INTESA SANPAOLO

Basel 2 Pillar 3

Disclosure as at 30 September 2012

This is an English translation of the Italian original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 30 settembre 2012" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A.

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.

Basel 2 Pillar 3
Disclosures
as at 30 September 2012

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8.545.561.614,72 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

Contents (*)

(*) As described in detail in the introduction to this document, the other Tables envisaged in the Bank of Italy's instructions (Tables 1 to 2 and Tables 5 to 15) are not published in the quarterly disclosure as specifically laid down by the reference regulations.

Introduction

Notes to the Basel 2 Pillar 3 disclosure

As is common knowledge, the purpose of the disclosure defined as "Basel 2 Pillar 3" is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The goal is to encourage market efficiency by identifying the transparency requirements that permit operators to enjoy access to fundamental information concerning regulatory capital, exposure and risk assessment processes and thus concerning intermediaries' capital adequacy. This has particular relevance under the framework introduced by Basel 2, where reliance on internal methodologies gives banks more discretion in assessing capital requirements.

The procedures to be adopted by Italian banks or banking groups when disclosing information (referred to in brief as Pillar 3) to the public have been laid down by the Bank of Italy in its Circular 263 of 27 December 2006: "New regulations for the prudential supervision of banks" (Annex A, Title IV). This disclosure has been prepared in compliance with these provisions, which incorporate the provisions of Annex XII to EU Directive 2006/48 and the subsequent changes made to the regulatory framework.

Note that in accordance with the provisions of the abovementioned Circular, this document is divided into sections called "Tables" and has been drawn up on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (integrated by the proportional consolidation of the jointly controlled entities). The Tables include both a "qualitative section" and a "quantitative section". The "Basel 2 Pillar 3" disclosure is published in accordance with the rules laid down by the Bank of Italy with the following frequency:
- figures as at 31 December: full qualitative and quantitative disclosure;
- figures as at 30 June: update of the quantitative disclosure only (with the exception of information on remuneration policy), because Intesa Sanpaolo is one of the groups that have adopted IRB and/or AMA approaches for credit and operational risk;
- figures as at 31 March and 30 September: update solely of the quantitative disclosure on capital (Table 3) and capital adequacy (Table 4), because Intesa Sanpaolo forms part of the groups that have adopted IRB and/or AMA approaches for credit and operational risk.

Please therefore refer to the document as at 31 December 2011 for a more comprehensive examination of the qualitative aspects. The "prudential" scope of consolidation as at 30 September 2012 did not differ from that as at 31 December 2011.
It is noted that already in the first half of the year Banca IMI had received authorisation to use the AIRB approach for the Regulatory Corporate segment. For the same segment, Leasint and Mediofactoring received the authorisation to use the LGD internally estimated (AIRB). Moreover, the Group companies already authorised to use the internal models for the Corporate segment have been authorised to use the advanced internal rating models for subsegments Project Finance, Commercial Real Estate, Asset Finance and Leveraged & Acquisition Finance as of 30 June 2012. VUB Banka was also authorised to use the IRB approach for the mortgage segment in the first half of the year.
For the SME Retail segment, an application for authorisation of transition to the IRB approach was submitted in October 2012.
It should be noted that internal models have been applied for the specific risk on the debt securities in the portfolio of the Parent Company and Banca IMI effective from 30 September 2012.

In relation to the definition of default, the exception granted by the Supervisory Authority for past due positions, which permitted the calculation of exposures to Italian counterparties, limited to several regulatory portfolios, using the time limit of 180 days, has expired. Therefore, starting from 1 January 2012, the Group applies the limit of 90 days to all regulatory portfolios. This has resulted in a portion of the performing portfolio (past due by over 90 days to 180 days) moving to non-performing status (past due loans).

Details on regulatory capital and capital adequacy are also published in the Interim statement as at 30 September 2012. This statement also provides an update on Group liquidity risk.

The regulations governing the drafting of the "Basel 2 Pillar 3" disclosure require credit institutions to adopt a formal policy to meet the minimum public disclosure requirements and to put instruments in place that enable them to assess its adequacy. To this end, the Management Board and the Supervisory Board of the Parent Company Intesa Sanpaolo have approved a specific document "Guidelines on Pillar 3 disclosure". This document sets out the duties and responsibilities of the Corporate Bodies and the various Group departments involved in the different stages of the process governing this disclosure. Given its public importance, this document is submitted by the Manager responsible for preparing the Company's financial reports for approval to the competent Corporate Bodies. This document is therefore subject to the related certification, pursuant to Art. 154 bis of Legislative Decree 58/1998 (Consolidated Law on Finance). As a consequence, the "Basel 2 Pillar 3" disclosure is subject to the checks and controls established in the Group's "Guidelines for administrative and financial governance", the document that sets out the rules for the application of art. 154 bis of the Consolidated Law on Finance in the Intesa Sanpaolo Group. In particular, the internal control system for accounting and financial information is designed to ensure the ongoing verification of the adequacy and effective implementation of the administrative and accounting procedures at Group level.

All the amounts reported in this disclosure, unless otherwise specified, are stated in millions of euro. The figures shown for comparison refer to the "Basel 2 Pillar 3" disclosure published as at 31 December 2011.

The Intesa Sanpaolo Group publishes this disclosure (Basel 2 Pillar 3) and subsequent updates on its Internet site at the address www.group.intesasanpaolo.com.

Capital ratios as at 30 September 2012

(millions of euro)

Regulatory capital and capital ratios	**30.09.2012**	**31.12.2011**
Regulatory capital		
Tier 1 capital	36,675	37,295
of which: instruments not included in Core Tier 1 ratio (*)	*2,546*	*4,498*
Tier 2 capital	10,857	12,201
Minus items to be deducted (**)	-3,356	-3,144
REGULATORY CAPITAL	**44,176**	**46,352**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**44,176**	**46,352**
Risk-weighted assets		
Credit and counterparty risks	261,203	277,498
Market risks	18,406	17,488
Operational risks	24,880	24,825
Other risks (***)	2,726	5,395
RISK-WEIGHTED ASSETS	**307,215**	**325,206**
Capital ratios %		
Core Tier 1 ratio	11.1	10.1
Tier 1 ratio	11.9	11.5
Total capital ratio	14.4	14.3

(*) This caption includes preferred shares, savings shares and preference ordinary shares.

(**) In compliance with the provisions of the Bank of Italy Circular 263/2006, in the calculation of capital ratios, elements to be deducted from total regulatory capital have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contributions deriving from the insurance business that refer to contracts which arose prior to 20 July 2006 and continue to be deducted from total capital.

(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

Regulatory capital and related capital ratios as at 30 September 2012 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.

As at 30 September 2012, total regulatory capital came to 44,176 million euro, compared to risk-weighted assets of 307,215 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

The decrease in risk-weighted assets recorded during the first nine months is attributable to various factors, optimisation processes, the reduction by absolute value of the floor established in prudential regulations, and, following authorisations received from the Supervisory Authority, the elimination or decrease of capital requirements for certain subsidiaries and the extension of the use of internal models within the Group. Finally, the decrease in weighted assets may also be attributed to the contraction of lending and its different composition for the purposes of capital absorption.
Regulatory capital, in addition to ordinary operations, also takes account of the opposite effects of the purchase of subordinated Tier 1 and Tier notes, as well as senior bonds, which on the one hand resulted in a decrease in non-core capital, while on the other yielding a considerable amount of net income, with the resulting increase in top-quality capital.
As customary, regulatory capital as at 30 September 2012 includes an estimate of the dividends to be paid on 2012 net income, the amount of which has been determined on a conventional basis as three-quarters of the dividend proposed for the year 2011 (through the distribution of reserves) corresponding to 0.05 euro per ordinary and savings share.
The Total capital ratio stood at 14.4%, while the Group's Tier 1 ratio was 11.9%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 11.1%.

Lastly, in a Regulation dated 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective from 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 September 2012 account for this measure (the effect on the Core Tier 1 ratio is +15 basis points).

Table 3 – Regulatory capital structure

Quantitative disclosure

Regulatory capital structure

The structure of the regulatory capital of the Intesa Sanpaolo Group as at 30 September 2012 is summarised in the table below:

(millions of euro)

Information	30.09.2012	31.12.2011
A. Tier 1 capital before the application of prudential filters	**38,719**	**39,442**
B. Tier 1 capital prudential filters	**-449**	**-669**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-449	-669
C. Tier 1 capital before items to be deducted (A+B)	**38,270**	**38,773**
D. Items to be deducted from Tier 1 capital	**1,595**	**1,478**
E. Total Tier 1 capital (C-D)	**36,675**	**37,295**
F. Tier 2 capital before the application of prudential filters	**12,522**	**13,737**
G. Tier 2 capital prudential filters	**-70**	**-58**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-70	-58
H. Tier 2 capital before items to be deducted (F+G)	**12,452**	**13,679**
I. Items to be deducted from Tier 2 capital	**1,595**	**1,478**
L. Total Tier 2 capital (H-I)	**10,857**	**12,201**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,356**	**3,144**
N. Regulatory capital (E+L-M)	**44,176**	**46,352**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**44,176**	**46,352**

Regulatory capital takes into account an estimate of the dividends to be paid in 2013 on 2012 net income, determined by convention as 3/4 of the amount distributed to shareholders in 2012 (616 million euro of the 822 million euro paid in 2012).

"Items to be deducted from Tier 1 and Tier 2 Capital" include contributions deriving from the insurance business that refer to contracts which arose prior to 20 July 2006, and as such, will continue to be deducted from total capital up to 31 December 2012, instead of 50% from Tier 1 Capital and 50% from Tier 2 Capital.

On 6 February and 27 July 2012, Intesa Sanpaolo announced two specific offers to purchase its own subordinated notes. In particular, the first offer regarded the purchase of Tier 1 subordinated notes issued by the Parent Company and included in Tier 1 Capital but excluded from Core Tier 1 Capital. It should be noted that such instruments – pursuant to the Capital Requirements Directive (CRD IV) published by the European Commission – will be subject to grandfathering regime and, thus, progressively derecognised as Additional Tier 1 Capital.

Description of the notes	Purchase price (% of Nominal value)	Nominal value issued	Nominal value accepted for purchase	Nominal value after settlement date [(a)]
9.5% Fixed Rate Resettable Perpetual Subordinated Notes	90.0%	€ 1,000,000,000	€ 277,900,000	€ 722,100,000
8.375% Fixed to Floating Rate Perpetual Subordinated Notes	91.0%	€ 1,500,000,000	€ 493,750,000	€ 1,006,250,000
8.047% Fixed to Floating Rate Perpetual Subordinated Notes	88.0%	€ 1,250,000,000	€ 454,200,000	€ 795,800,000

(a) Represents for each note the nominal value at the issue date net of the aggregate nominal value of the notes accepted for purchase pursuant to the invitation. Any notes already held by the Purchaser and its subsidiaries are not excluded.

The second offer included both Tier 1 notes and other types of subordinated notes, as well as 507 million in senior notes (at a purchase price of approximately 500 million, not included in the following table inasmuch as they are not included in regulatory capital).

Description of the notes	Purchase price (% of Nominal value)	Nominal value issued	Nominal value accepted for purchase	Nominal value after settlement date [(a)]
Tier 1				
9.5% Fixed Rate Resettable Perpetual Subordinated Notes	90.0%	€ 722,100,000	€ 243,950,000	€ 478,150,000
8.375% Fixed to Floating Rate Perpetual Subordinated Notes	84.0%	€ 1,006,250,000	€ 264,400,000	€ 741,850,000
8.047% Fixed to Floating Rate Perpetual Subordinated Notes	82.0%	€ 795,800,000	€ 215,800,000	€ 580,000,000
Upper Tier 2				
6.625% Subordinated Notes 2018	98.5%	€ 1,250,000,000	€ 122,900,000	€ 1,127,100,000
Lower Tier 2				
Fixed/Floating Rate Callable Subordinated Notes 2020	80.0%	€ 497,750,000	€ 22,000,000	€ 475,750,000
Fixed Floater Callable Subordinated Notes 2024	84.0%	£ 165,000,000	£ 140,099,000	£ 24,901,000
5.00% Subordinated Notes 2019	93.0%	€ 1,500,000,000	€ 52,900,000	€ 1,447,100,000
5.15% Subordinated Notes 2020	92.5%	€ 1,250,000,000	€ 46,850,000	€ 1,203,150,000

(a) Represents for each note the nominal value at the issue date net of the aggregate nominal value of the notes accepted for purchase pursuant to the invitation. Any notes already held by the Purchaser and its subsidiaries are not excluded.

The two transactions allowed Intesa Sanpaolo to increase its Core Tier 1 Capital as a result of the capital gain arising from the purchase of the notes tendered at prices below their book values:

– with the first transaction, the Intesa Sanpaolo Group's net income for the first quarter of 2012 registered a contribution of 183 million euro, including the positive impact of the unwinding of interest rate risk derivatives and taking account of tax effects. This amount corresponds to approximately 6 basis points of Core Tier 1 ratio;
– with the second transaction, the Intesa Sanpaolo Group's net income for the third quarter of 2012 registered a contribution of 219 million euro, including the positive impact of the unwinding of interest rate risk derivatives and taking account of tax effects. This amount corresponds to approximately 7 basis points of Core Tier 1 ratio.

More details of the breakdown of the Tier 1 and Tier 2 capital are provided below.

Tier 1 capital

(millions of euro)

Information	30.09.2012	31.12.2011
TOTAL TIER 1 CAPITAL[(a)]		
- Share capital - ordinary shares (b)	8,265	8,289
- Share capital - preference savings shares (c)	488	488
- Share premium reserve	31,000	36,212
- Reserves and net income	11,290	13,279
- Non-innovative equity instruments	478	1,000
- Innovative equity instruments with final expiry	-	-
- Innovative equity instruments subject to transition requirements (grandfathering) (c)	1,580	3,010
- Positive IAS / IFRS prudential filters (+)		
Fair value option: changes in bank's own creditworthiness	-	-
Redeemable shares	-	-
Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
Other positive prudential filters	-	-
TOTAL POSITIVE ITEMS	**53,101**	**62,278**
- Treasury shares or quotas (d)	-12	-2
- Goodwill	-9,142	-9,177
- Other intangible assets	-5,228	-5,467
- Loss for the period	-	-8,190
- Adjustments to loans	-	-
- Adjustments calculated on the regulatory trading and banking books	-	-
- Other	-	-
- Negative IAS / IFRS prudential filters (-)		
Fair value option: changes in bank's own creditworthiness	*-1*	*-14*
Negative reserves on equities and quotas of UCI available for sale	-	-
Negative reserves on debt securities available for sale (d)	*-414*	*-621*
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments not included in tier 1 capital	-	-
Other negative prudential filters (e)	*-34*	*-34*
TOTAL NEGATIVE ITEMS	**-14,831**	**-23,505**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**38,270**	**38,773**
TOTAL ITEMS TO BE DEDUCTED	**-1,595**	**-1,478**
- Investment in the Bank of Italy	-312	-312
- Insurance subsidiaries purchased after 20 July 2006	-594	-552
- Other banking and financial investments higher than 20% of the investee's capital	-237	-252
- Excess expected losses with respect to adjustments (IRB approaches)	-298	-230
- Other deductions	-154	-132
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**36,675**	**37,295**

(a) The individual components of the regulatory capital include both the portion relating to the capital of the Group and of the third party shareholders.

(b) It does not include 9 millions euro of preference shares subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

(c) Securities subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

(d) The caption essentially includes ordinary shares, only for the component relating to the Banking Group.

(e) The caption does not include the negative reserves on government bonds of EU countries, for which the supervisory regulations provided for the option – exercised by the Group – to exclude these from the negative Tier 1 capital filters, with an effect on the Core Tier 1 ratio of 15 basis points.

The "Total items to be deducted" amounted to half the overall deductions, 50% of which were allocated as a reduction to the Tier 1 capital and the remaining 50% as a reduction to the Tier 2 capital.

Tier 2 capital

(millions of euro)

Information	30.09.2012	31.12.2011
TIER 2 CAPITAL [a]		
- Valuation reserves - Tangible assets		
Legally-required revaluations	*352*	*352*
Property and equipment used in operations	-	-
- Valuation reserve - Securities available for sale		
Equities and quotas of UCI	*139*	*117*
Debt securities	-	-
- Non-innovative equity instruments not included in tier 1 capital	-	-
- Innovative equity instruments not included in tier 1 capital	-	-
- Hybrid capital instruments	1,390	1,707
- Tier 2 subordinated liabilities	10,674	11,549
- Excess total adjustments with respect to expected losses	227	363
- Net capital gains on equity investments	-	-
- Other positive items	1	1
- Positive IAS / IFRS prudential filters (+)		
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments included in tier 2 capital	-	-
Other positive items	-	-
TOTAL POSITIVE ITEMS	**12,783**	**14,089**
- Net capital losses on equity investments	-4	-54
- Loans	-	-
- Other negative items	-257	-298
- Negative IAS / IFRS prudential filters (-)		
Portion not included of the valuation reserve on property and equipment used in operations	-	-
Portion not included of positive reserves on securities available for sale - Equities	*-70*	*-58*
Portion not included of positive reserves on securities available for sale - Debt securities	-	-
Tier 2 subordinated liabilities and hybrid capital instruments forming the object of forward purchase commitments not included in tier 2 capital	-	-
Other negative filters	-	-
TOTAL NEGATIVE ITEMS	**-331**	**-410**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**12,452**	**13,679**
TOTAL ITEMS TO BE DEDUCTED	**-1,595**	**-1,478**
- Investment in the Bank of Italy	-312	-312
- Insurance subsidiaries purchased after 20 July 2006	-594	-552
- Other banking and financial investments higher than 20% of the investee's capital	-237	-252
- Excess expected losses with respect to adjustments (IRB approaches)	-298	-230
- Other deductions	-154	-132
TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED	**10,857**	**12,201**

(a) The individual components of the regulatory capital include both the portion relating to the capital of the Group and of the third party shareholders.

Table 4 – Capital adequacy

Quantitative disclosure

According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006 and subsequent amendments), which adopt the provisions on the International convergence of capital measurement and capital standards (Basel 2), the banking Group's capital must amount to at least 8% of total risk-weighted assets (total capital ratio) 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.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the individual companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
Moreover, the Intesa Sanpaolo Group was subject to a capital requirement restriction, consisting in a floor of 90% of the sum of the requirements for credit, market and counterparty risk, calculated based on the Basel 1 rules. This penalty was prudently introduced by the Bank of Italy on authorising the use of Internal Methods for the calculation of requirements for credit risk in relation to several aspects deemed worthy of implementing. Taking account of the measures implemented by the Intesa Sanpaolo Group in relation to the problems detected, the Bank of Italy authorised the reduction of said floor from 90% to 85% starting from 30 June 2011.
In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital soundness: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preferred shares and, effective from 31 December 2010, preferred savings and ordinary shares) and risk-weighted assets.

For the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the Advanced IRB approach (AIRB) and the foundation IRB approach for the Corporate segment and the IRB approach[1] for the Retail Mortgage segment (Residential mortgages for private individuals), from the report as at 31 December 2008 (31 December 2010 for the Advanced approach) and 30 June 2010 respectively. In further detail, it bears recalling that in the first half of the year Banca IMI had already received authorisation of the use of the AIRB method for the Regulatory Corporate segment; in addition, for the companies already authorised to use internal models for the Corporate segment, the Group obtained authorisation to use, effective from 30 June 2012, specialist internal rating models for the sub-segments Project Finance, Commercial Real Estate, Asset Finance and Leveraged & Acquisition Finance (among these, the sub-segment Project Finance had already benefited from the use of IRB methods through the slotting criteria calculation system). Effective from 30 June 2012, Leasint and Mediofactoring also obtained authorisation to use the Advanced approaches for the Corporate segment, for which they were previously using the foundation IRB approach. On the same date, VUB Banka also obtained authorisation to use the IRB approach on the Retail Mortgage segment.
The Group is also proceeding with the development of the rating models for the other segments, to which the standard methods are applied, and the extension of the scope of companies for their application in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.
Banks must also comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk (rate fluctuation risk) for debt securities. Effective from the report as at 30 September 2012, Intesa Sanpaolo and Banca IMI have received authorisation from the Supervisory Authority to extend

[1] Given that the rating systems for retail exposures must reflect both the borrower risk and the specific risk of the transaction, in this case there is no distinction between the foundation and the advanced IRB approach.

the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the incremental risk charge into the calculation of the capital requirement for market risks; for Banca IMI, position risk in quotas of UCIs is also included in the internal model (with regard to the Constant Proportion Portfolio Insurance – CPPI component). The scope of validated risks has subsequently been extended to dividend derivatives and commodity risk positions for Banca IMI. In addition, Banca IMI and Intesa Sanpaolo have been using stressed VaR to calculate the requirement for market risks since December 2011. Standardised approaches are used for the other types of risk. Counterparty risk is calculated independently of the portfolio of allocation.
With respect to Operational Risks, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirements for regulatory purposes:
- effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective from 31 December 2011, a third set including Banca Infrastrutture Innovazione e Sviluppo.

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2012, based on the roll-out plan presented to the Management and Supervisory Authorities.

In April 2012 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

Information	30.09.2012 Unweighted amounts	30.09.2012 Weighted amounts	30.09.2012 Requirements	31.12.2011 Unweighted amounts	31.12.2011 Weighted amounts	31.12.2011 Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**557,538**	**261,203**	**20,896**	**563,946**	**277,498**	**22,200**
1. Standardised approach	268,424	120,430	9,634	274,917	132,167	10,573
2. Internal models (IRB)	4,309	4,623	370	29,885	22,907	1,833
3. Internal models - Advanced approach and retail exposures	280,991	130,037	10,403	254,900	116,365	9,309
4. Securitisations - bankig book	3,814	6,113	489	4,244	6,059	485
A.2 Market risk		**18,406**	**1,472**		**17,488**	**1,399**
1. Standardised approach		7,704	616		12,240	979
2. Internal models		10,554	844		5,246	420
3. Concentration risk		148	12		2	-
A.3 Operational risk		**24,880**	**1,990**		**24,825**	**1,986**
1. Basic indicator approach		1,077	86		1,088	87
2. Standardised approach		4,083	327		4,075	326
3. Advanced measurement approach		19,720	1,577		19,662	1,573
A.4 Other capital requirements		-	-		-	-
A.5 Other calculation elements [(a)]		**2,726**	**218**		**5,395**	**432**
A6 Total capital requirements		**307,215**	**24,576**		**325,206**	**26,017**
B. CAPITAL RATIOS (%)						
B.1 Core Tier 1			**11.1%**			**10.1%**
B.2 Tier 1 ratio			**11.9%**			**11.5%**
B.3 Total capital ratio			**14.4%**			**14.3%**

(a) The caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities and the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

In the case of the standardised approach, "unweighted amounts" correspond – in accordance with regulatory provisions – to the exposure value, which takes into account prudential filters, risk mitigation techniques and credit conversion factors. In the case of the internal rating based approach, "unweighted amounts" correspond to "exposure at default" (EAD). For guarantees given and commitments to disburse funds, credit conversion factors are also included when determining EAD.

As always (see also the "Introduction" of this document), the comparative figures presented refer to the Pillar 3 Report of the prior year. For a better comparison of the figures for the two periods in the table above (non-uniform in terms of scope of application of the internal models), please note that:

– Banca IMI's shift from the Standard Approach to the Advanced Internal Approaches for the Corporate segment involved a shift of the assets at risk between the two aggregates for approximately 11.5 billion euro (unweighted amounts);
– the transition by Mediofactoring and Leasint from the IRB approach to the AIRB approach involved a shift of the assets at risk between the two aggregates for approximately 22 billion euro (unweighted amounts). The further decrease in unweighted amounts referring to the foundation IRB approach relates to the use of advanced approaches for Specialised Lending (approximately 4 billion euro);
– VUB Banka's shift from the Standard Approach to the Internal Approaches for the Mortgage segment involved an analogous shift of the assets at risk between the two aggregates for approximately 2 billion euro (unweighted amounts).

The tables below provide details of the Group's different capital requirements as at 30 September 2012.

Capital requirement for Credit and Counterparty Risk

The following table breaks capital requirements down between credit risk and counterparty risk.

(millions of euro)

Information	Capital requirement	
	30.09.2012	31.12.2011
Credit risk	20,008	21,482
Counterparty risk	888	718
Total capital requirement for credit risk and counterparty risk	**20,896**	**22,200**

Counterparty risk is calculated on both the trading book and the banking book. The relative requirements are presented, for each regulatory portfolio, in the following tables illustrating capital requirements for credit and counterparty risk.

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.09.2012	31.12.2011
Exposures to or secured by governments and central banks	118	111
Exposures to or secured by local authorities	291	292
Exposures to or secured by not for profit and public sector organisations	556	311
Exposures to or secured by multilateral development banks	-	1
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,523	1,429
Exposures to or secured by corporates (a)	2,389	3,377
Retail exposures	2,502	2,757
Exposures secured by real estate property	464	573
Past due exposures	749	668
High-risk exposures	119	120
Exposures in the form of covered bonds	55	2
Short-term exposures to corporates	56	63
Exposures to UCI	125	164
Other exposures	687	705
Total capital requirement for credit risk and counterparty risk (Standardised Approach)	**9,634**	**10,573**

(a) The equity exposures for the companies that have adopted the IRB approach for the corporate regulatory portfolio, subject to grandfathering provisions regarding capital requirements, have a capital requirement of 172 million euro (167 million as at 31 December 2011).

Capital requirement for Credit and Counterparty Risk (IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement 30.09.2012	Capital requirement 31.12.2011
A. Exposures to or secured by corporates (Foundation IRB Approach)	**9,804**	**10,204**
A.1) Specialised lending	1,238	490
A.2) Specialised lending - slotting criteria	7	297
A.3) SMEs	3,192	3,484
A.4) Other corporates	5,367	5,933
B. Exposures secured by residential property (IRB Approach)	**883**	**861**
B.1) Retail	883	861
C. Equity exposures (simple risk weight approach)	**84**	**77**
C.1) Private equity exposures in sufficiently diversified portfolios	23	26
C.2) Exchange-traded equity exposures	3	3
C.3) Other equity exposures	58	48
D. Equity instruments: Other assets - Ancillary investments	**2**	**-**
E. Exposures subject to supervisory transition regarding capital requirements	**-**	**-**
Total capital requirement for credit risk and counterparty risk (IRB Approach)	**10,773**	**11,142**

Capital requirement for Credit and Counterparty Risk on securitisations – banking book (Standardised Approach)

Capital requirement for Credit and Counterparty Risk on securitisations of the banking book (Standardised Approach) amounted to 489 million euro as at 30 September 2012 (485 million euro as at 31 December 2011).

Capital requirement for Market Risk

(millions of euro)

Information	Capital requirement 30.09.2012	Capital requirement 31.12.2011
Assets included in the regulatory trading book	**1,407**	**1,265**
Position risk [(a)]	1,395	1,265
Concentration risk	12	-
Other assets	**65**	**134**
Foreign exchange risk	39	67
Settlement risk for DVP (Delivery Versus Payment) transactions	-	-
Commodity risk	26	67
Total capital requirement for market risk	**1,472**	**1,399**

(a) The caption includes capital requirements for exposures to securitisations of 285 million euro.

Capital requirement for Operational Risk

(millions of euro)

Information	Capital requirement	
	30.09.2012	31.12.2011
Basic indicator approach	86	87
Standardised approach	327	326
Advanced measurement approach	1,577	1,573
Total capital requirement for operational risk	**1,990**	**1,986**

Almost all the Group companies used the Advanced Measurement Approach (AMA) and the Standardised Approach to determine capital requirements for operational risk. A small remaining number of companies use the Basic Indicator Approach (BIA). For the AMA Approach the requirement is recalculated on a half yearly basis, whereas for the Standardised and the BIA Approaches the requirement is only calculated annually, unless one or more Group companies change approach during the year, by migrating towards more evolved models. In the first nine months of 2012, only a single subsidiary (Intesa Sanpaolo Card doo – Zagreb) migrated from the BIA Approach to the Standardised Approach, without significantly impacting the total capital requirement.

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

The Manager responsible for preparing the Company's financial reports, Ernesto Riva, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 2 - Pillar 3 as at 30 September 2012" corresponds to the corporate records, books and accounts.

13 november 2012

Ernesto Riva
Manager responsible for preparing
the Company's financial reports

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An ability to develop new solutions, attention to and ongoing dialogue with households, businesses, the third sector and public institutions underlie Intesa Sanpaolo's commitment to contribute to Italy's growth.
A role that we carry out with professionalism, a sense of responsibility and passion, offering innovative, personalised products and services and sharing our projects with our customers.
This is the origin of the decision to tell our story through the vivid, positive stories of our customers, representing, with these images, the projects achieved, the spirit of initiative and entrepreneurial determination and ability.

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