SHAREHOLDERS' EQUITY

As at 31 March 2024, the Group's shareholders' equity amounted to 65,804 million euro compared to the 63,963 million euro as at 31 December 2023. The increase was attributable to the incorporation of the net income earned in the first three months of the current year (2,301 million euro), which was only slightly offset by the change in valuation reserves.
The Group assigned net income of 7,724 million euro for the year 2023 to reserves, pending distribution in May 2024 of the remaining cash amount to shareholders (2.8 billion euro), for a total payout ratio - interim dividend and remaining dividend - of 70% of 2023 consolidated net income.

Valuation reserves

(millions of euro)

	Reserve 31.12.2023	Change of the period	Reserve 31.03.2024
Financial assets measured at fair value through other comprehensive income (debt instruments)	-1,508	-47	-1,555
Financial assets measured at fair value through other comprehensive income (equities)	-476	44	-432
Property and equipment	1,863	-17	1,846
Foreign investment hedges	-24	19	-5
Cash flow hedges	-318	35	-283
Foreign exchange differences	-1,248	-207	-1,455
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-125	-115	-240
Actuarial profits (losses) on defined benefit pension plans	-187	6	-181
Portion of the valuation reserves connected with investments carried at equity	1	16	17
Legally-required revaluations	311	-	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-1,711**	**-266**	**-1,977**
Valuation reserves pertaining to insurance companies	**-298**	**-4**	**-302**

Bank valuation reserves were negative (-1,977 million euro), up by 266 million euro compared to 31 December 2023 (-1,711 million euro). The negative impact was mainly due to the exchange rate differences, primarily related to the devaluation of the Egyptian pound, the financial liabilities designated at fair value through profit or loss, and the reserves on debt securities. The valuation reserves of the insurance companies, amounting to -302 million euro, were similar to those at the end of 2023.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	31.03.2024	31.12.2023
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	40,448	41,476
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,702	7,707
TIER 1 CAPITAL	**48,150**	**49,183**
Tier 2 capital net of regulatory adjustments	9,211	8,799
TOTAL OWN FUNDS	**57,361**	**57,982**
Risk-weighted assets		
Credit and counterparty risks	259,570	260,815
Market and settlement risk	14,926	12,621
Operational risks	28,471	28,471
Other specific risks (a)	266	203
RISK-WEIGHTED ASSETS	**303,233**	**302,110**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.3%	13.7%
Tier 1 capital ratio	15.9%	16.3%
Total capital ratio	18.9%	19.2%

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

Own Funds, risk-weighted assets and the capital ratios as at 31 March 2024 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 876/2019 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.

Own funds

As at 31 March 2024, Own funds amounted to 57,361 million euro.

Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the calculation of the thresholds established in Article 48 CRR, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.

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

As at 31 March 2024, own funds take account of the deduction following the authorisation from the ECB to purchase own shares for annulment (buyback), as approved by the Shareholders' Meeting on 24 April 2024, for a total amount of 1.7 billion euro[12].

Moreover, in compliance with Article 3 of the CRR (“Application of stricter requirements by institutions”), for the purpose of calculating own funds as at 31 March 2024, the voluntary deduction of calendar provisioning[13] on exposures within the scope of Pillar 2 was included, which entailed the deduction of an impact of around 30 basis points from CET 1.

Since 30 June 2023, the Intesa Sanpaolo Group has been complying with EBA Q&A 2021_6211, which clarifies that the amount of goodwill to deduct from an institution’s CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. The latter amount was included in the calculation of risk-weighted assets (RWA), thus falling under the ordinary treatment that the Group reserves for equity investments in insurance companies.

For the purposes of calculating own funds as at 31 March 2024, the net income for the first quarter was taken into account, less the related dividend and other foreseeable charges[14].

[12] As stated in the opening chapter of this Report, the programme was authorised by the ECB on 11 March 2024. Details of the transaction, to be launched in June 2024, will be disclosed in accordance with the applicable regulations.

[13] The addendum to ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks “deduce” on their own initiative specific amounts from CET 1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.

[14] Coupons accrued on the Additional Tier 1 issues (97 million euro).

Risk-weighted assets

As at 31 March 2024, risk-weighted assets came to 303,233 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risks.

Common Equity Tier 1 Capital and risk-weighted assets as at 31 March 2024 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) no. 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios

On the basis of the above, the solvency ratios as at 31 March 2024 amounted to the following: Common Equity ratio above 13.3%, and Tier 1 ratio and Total capital ratio at 15.9% and 18.9% respectively.

Finally, on 30 November 2023, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2024, following the results of the Supervisory Review and Evaluation Process (SREP).

The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 9.34%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[15] requirements.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.03.2024	31.12.2023
Group Shareholders' equity	65,804	63,963
Minority interests	122	164
Shareholders' equity as per the Balance Sheet	**65,926**	**64,127**
Interim dividend (a)	2,629	2,629
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,702	-7,707
- Minority interests eligible for inclusion in AT1	-	-
- Minority interests eligible for inclusion in T2	-	-
- Ineligible minority interests on full phase-in	-122	-164
- Ineligible net income for the period (b)	-1,663	-5,787
- Treasury shares included under regulatory adjustments (c)	1,865	165
- Buyback of own shares (d)	-1,700	-
- Other ineligible components on full phase-in (e)	-5,700	-325
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**53,533**	**52,938**
Regulatory adjustments (f)	**-13,085**	**-11,462**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**40,448**	**41,476**

(a) As at 31 March 2024 and 31 December 2023, the Shareholders' equity as per the Balance Sheet did not include the interim dividend of 2,629 million euro (net of the undistributed portion in respect of the own shares held at the record date).

(b) Common Equity Tier 1 capital as at 31 March 2024 includes the net income for the period, less the related dividend and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects).

(c) The amount includes, in addition to the book value of own shares, the unused portion of the ceiling for which the Bank has received the buyback authorisations.

(d) The amount as at 31 March 2024 refers to the total amount of the programme of purchase of own shares for annulment (buyback), amounting to 1.7 billion euro, approved by the Shareholders' Meeting of 24 April 2024, following the receipt of the related authorisation from the Supervisory Authority on 11 March 2024.

(e) The amount as at 31 March 2024 primarily includes the dividend and the portion intended for charitable donations relating to 2023 net income, as approved by the Shareholders' Meeting on 24 April 2024.

(f) The regulatory adjustments include the book value of own shares and the shares for which the Group has already received the buyback authorisation, in addition to 891 million euro of Article 3 CRR deduction (for the calendar provisioning on exposures included within the scope of Pillar 2).

[15] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 31 March 2024 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2025, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for H1 2024).