained earnings	20,660	16,511	26, paragraph 2(c)
3	Accumulated other comprehensive income (and other reserves)	-3,563	-2,918	26, paragraph 1, 27, 28, 29
3a	Funds for general banking risk	-	-	26, paragraph 1(f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1 capital	-	-	486, paragraph 2
5	Minority interests (amount allowed in consolidated CET1)	31	35	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	3,987	731	26, paragraph 2
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	58,613	48,520	Sum of rows from 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-235	-282	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-8,524	-8,012	36, paragraph 1(b), 37
9	Transitional adjustment related to IFRS 9	2,133	2,590	Articles 473 and 473a of Reg. 2395/2017
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-1,620	-1,360	36, paragraph 1(c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	822	862	33, paragraph 1(a)
12	Negative amounts resulting from the calculation of expected loss amounts	-268	-316	36, paragraph 1(d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	-	32, paragraph 1
14	Gains or losses on liabilities measured at fair value resulting from changes in own credit rating	75	61	33, paragraph 1(b)
15	Defined-benefit pension fund assets (negative amount)	-	-	36, paragraph 1(e), 41
16	Direct and indirect holdings by the institution of own CET1 instruments (negative amount)	-244	-230	36, paragraph 1(f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	36, paragraph 1(g), 44
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-	36(1)(h), 43, 45, 46, 49 (2 and 3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-	36(1)(i), 43, 45, 47, 48(1)(b), 49 (1,2 and 3), 79
20	Other CET1 deduction items based on instructions from the National Authority	-327	-149	Circ. 285 of the Bank of Italy - Part 2 C.1 Sec.6 Guidelines
20a	Exposure amount of the following items which qualify for a risk weighting of 1250%, where the institution opts for the deduction alternative	-100	-142	36, paragraph 1(k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	36, paragraph 1(k)(i), 89, 90, 91
20c	of which: securitisation positions (negative amount)	-100	-142	36, paragraph 1(k)(ii), 244 (1)(b), 245 (1)(b), 253
20d	of which: free deliveries (negative amount)	-	-	36, paragraph 1(k)(iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-	36, paragraph 1(c), 38, 48 (1)(a)
22	Amount exceeding the 17.65% threshold (negative amount)	-	-	48, paragraph 1
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	36(1)(i), 48(1)(b)
24	Empty field in the EU	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	36, paragraph 1(c), 38, 48 (1)(a)
25a	Losses for the current financial year (negative amount)	-	-	36, paragraph 1(a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	36, paragraph 1(l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	36, paragraph 1(j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-8,288	-6,978	Sum of rows from 7 to 20a, 21, 22 and from 25a to 27
29	Common Equity Tier 1 capital (CET1)	50,325	41,542	Row 6 less row 28

(millions of euro)

		30.09.2020	31.12.2019	Reference article of Regulation (EU) 575/2013
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	7,490	4,091	51, 52
31	of which: classified as equity under applicable accounting standards	7,490	4,091	
32	of which: classified as liabilities under applicable accounting standards	-	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-	486, paragraph 3
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	6	5	85, 86
35	of which: instruments issued by subsidiaries subject to phase-out	-	-	486, paragraph 3
36	Additional Tier 1 (AT1) capital before regulatory adjustments	7,496	4,096	Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-	52, paragraph 1(b), 56 (a), 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	56 (b), 58
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-	56 (c), 59, 60, 79
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	56 (d), 59, 79
41	Empty field in the EU	-	-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-	56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	Sum of rows from 37 to 42
44	Additional Tier 1 (AT1) capital	7,496	4,096	Row 36 less row 43
45	Tier 1 capital (T1 = CET1 + AT1)	57,821	45,638	Sum of rows 29 and 44
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	9,860	7,341	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	-	-	486, paragraph 4
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	3	3	87, 88
49	of which: instruments issued by subsidiaries subject to phase-out	-	-	486, paragraph 4
50	Credit risk adjustments net of transitional adjustments related to IFRS 9	-	-	62 (c)(d) and Art. 473bis Reg. 2395/2017 (7)(c)
51	Tier 2 (T2) capital before regulatory adjustments	9,863	7,344	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-332	-100	63 (b)(i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	66 (b), 68
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-	66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-255	-187	66 (d), 69, 79
56	Empty field in the EU	-	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-587	-287	Sum of rows from 52 to 56
Tier 2 (T2) capital: regulatory adjustments				
58	Tier 2 (T2) capital	9,276	7,057	Row 51 less row 57
59	Total capital (TC = T1 + T2)	67,097	52,695	Sum of rows 45 and 58
60	Total risk-weighted assets	342,251	298,524	

(millions of euro)

		30.09.2020	31.12.2019	Reference article of Regulation (EU) 575/2013
Capital ratios and buffers				
61	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	14.70%	13.92%	92, paragraph 2(a)
62	Tier 1 capital (as a percentage of the risk exposure amount)	16.89%	15.29%	92, paragraph 2(b)
63	Total capital (as a percentage of the risk exposure amount)	19.60%	17.65%	92, paragraph 2(c)
64	Institution-specific buffer requirement (CET1 requirement pursuant to Article 92 (1)(a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer, expressed as a percentage of risk exposure amount)	7.59%	7.46%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0.03%	0.08%	
67	of which: systemic risk buffer requirement	-	-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.56%	0.38%	
68	Common Equity Tier 1 capital available to meet capital buffers (as a percentage of total risk exposure amount)	7.11%	6.46%	CRD 128
69	[not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			
Amounts below the deduction thresholds (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	845	1,394	36(1)(h), 46, 45, 56 (c) 59, 60; 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	2,364	784	36, paragraph 1(i), 45, 48
74	Empty field in the EU	-	-	
75	Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2,451	1,626	36, paragraph 1(c), 38, 48
Applicable caps on the inclusion of provisions in T2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	1,000	849	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-	484 (3), 486 (2 and 5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (3), 486 (2 and 5)
82	Current cap on AT1 instruments subject to phase-out arrangements	615	615	484 (4), 486 (3 and 5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (4), 486 (3 and 5)
84	Current cap on T2 instruments subject to phase-out arrangements	1,418	1,418	484 (5), 486 (4 and 5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	484 (5), 486 (4 and 5)

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Prepress and printing: Agema® S.p.A.





Cover photo:

Intesa Sanpaolo Gold Partner of Matera
European Capital of Culture 2019

