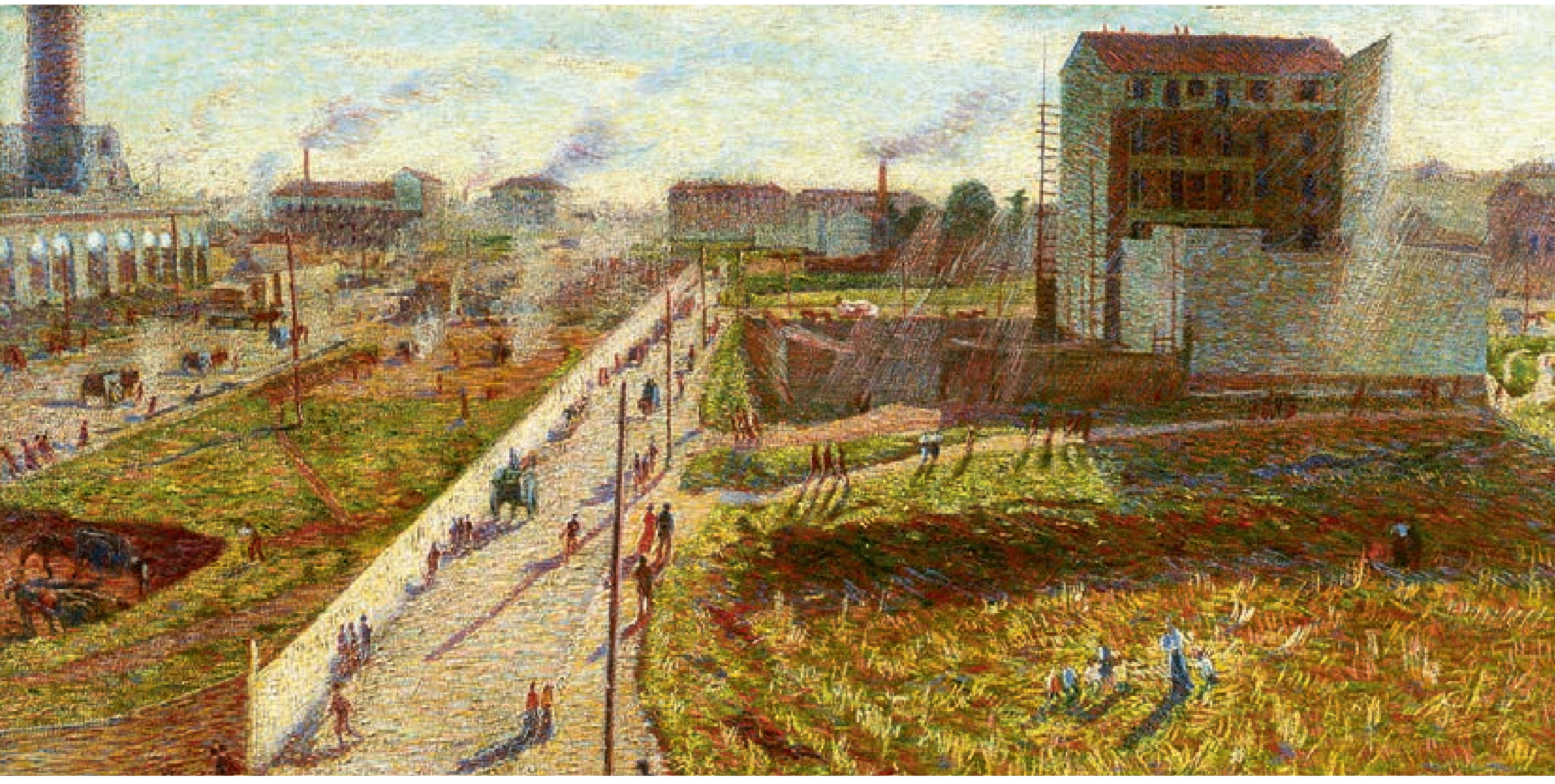
INTESA SANPAOLO

Basel 2 Pillar 3

Disclosure as at 31 March 2013



This is an English translation of the Italian language original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 31 marzo 2013" that has been prepared solely for the convenience of the reader. The Italian language original Terzo pilastro di Basilea 2 – Informativa al pubblico al 31 marzo 2013" was approved by the Management Board of Intesa Sanpaolo on 14 May 2013 and 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.

Basel 2 Pillar 3 Disclosures as at 31 March 2013

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 8.545.681.412,32 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

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 2012 for a more comprehensive examination of the qualitative aspects. The "prudential" scope of consolidation as at 31 March 2013 did not differ from that as at 31 December 2012.
Also with regard to the scope of companies for the application of internal models there are no differences from that as at 31 December 2012.

Details on regulatory capital and capital adequacy are also published in the Interim statement as at 31 March 2013. 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.

Unless otherwise specified, all the amounts reported in this disclosure are stated in millions of euro. The figures shown for comparison refer to the "Basel 2 Pillar 3" disclosure published as at 31 December 2012.

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 31 March 2013

(millions of euro)

Regulatory capital and capital ratios	31.03.2013	31.12.2012
Regulatory capital		
Tier 1 capital	34,455	36,013
of which: instruments not included in Core Tier 1 ratio (*)	*2,544*	*2,544*
Tier 2 capital	6,126	8,141
Minus items to be deducted (**)	-	-3,410
REGULATORY CAPITAL	**40,581**	**40,744**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,581**	**40,744**
Risk-weighted assets		
Credit and counterparty risks	248,668	253,309
Market risks	19,475	18,427
Operational risks	25,734	25,745
Other risks (***)	3,781	1,138
RISK-WEIGHTED ASSETS	**297,658**	**298,619**
Capital ratios %		
Core Tier 1 ratio	10.7	11.2
Tier 1 ratio	11.6	12.1
Total capital ratio	13.6	13.6

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

(**) Effective from 1 January 2013, the elements of an insurance nature previously deducted from total regulatory capital have instead been deducted from tier 1 and tier 2 capital (at 50% each), on a par with the other elements deducted, according to the specific indications contained in Bank of Italy Circulars 155 and 263.

(***) 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 31 March 2013 have been determined, as previously specified, in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.

As at 31 March 2013, total regulatory capital came to 40,581 million euro, against risk-weighted assets of 297,658 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 quarter is mainly attributable to ordinary operations and optimisation processes. The decrease was partly offset by the greater impact of the floor for calculating capital requirements for credit risk according to the AIRB approach.
With respect to regulatory capital, it should be noted that effective from 1 January 2013 the option granted by the Bank of Italy allowing for the deduction of insurance investments made prior to July 2006 from total regulatory capital is no longer in force. Accordingly, and taking effect from the reports as at 31 March 2013, such investments, which amounted to 3,410 million euro at the end of 2012, are included for 50% among deductions from Tier 1 capital and for the remaining 50% among Tier 2 capital. The pro-forma effect, on the basis of the figures as at 31 December 2012, would have been a negative 57 hundredths of a point on the Core Tier 1 ratio.
In addition, regulatory capital takes account not only of ordinary operations, but also of an estimate of the dividends to be paid on 2013 net income, the amount of which has been determined on a conventional

basis as one-fourth of the dividend proposed by the Shareholders' Meeting of 22 April 2013 for 2012 (0.05 euro per ordinary share and 0.061 euro per savings share).
With respect to the method for determining regulatory capital, it should be remarked that following the notice received from the Bank of Italy on 9 May 2013, a negative prudential filter has been applied in the amount of one-fifth of the DTAs resulting from multiple cases of tax realignment of goodwill. The application of this filter entailed a negative effect on the Core Tier 1 ratio of three hundredths of a point.
By contrast, the application effective from 1 January 2013 of the amendments to IAS 19 (an accounting standard that governs employee benefits) relating to the elimination of the "corridor method" did not have any regulatory impact, inasmuch as the negative valuation reserve generated was essentially sterilised through the specific prudential filter envisaged by the Bank of Italy.

The Total capital ratio stood at 13.6%, while the Group's Tier 1 ratio was 11.6%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 10.7%.

Lastly, in a Regulation published on 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 31 March 2013 account for this measure (the effect on the Core Tier 1 ratio is +10 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 31 March 2013 is summarised in the table below:

(millions of euro)

Information	31.03.2013	31.12.2012
A. Tier 1 capital before the application of prudential filters	**38,233**	**38,342**
B. Tier 1 capital prudential filters	**-129**	**-387**
B.1 Positive IAS/IFRS prudential filters (+)	313	-
B.2 Negative IAS/IFRS prudential filters (-)	-442	-387
C. Tier 1 capital before items to be deducted (A+B)	**38,104**	**37,955**
D. Items to be deducted from Tier 1 capital	**3,649**	**1,942**
E. Total Tier 1 capital (C-D)	**34,455**	**36,013**
F. Tier 2 capital before the application of prudential filters	**9,803**	**10,175**
G. Tier 2 capital prudential filters	**-28**	**-92**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-28	-92
H. Tier 2 capital before items to be deducted (F+G)	**9,775**	**10,083**
I. Items to be deducted from Tier 2 capital	**3,649**	**1,942**
L. Total Tier 2 capital (H-I)	**6,126**	**8,141**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**-**	**3,410**
N. Regulatory capital (E+L-M)	**40,581**	**40,744**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**40,581**	**40,744**

Regulatory capital takes account of the following:

– the upcoming distribution of the dividend drawing on 2012 net income, as approved by the Shareholders' Meeting of Intesa Sanpaolo S.p.A. of 22 April 2013, through assignment of 0.05 euro to each ordinary share and 0.061 euro to each savings share, for a total disbursement of 832 million euro;
– an estimate of the dividends to be paid on 2013 net income, determined by convention as one-fourth of the amount distributed to shareholders in 2013 (208 million euro of the 832 million euro paid in 2013).

Moreover, on the basis of specific instructions concerning regulatory capital issued by the Bank of Italy on 9 May 2013:

– the impact of the introduction of the new version of IAS 19 – *Employee Benefits* has been sterilised for regulatory purposes. In particular, "Regulatory capital before the application of prudential filters" includes -314 million euro attributable to the valuation reserve on actuarial losses (including the share attributable to minority shareholders) introduced on a compulsory basis effective from 1 January 2013. The update to the Standard eliminated the option of using the previous "corridor method," according to which the aforementioned valuation effects passed through the income statement over multiple years, provided that the loss exceeded certain thresholds. This valuation component was sterilised by recognising among "Positive IAS/IFRS prudential filters" an amount equal to the share of the actuarial loss that would not have been recognised in the income statement according to the abovementioned "corridor method" (313 million euro, including the share attributable to minority shareholders);

- effective from 31 March 2013 "Negative IAS/IFRS prudential filters" include 92 million euro in deferred tax assets (DTAs) associated with multiple cases of tax realignment of a single amount of goodwill. The amount included in the filter as at 31 March 2013 is equal to one-fifth of the total DTAs of the type concerned; the remaining four-fifths will gradually be eliminated from the calculation of regulatory capital by 31 December 2016.

Finally, effective from 1 January 2013, "Items to be deducted from total regulatory capital" no longer have an impact on the determination of regulatory capital, inasmuch as the option that allowed – until 31 December 2012 – the deduction of contributions from the insurance business that arose prior to 20 July 2006 from total regulatory capital is no longer in force. These forms of investment are now included in the ordinary rule, which states that they are to be deducted for 50% from Tier 1 capital and for 50% from Tier 2 capital.

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

Tier 1 capital

(millions of euro)

Information	31.03.2013	31.12.2012
TOTAL TIER 1 CAPITAL[(a)]		
- Share capital - ordinary shares (b)	8,236	8,236
- Share capital - preference savings shares (c)	488	488
- Share premium reserve	30,987	30,989
- Reserves and net income	10,946	10,896
- Non-innovative equity instruments	478	478
- Innovative equity instruments with final expiry	-	-
- Innovative equity instruments subject to transition requirements (grandfathering) (c)	1,578	1,578
- 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 (d)	*313*	-
TOTAL POSITIVE ITEMS	**53,026**	**52,665**
- Treasury shares or quotas (e)	-15	-12
- Goodwill	-9,097	-9,125
- Other intangible assets	-5,054	-5,186
- Loss for the period	-	-
- Adjustments to loans	-	-
- Adjustments calculated on the regulatory trading and banking books	-	-
- Other (d)	-314	-
- Negative IAS / IFRS prudential filters (-)		
Fair value option: changes in bank's own creditworthiness	-	-
Negative reserves on equities and quotas of UCI available for sale	-	-
Negative reserves on debt securities available for sale (f)	*-316*	*-353*
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 (g)	*-126*	*-34*
TOTAL NEGATIVE ITEMS	**-14,922**	**-14,710**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**38,104**	**37,955**
TOTAL ITEMS TO BE DEDUCTED	**-3,649**	**-1,942**
- Investment in the Bank of Italy	-312	-312
- Insurance subsidiaries	-2,217	-604
- Other banking and financial investments higher than 20% of the investee's capital	-277	-270
- Excess expected losses with respect to adjustments (IRB approaches)	-635	-600
- Other deductions	-208	-156
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**34,455**	**36,013**

(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 “Other negative items” of Tier 1 capital include the valuation reserve for actuarial losses introduced on a compulsory basis effective 1 January 2013 by IAS 19 – Employee Benefits in replacement of the previous “corridor method.” This method called for the above valuation effects to pass through the income statement over multiple years, provided that those effects exceeded given thresholds. The “Other positive prudential filters” include the reversal of this valuation component, but only with respect to the share that would not have been recognised in the income statement according to the previous “corridor method.”

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

(f) 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 10 basis points.

(g) The item includes 92 million euro in deferred tax assets (DTAs) associated with the tax realignment of a single amount of goodwill on multiple occasions.

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. As discussed above, effective from 1 January 2013 this aggregate also includes insurance investments associated with relationships that arose prior to 20 July 2006, which previously were deducted from total regulatory capital.

Tier 2 capital

(millions of euro)

Information	31.03.2013	31.12.2012
TIER 2 CAPITAL [(a)]		
- Valuation reserves - Tangible assets		
Legally-required revaluations	*361*	*352*
Property and equipment used in operations	-	-
- Valuation reserve - Securities available for sale		
Equities and quotas of UCI	*55*	*184*
Debt securities	-	-
- Non-innovative equity instruments not included in tier 1 capital	-	-
- Innovative equity instruments not included in tier 1 capital	-	-
- Hybrid capital instruments	1,389	1,389
- Tier 2 subordinated liabilities	7,933	8,328
- Excess total adjustments with respect to expected losses	407	237
- Net capital gains on equity investments	7	3
- Other positive items	-	-
- 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	**10,152**	**10,493**
- Net capital losses on equity investments	-	-
- Loans	-	-
- Other negative items	-349	-318
- 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	*-28*	*-92*
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	**-377**	**-410**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**9,775**	**10,083**
TOTAL ITEMS TO BE DEDUCTED	**-3,649**	**-1,942**
- Investment in the Bank of Italy	-312	-312
- Insurance subsidiaries	-2,217	-604
- Other banking and financial investments higher than 20% of the investee's capital	-277	-270
- Excess expected losses with respect to adjustments (IRB approaches)	-635	-600
- Other deductions	-208	-156
TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED	**6,126**	**8,141**

(a) The individual components of the regulatory capital include the portion relating to the capital of both the Group and 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 the 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 savings shares and preference ordinary shares) and risk-weighted assets.

On authorisation from the Supervisory body, the Intesa Sanpaolo Group uses the Advanced IRB approach (AIRB) and the Foundation IRB (FIRB) approach to calculate credit and counterparty risk capital requirements for the Corporate segment, and the IRB approach[1] for those of the Retail Mortgage segment (Residential mortgages for private individuals) and the SME retail segment (retail exposures).
In particular:

- for the Corporate segment, authorisation has been obtained from the Supervisory Authority to use the AIRB approach on a scope that extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo (for which a full demerger in favour of the Parent Company and Leasint S.p.A. was carried out in December 2012) and Mediocredito Italiano, as well as for the foreign companies Intesa Sanpaolo Bank Ireland Plc and VUB Banka (the authorisation for the latter is for the Foundation IRB). With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasing and Mediofactoring (the FIRB approach had been in use since December 2008);
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective from June 2010, extended to the former Casse del Centro network banks effective from the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012.
- authorisation for transition to the IRB approach was granted for the SME Retail segment effective from the December 2012 report for the Parent Company, the network banks and Mediocredito Italiano.

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 and their application in accordance with the plan 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

[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.

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 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 position risk on dividend derivatives and position risk on commodities for Banca IMI, which is the only legal entity in the Group authorised to hold open positions in commodities. 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, for a third set including Banca Infrastrutture Innovazione e Sviluppo[2].

In December 2012, an application was submitted to the Bank of Italy for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two international subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding). The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2013, based on the roll-out plan presented to the Management and Supervisory Authorities.
The Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements. The internal model insurance mitigation component was submitted for regulatory approval through a specific application to the Bank of Italy in December 2012.

In April 2013 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.

[2] The full demerger of the Bank in favour of the Parent Company and Leasint S.p.A. was completed in December 2012.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

Information	31.03.2013 Unweighted amounts	31.03.2013 Weighted amounts	31.03.2013 Requirements	31.12.2012 Unweighted amounts	31.12.2012 Weighted amounts	31.12.2012 Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**566,356**	**248,668**	**19,893**	**569,162**	**253,309**	**20,265**
1. Standardised approach	254,726	103,004	8,240	256,202	105,908	8,473
2. Internal models (IRB)	4,172	4,365	349	4,254	4,308	345
3. Internal models - Advanced approach and retail exposures	304,133	135,002	10,800	305,171	136,848	10,947
4. Securitisations - bankig book	3,325	6,297	504	3,535	6,245	500
A.2 Market risk		**19,475**	**1,558**		**18,427**	**1,474**
1. Standardised approach		6,197	496		6,294	504
2. Internal models		12,713	1,017		11,927	954
3. Concentration risk		565	45		206	16
A.3 Operational risk		**25,734**	**2,059**		**25,745**	**2,059**
1. Basic indicator approach		902	73		1,038	83
2. Standardised approach		4,464	357		4,339	347
3. Advanced measurement approach		20,368	1,629		20,368	1,629
A.4 Other capital requirements		-	-		-	-
A.5 Other calculation elements [(a)]		**3,781**	**302**		**1,138**	**91**
A6 Total capital requirements		**297,658**	**23,812**		**298,619**	**23,889**
B. CAPITAL RATIOS (%)						
B.1 Core Tier 1			**10.7%**			**11.2%**
B.2 Tier 1 ratio			**11.6%**			**12.1%**
B.3 Total capital ratio			**13.6%**			**13.6%**

(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 and in accordance with regulatory provisions, “unweighted amounts” correspond 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 preceding year. During the first quarter of 2013 the scope of companies authorised to use internal models has not changed compared to 31 December 2012.

The tables below provide details of the Group’s different capital requirements as at 31 March 2013.

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 31.03.2013	Capital requirement 31.12.2012
Credit risk	19,109	19,424
Counterparty risk	784	841
Total capital requirement for credit risk and counterparty risk	**19,893**	**20,265**

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

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio (a)	Capital requirement 31.03.2013	Capital requirement 31.12.2012
Exposures to or secured by governments and central banks	164	123
Exposures to or secured by local authorities	271	284
Exposures to or secured by not for profit and public sector organisations	559	566
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,599	1,531
Exposures to or secured by corporates	2,113	2,259
Retail exposures	1,704	1,842
Exposures secured by real estate property	267	296
Past due exposures	486	503
High-risk exposures	95	105
Exposures in the form of covered bonds	53	53
Short-term exposures to corporates	63	65
Exposures to UCI	123	117
Other exposures	743	729
Total capital requirement for credit risk and counterparty risk (Standardised Approach)	**8,240**	**8,473**

(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 139 million euro (155 million as at 31 December 2012).

Capital requirement for Credit and Counterparty Risk (IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement 31.03.2013	Capital requirement 31.12.2012
A. Exposures to or secured by corporates (Foundation IRB Approach)	**9,647**	**9,803**
A.1) Specialised lending	1,260	1,291
A.2) Specialised lending - slotting criteria	8	8
A.3) SMEs	3,074	3,143
A.4) Other corporates	5,305	5,361
B. Eetail exposures (IRB Approach)	**1,412**	**1,403**
B.1) Exposures secured by residential property: SMEs	54	50
B.2) Exposures secured by residential property: natural persons	940	926
B.3) Other retail exposures: SMEs	418	427
C. Equity exposures (simple risk weight approach)	**90**	**86**
C.1) Private equity exposures in sufficiently diversified portfolios	19	21
C.2) Exchange-traded equity exposures	2	3
C.3) Other equity exposures	69	62
D. Equity instruments: Other assets - Ancillary investments	**-**	**-**
E. Exposures subject to supervisory transition regarding capital requirements	**-**	**-**
Total capital requirement for credit risk and counterparty risk (IRB Approach)	**11,149**	**11,292**

Capital requirement for Credit and Counterparty Risk on securitisations – banking book

(millions of euro)

Information	Capital requirement	
	31.03.2013	31.12.2012
Securitisations - Standardised Aèèroach)	313	309
Securitisations - IRB (Rating Based Approach)	191	191
Total capital requirement for credit risk and counterparty risk on securitisations	**504**	**500**

Capital requirement for Market Risk

(millions of euro)

Information	Capital requirement	
	31.03.2013	31.12.2012
Assets included in the regulatory trading book	**1,426**	**1,396**
Position risk (a)	1,381	1,380
Concentration risk	45	16
Other assets	**132**	**78**
Foreign exchange risk	105	48
Settlement risk for DVP (Delivery Versus Payment) transactions	-	-
Commodity risk	27	30
Total capital requirement for market risk	**1,558**	**1,474**

(a) The caption includes capital requirements for exposures to securitisations of 110 million euro (169 million as at 31 December 2012).

Capital requirement for Operational Risk

(millions of euro)

Information	Capital requirement	
	31.03.2013	31.12.2012
Basic indicator approach	73	83
Standardised approach	357	347
Advanced measurement approach	1,629	1,629
Total capital requirement for operational risk	**2,059**	**2,059**

Almost all the Group companies use 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. As of 31 March 2013 the subsidiary Banca Monte Parma migrated from the BIA Approach to the Standardised Approach (TSA).

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 31 March 2013" corresponds to the corporate records, books and accounts.

14 May 2013

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

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GALLERIE D'ITALIA.
THREE MUSEUM CENTRES, A CULTURAL NETWORK FOR THE COUNTRY.

With the Gallerie d'Italia project, Intesa Sanpaolo shares its artistic and architectural assets with the community: 1,000 works of art, selected from the 10,000 owned by the Group, exhibited in three cities, to form a museum network unique in nature.

In Milano, the Piazza Scala Galleries, in an extremely valuable architectural setting, host a selection of two hundred works by nineteenth century artists from Lombardy and an exhibition covering the major artists and trends in Italian art in the second half of the twentieth century.
In Vicenza, the Palazzo Leoni Montanari Galleries exhibit the greatest collection of Russian icons in the Western world and works from Venetian eighteenth century painters.
In Napoli, the Palazzo Zevallos Stigliano Galleries present the *Martyrdom of saint Ursula*, a work from Caravaggio's last season, along with eighteenth and nineteenth-century vedutas of the countryside of Campania.

On the cover:
Umberto Boccioni
(Reggio Calabria, 1882 - Verona, 1916)
Officine a Porta Romana (Porta Romana Worksites), 1910
oil on canvass, 75 x 145 cm
Intesa Sanpaolo's Collection
Gallerie d'Italia-Piazza Scala, Milano