INTESA SANPAOLO

Basel 3 Pillar 3

Disclosure as at 31 March 2017

This is an English translation from the original "Terzo Pilastro di Basilea 3 al 31 marzo 2017" and was prepared solely for the convenience of the reader. The Italian original "Terzo Pilastro di Basilea 3 al 31 marzo 2017" was approved by the Board of Directors of Intesa Sanpaolo on 5 May 2017 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 3 Pillar 3 Disclosure as at 31 March 2017

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 8,731,984,115.92 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.

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Introduction

Notes to the Basel 3 Pillar 3 disclosure

With effect from 1 January 2014, the reforms of the accord by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and strengthen banks' transparency and disclosures. In doing so, the Committee maintained the approach founded on three Pillars, which was at the basis of the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.

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

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

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV), which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy, in particular with Circular no. 285 of 17 December 2013, which contains the prudential supervision regulations applicable to Italian banks and banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and taking into account the needs detected while supervising banks and other intermediaries.
The above Circular does not dictate - as it did in the past - specific rules for the preparation and disclosure of Pillar 3 reporting, but simply reports the list of provisions envisaged for that purpose by the CRR. Therefore, the issue is directly regulated by:

- the CRR, Part 8 "Disclosure by Institutions" (art. 431-455) and Part 10, Title I, Chapter 3, "Transitional provisions for disclosure of own funds" (Art. 492);
- the Regulations of the European Commission whose preparation is entrusted to the EBA (European Banking Authority) bearing the regulatory or implementing technical standards to regulate the uniform templates for the disclosure of various types of information.

Further information on Pillar 3 was then provided by the EBA (European Banking Authority) with a specific document regarding the guidelines on materiality, proprietary and confidentiality and on the frequency of disclosure to be provided in Pillar 3 (Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No. 575/2013), which governs additional significant aspects of the preparation of Pillar 3 disclosure:

- application by the institutions of the Materiality criterion;
- application by the institutions of the Proprietary and Confidentiality criteria;
- need to publish the disclosure more frequently than once a year.

The issue of Pillar 3 disclosure was also the subject of analyses by the Basel Committee with its document "Revised Pillar 3 disclosure requirements", issued in January 2015. This document provides indications to the Supervisory Authorities, which should have them incorporated in the national regulations (in our case the EU) so that they come into force. In this field, in December the EBA published the final version of the "Guidelines on disclosure requirements under part Eight of Regulation No (EU) 575/2013" providing guidelines aimed at increasing and improving the consistency and comparability of the information to be provided in Pillar 3. These guidelines were implemented in the proposed draft to amend CRR 575 published in November 2016. At the end of March 2017, the Basel Committee published the document "Pillar 3 disclosure requirements - consolidated and enhanced framework" which constitutes the second

phase of the review of the reference regulatory framework concerning public disclosure, started with the abovementioned document issued in January 2015. This review aims to further promote market regulations through the consolidation of all the requirements already introduced and the arrangement of a dashboard of a bank's key prudential metrics to support the market in the analysis of the data and achieve greater comparability.
These guidelines will be applicable starting from 31 December 2017.

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In accordance with the abovementioned provisions, this document 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 prudential scope of consolidation as at 31 March 2017 does not differ significantly from that used as at 31 December 2016.
Concerning the scope of application of the internal models for the calculation of the capital requirements as at 31 March 2017, it is underlined that, compared to the situation existing at 31 December 2016, the subsidiary Intesa Sanpaolo Bank (formerly Banka Koper) obtained from the ECB the authorisation to use the Foundation Internal Rating Based (FIRB) approach for Corporate exposures starting from 31 March 2017. With reporting effect from after the first quarter, the Group received from the ECB the authorisation to use the methods based on the internal rating for the Public Sector Entities and Banks portfolios; furthermore, the Group received the authorisation to use the new rating models (PD) and LGD for the Corporate portfolio on a scope including the Parent Company, the network banks in the Banca dei Territori Division and the main Italian and international Group companies; finally, the Slovak subsidiary Vseobecna Uverova Banka (VUB) received from the ECB the authorisation to use the new internal rating model for the Retail Mortgage regulatory segment.

Pursuant to Art. 433 of the CRR, banks publish the disclosures required by European regulations at least once a year, at the same time as the financial statements. They are also required to assess the need to publish some or all these disclosures more frequently, based on the significant characteristics of current activities. In particular, entities must assess whether there is a need to publish disclosures more frequently in relation to "Own Funds" (art. 437), "Capital Requirements" (art. 438), and disclosures regarding risk exposure or other aspects subject to rapid change.
Given the above regulatory provisions, when issuing its interim statements for March and September, Intesa Sanpaolo publishes summary disclosures on its "Own Funds", "Capital Requirements" and "Leverage", supplemented in the half-yearly report with additional information on the use of internal models for credit, market and operational risks.

With specific reference to the information on the Leverage ratio, please note that in February 2016 Commission Implementing Regulation 2016/200 was published in the Official Journal of the European Union laying down implementing technical standards with regard to the disclosure on the Leverage ratio, under EU Regulation No. 575/2013. Therefore, starting from 31 March 2016, the Intesa Sanpaolo Group has been publishing the Leverage ratio on the basis of the provisions contained in the Delegated Act.

Starting from 2016, the disclosure obligations concerning the countercyclical capital buffers have also been applied.
Details on own funds and capital ratios are also published in the consolidated Interim Statements for March and September and in the Half-yearly Report. Said documents also provide an update on Group liquidity risk.

Given the public importance of this disclosure, the "Basel 3 Pillar 3 disclosure" is signed by the Manager responsible for preparing the Company's financial reports and is subject to the checks and controls established in the Group's "Guidelines for administrative and financial governance", which set 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 Intesa Sanpaolo Group publishes this disclosure (Basel 3 Pillar 3) and subsequent updates on its website, www.group.intesasanpaolo.com.

Own Funds and capital ratios as at 31 March 2017

(millions of euro)

Own funds and capital ratios	31.03.2017	31.12.2016
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	35,132	35,926
Additional Tier 1 capital (AT1) net of regulatory adjustments	4,696	3,533
TIER 1 CAPITAL	**39,828**	**39,459**
Tier 2 capital net of regulatory adjustments	9,002	8,815
TOTAL OWN FUNDS	**48,830**	**48,274**
Risk-weighted assets		
Credit and counterparty risks	240,322	243,351
Market and settlement risk	20,058	19,199
Operational risks	19,545	19,545
Other specific risks [(a)]	1,605	1,823
RISK-WEIGHTED ASSETS	**281,530**	**283,918**
% Capital ratios		
Common Equity Tier 1 capital ratio	12.5%	12.7%
Tier 1 capital ratio	14.1%	13.9%
Total capital ratio	17.3%	17.0%

[(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 2017 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, 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.

Regulatory provisions governing Own Funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.

Specific transitional provisions (i.e. grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from Own Funds (over a period of eight years).

As a consequence, as at 31 March 2017, the prudential ratios consider the adjustments required by the transitional provisions for 2017; the application of these transitional provisions, compared to those in force as at 31 December 2016, led to a negative effect on the CET 1 ratio of about 17 bps.

As at 31 March 2017, total Own Funds came to 48,830 million euro, against risk-weighted assets of 281,530 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

In January 2017 Intesa Sanpaolo launched a third Additional Tier 1 (AT1) issue of 1.25 billion euro, targeted at the international markets (a first AT1 issue of 1 billion dollars had been launched in September 2015 and a second one in January 2016 for 1.25 billion euro). This issue has characteristics in line with the provisions of CRD IV and the CRR, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be redeemed in advance by the issuer after 10 years from the issue date and on every coupon payment date thereafter. The coupon, payable semi-annually in

arrears on 11 January and 11 July of each year, with first payment on 11 July 2017, is equal to 7.75% per annum. If the early redemption option is not exercised on 11 January 2027, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date). As envisaged in the regulations applicable to the AT 1 issues, coupon payment is discretionary and subject to certain limitations.
Common Equity Tier 1 capital does not include the net income for the period ended 31 March 2017, less the pro-rata dividend for the period, since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017 based on the overall objective of 10 billion euro in cumulative cash dividends as indicated in the 2014-2017 Business Plan.
Based on the foregoing, the Total capital ratio stood at 17.3%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.1%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 12.5%.
You are reminded that, on 12 December 2016, Intesa Sanpaolo received the ECB's final decision regarding the capital requirements to be observed with effect from 1 January 2017, in light of the results of the Supervisory Review and Evaluation Process (SREP). The capital requirement at consolidated level in terms of Common Equity Tier 1 ratio is 7.25% under the transition arrangements in force for 2017 and 9.25% on a fully loaded basis.

Own funds

Qualitative and quantitative disclosure

The harmonised rules for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation no. 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) into European Union laws, became applicable from 1 January 2014.

These regulatory provisions were adopted in Italy through the following circulars:
- Bank of Italy Circular 285: Supervisory regulations for banks;
- Bank of Italy Circular 286: Instructions for preparing prudential reports for banks and Italian investment companies;
- Update to Bank of Italy Circular 154: Credit and financial institutions supervisory reports: Preparation and transmission.

The total regulatory capital is made up of the algebraic sum of the elements specified below:
- Tier 1 Capital (capable of absorbing losses under going concern conditions). This capital is divided into Common Equity Tier 1 Capital and Additional Tier 1 Capital;
- Tier 2 Capital (capable of absorbing losses in the event of a crisis).

The elements indicated above are subject to the following limits:
- Common Equity Tier 1 must at all times be equal to at least 4.5% of risk-weighted assets;
- Tier 1 Capital must at all times be equal to at least 6% of risk-weighted assets;
- Own funds (i.e. the total regulatory capital), equal to Tier 1 plus Tier 2 capital, must at all times be equal to at least 8.0% of risk-weighted assets.

Tier 1's predominant element is Common Equity, mainly composed of equity instruments (e.g. ordinary shares net of treasury shares), share premium reserves, profit reserves, valuation reserves and eligible minority interests, plus deducted elements.
In order to be eligible for Common Equity, the equity instruments issued must guarantee absorption of losses on going concern, by satisfying the following characteristics:
- maximum level of subordination;
- option for suspending the payment of dividends/coupons at the full discretion of the issuer and in a non-cumulative manner;
- unredeemability;
- absence of redemption incentives.

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

A number of prudential filters are also envisaged with effects on Common Equity:
- filter on profits associated with future margins deriving from securitisations;
- filter on cash flow hedge (CFH) reserves;
- filter on profits or losses on liabilities designated at fair value (derivatives or otherwise) associated with changes in own credit rating;
- adjustments to fair value assets associated with the "prudent valuation".

The regulations also envisage a series of elements to be deducted from Common Equity Tier 1:
- goodwill, intangible assets and residual intangible assets;
- deferred tax assets (DTA) associated with future income not deriving from temporary differences (e.g. DTA on losses carried forward);
- expected losses exceeding total adjustments (the shortfall reserve) for positions weighted according to IRB approaches;

- net assets deriving from defined benefit plans;
- exposures for which it is decided to opt for deduction rather than a 1.250% weighting among RWA;
- minor investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the thresholds envisaged in the regulations);
- deferred tax assets (DTA) that rely on future profitability and arise from temporary differences (deducted for the amount exceeding thresholds envisaged in the regulations);
- significant investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the thresholds envisaged in the regulations).

In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares or AT1 equity instruments).

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.

As previously specified, the new regulatory framework will be introduced gradually over a transitional period, generally through 2017, during which several elements that, when the framework is in full effect, will be eligible for full inclusion in or deduction from common equity, will only have a partial percent effect on Common Equity Tier 1 Capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 Capital (AT1) or Tier 2 Capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 31 March 2017 is summarised in the table below.

(millions of euro)

	31.03.2017	31.12.2016
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**43,090**	**43,298**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**-1,139**	**-808**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**41,951**	**42,490**
D. Items to be deducted from CET 1	**-7,648**	**-7,670**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional adjustments	**829**	**1,106**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**35,132**	**35,926**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**4,887**	**3,842**
of which AT1 instruments subject to transitional adjustments	1,025	1,230
H. Items to be deducted from AT1	**-**	**-**
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 pursuant to transitional adjustments	**-191**	**-309**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**4,696**	**3,533**
M. Tier 2 (T2) before items to be deducted and effects of transitional period	**9,295**	**9,154**
of which T2 instruments subject to transitional adjustments	580	410
N. Items to be deducted from T2	**-152**	**-152**
O. Transitional period - Impact on T2 (+ / -), including instruments issued by subsidiaries and included in T2 pursuant to transitional adjustments	**-141**	**-187**
P. Total Tier 2 (T2) (M - N +/- O)	**9,002**	**8,815**
Q. Total own funds (F + L + P)	**48,830**	**48,274**

The tables below provide a detailed summary of the various capital levels before regulatory adjustments and transitional regime adjustments, together with the reconciliation between Common Equity Tier 1 and net book value. With regard to transitional regime adjustments, note that for the eligibility of:

– grandfathered instruments;
– minority interests;
– unrealised profits or losses on instruments designated at fair value;
– negative amounts resulting from the calculation of expected losses (shortfall reserve);
– IAS 19 filter on valuation reserves for actuarial gains or losses on defined benefit plans;
– other minor captions

the regulations envisage specific treatment allowing gradual entry into force of the rules, to be applied during the transitional period. In this respect, they state specific percentages for deductions and eligibility for Common Equity.

Reconciliation of net book value and Common Equity Tier 1 Capital

(millions of euro)

	31.03.2017	31.12.2016
Group Shareholders' equity	50,735	48,911
Minority interests	356	408
Shareholders' equity as per the Balance Sheet	**51,091**	**49,319**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Other equity instruments eligible for inclusion in AT1	-3,371	-2,121
- Minority interests eligible for inclusion in AT1	-6	-6
- Minority interests eligible for inclusion in T2	-2	-2
- Ineligible minority interests on full phase-in	-295	-356
- Ineligible net income for the period [(a)]	-901	-3,111
- Treasury shares included under regulatory adjustments	97	98
- Other ineligible components on full phase-in [(b)]	-3,038	-38
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,090**	**43,298**
Regulatory adjustments (including transitional adjustments)	**-7,958**	**-7,372**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**35,132**	**35,926**

[(a)] Common Equity Tier 1 capital does not take account of the profit accrued during the period ended on 31 March 2017, after deducting the pro-rated share of the dividend on that profit, since Intesa Sanpaolo has decided to request authorisation from the ECB pursuant to Art. 26 of the CRR to include profit for the period in own funds solely if the amount of such profit exceeds the total amount of the dividend that is expected to be distributed for the year on the basis of the 2014-2017 Business Plan.

[(b)] The amount at 31 March 2017 essentially includes the dividend on 2016 profit approved by the Shareholders' Meeting on 27 April 2017.

Further details are provided below on the composition of each capital level making up own funds.

Common Equity Tier 1 Capital (CET1)

(millions of euro)

	31.03.2017	31.12.2016
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	8,247	8,247
Share premium reserve	27,349	27,349
Reserves [(a)]	9,600	9,512
Accumulated other comprehensive income	-2,159	-1,854
Net income (loss) for the period [(b)]	901	3,111
Net income (loss) for the period not eligible [(b)]	-901	-3,111
Dividends and other expected charges	-	-
Minority interests	53	44
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,090**	**43,298**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-97	-98
Goodwill	-4,124	-4,183
Other intangible assets	-2,787	-2,822
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-158	-155
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-15	-23
Defined benefit pension funds assets	-	-
Prudential filters		
- of which Cash Flow Hedge Reserve	*1,066*	*1,146*
- of which Gains or Losses due to changes in own credit risk (DVA)	*41*	*53*
- of which Prudent valuation adjustments	*-152*	*-144*
- of which Other prudential filters	-	-
Exposures to securitisations deducted rather than risk weighted at 1250%	*-100*	*-115*
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically, which exceed the threshold of 10% of Common Equity	-	-
Deductions with 10% threshold [(c)]	-1,994	-1,748
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	-	-
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	*-1,994*	*-1,748*
Deductions with threshold of 17.65% [(d)]	-80	-
Positive or negative elements - other	-387	-389
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-8,787**	**-8,478**
Total adjustments in the transitional period (CET1)	**829**	**1,106**
Common Equity Tier 1 (CET1) - Total	**35,132**	**35,926**

[(a)] Amount included in CET1.

[(b)] Common Equity Tier 1 capital does not take account of the profit accrued during the period ended on 31 March 2017, after deducting the pro-rated share of the dividend on that profit, since Intesa Sanpaolo has decided to request authorisation from the ECB pursuant to Art. 26 of the CRR to include profit for the period in own funds solely if the amount of such profit exceeds the total amount of the dividend that is expected to be distributed for the year on the basis of the 2014-2017 Business Plan.

[(d)] For details of the calculation of the deduction thresholds, refer to the specific table.

[(e)] The deductions shown refer only to DTA and Significant investments for which 10% was not deducted.

Please note that Common Equity Tier 1 capital does not include the net income for the period ended 31 March 2017, less the pro-rata dividend for the period, since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017 based on the overall objective of 10 billion euro in cumulative cash dividends as indicated in the 2014-2017 Business Plan.

Starting from 2016, as envisaged by Article 258 of (EU) Regulation no. 575/2013 which governs the case, in place of the weighting of the positions towards securitisations that meet the requirements to receive a weighting of 1,250%, it was chosen to proceed with the direct deduction of these exposures from the Own Funds.

The amount of such deduction as at 31 March 2016 is equal to 100 million euro.

The "Negative elements – other" mainly include the sterilisation in common equity of deferred tax assets (DTA) associated with tax realignment of a single item of goodwill. The amount of the filter as at 31 March 2017 is equal to 224 million euro.

Additional Tier 1 Capital (AT1)

(millions of euro)

	31.03.2017	31.12.2016
Additional Tier 1 capital (AT1)		
Saving shares	485	485
Other AT1 instruments	3,371	2,121
Minority interests	6	6
Additional Tier 1 capital (AT1) before regulatory adjustments	**3,862**	**2,612**
Additional Tier 1 capital (AT1): Regulatory adjustments		
AT1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
AT1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-	-
Positive or negative items - other	-	-
Total regulatory adjustments to Additional Tier 1 (AT1)	**-**	**-**
Total adjustments in the transitional period, including minority interests (AT1)	**-191**	**-309**
AT1 instruments eligible for grandfathering	**1,025**	**1,230**
Additional Tier 1 (AT1) - Total	**4,696**	**3,533**

AT1 instruments are detailed in the tables below.

It is worth mentioning that, at the beginning of 2017, Intesa Sanpaolo launched a new Additional Tier 1 issue of 1.25 billion euro, targeted at the international markets.
This issue has characteristics in line with CRD IV provisions, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and may be redeemed in advance by the issuer after 10 years from the issue date and on every coupon payment date thereafter. The issuer will pay a fixed rate coupon of 7.75% per annum, payable semi-annually in arrears every 11 January and 11 July of each year, with the first coupon payment on 11 July 2017. In the event that the early redemption rights are not utilised on 11 January 2027, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments have been reported in Attachment 1 to the Basel 3 Pillar 3 - Disclosure as at 31 December 2016. Attachment 1 as at 31 March 2017 reports only the details of the new instrument issued during the period.

Additional Tier 1 (AT1) equity instruments as at 31 March 2017

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 14/10/2019: 8.375% fixed rate; thereafter 3-month Euribor + 687 bps/year	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500,000,000	484
Intesa Sanpaolo	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	YES	1,250,000,000	378
Intesa Sanpaolo	up to 24/9/2018 (excluded): 8.698%; thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250,000,000	163
Total Additional Tier 1 instruments subject to transitional provisions									**1,025**
Intesa Sanpaolo	7% fixed rate	NO	19-Jan-2016	perpetual	19-Jan-2021	Eur	NO	1,250,000,000	1,250
Intesa Sanpaolo	7.75% fixed rate (up to the first call date)	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,250
Intesa Sanpaolo	7.70% fixed rate (up to the first call date)	NO	19-Sep-2015	perpetuo	17-Sep-2025	Usd	NO	1,000,000,000	871
Total Additional Tier 1 instruments not subject to transitional provisions									**3,371**
Total Additional Tier 1 equity instruments									**4,396**

Tier 2 Capital (T2)

(millions of euro)

	31.03.2017	31.12.2016
Tier 2 Capital (T2)		
T2 Instruments	8,287	8,503
Minority interests	2	2
Excess of provisions over expected losses eligible (excess reserve)	426	239
Tier 2 capital before regulatory adjustments	**8,715**	**8,744**
Tier 2 Capital (T2): Regulatory adjustments		
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-152	-152
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	**-152**	**-152**
Total adjustments in the transitional period, including minority interests (T2)	**-141**	**-187**
T2 instruments eligible for grandfathering	**580**	**410**
Tier 2 Capital (T2) - Total	**9,002**	**8,815**

The details of instruments making up Tier 2, including those eligible for grandfathering, are provided in the following table.

Tier 2 (T2) capital instruments as at 31 March 2017

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo (*)	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 687 bps/p.a.	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500,000,000	247
Intesa Sanpaolo (*)	up to 20/6/2018 excluded: 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	YES	1,250,000,000	193
Intesa Sanpaolo (*)	8,698% up to 24/9/2018 excluded; thereafter 3-month Euribor 3 + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250,000,000	83
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	YES	805,400,000	16
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 2%)/4	NO	31-Mar-2011	31-Mar-2018	NO	Eur	YES	373,400,000	15
Intesa Sanpaolo	up to 18/3/2019 excluded: 5.625% p.a.; thereafter: 3-month Sterling Libor + 1.125 p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	YES	165,000,000	14
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	YES	479,050,000	12
Total Tier 2 instruments subject to transitional provisions									**580**
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,839
Intesa Sanpaolo	6,6625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	1,409
Intesa Sanpaolo	5,71% fixed	NO	15-Jan-2016	15-Jan-2026	NO	Usd	NO	1,500,000,000	1,403
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	980
Intesa Sanpaolo	3-month Euribor + 237 bps/4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	722
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	NO	1,250,000,000	606
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	NO	1,500,000,000	519
Intesa Sanpaolo	2,855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	480
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	NO	1,250,000,000	185
Intesa Sanpaolo	5.75% fixed rate; from 28/05/2013 3-month Euribor +1.98%	YES	28-May-2008	28-May-2018	NO	Eur	NO	1,000,000,000	58
Intesa Sanpaolo	6.16 % fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	NO	120,000,000	30
Intesa Sanpaolo	up to 26/6/2013 excluded: 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	NO	Eur	NO	500,000,000	27
Intesa Sanpaolo	up to 20/2/2013 excluded: 3-month Euribor + 0.25% p.a.; thereafter: 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	NO	Eur	NO	750,000,000	26
Intesa Sanpaolo	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	NO	30,000,000	2
Intesa Sanpaolo	6.375% fixed rate ; from 12 Nov 2012 3-month gpb libor	YES	12-Oct-2007	12-Nov-2017	NO	Gbp	NO	250,000,000	1
Total Tier 2 instruments not subject to transitional provisions									**8,287**
Total Tier 2 instruments									**8,867**

(*) Instrument subject to grandfathering in the Additional Tier 1 capital, capped portion pursuant to art. 486 of EU Regulation 575/2013 (CRR).

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

(millions of euro)

	31.03.2017	31.12.2016
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	3,638	3,657
B. Threshold of 10% for CET1 instruments of financial sector entities where the institution has a significant investment and for DTA that rely on future profitability and arise from temporary differences	3,638	3,657
C. Threshold for significant investments and DTA not deducted in the threshold described under point B:		
• 15% during the transitional period until 31 December 2017	5,496	5,526
• 17.65% from 2018	5,146	5,236

The regulations envisage that for certain regulatory adjustments, such as those for DTAs based on future income and deriving from temporary differences, and for significant and minor investments in CET1 instruments issued by companies in the financial sector, certain thresholds or "deductibles" are specified, calculated on Common Equity estimated using different approaches.
For minor investments in CET1 instruments issued by companies in the financial sector the deduction of amounts exceeding 10% of CET1 prior to deductions deriving from exceeding the thresholds is envisaged. For significant investments in CET1 instruments and DTAs, however, an initial threshold on deductions is envisaged, still calculated as 10% of CET1 prior to deductions deriving from exceeding the thresholds, adjusted to take into account any excess over the threshold described in the previous point. A further threshold is indicated, calculated on 15% of Common Equity adjusted for the above 10% threshold, to be applied in aggregate on amounts not deducted using the first threshold.
All amounts not deducted are weighted among risk-weighted assets in accordance with the percentages envisaged in the regulations for individual cases.

As mentioned previously, these deductions are introduced gradually through the application of specific transitional rules. In addition to applying deductions with an increasing impact, these rules also envisage different treatment, compared to that applied on a fully loaded basis, for amounts not deducted.

Transitional period adjustments as at 31 March 2017

Greater details on the impact of the transitional regime on the different levels of capital for the period under review are provided below.

(millions of euro)

	ADJUSTMENTS TO CET1			ADJUSTMENTS TO AT1	ADJUSTMENTS TO T2
	Amounts eligible /deductible on full phase-in	Adjustments to CET1	Net effect on CET1 at the date		
Instruments eligible for grandfathering	**-**	**-**	**-**	**1,025**	**580**
Minority interests	**53**	**27**	**80**	**-**	**-**
Other adjustments in the transitional period	**110**	**-22**	**88**	**-**	**-**
- of which Unrealised gains on assets measured at fair value	110	-22	88	-	-
- of which Unrealised losses on assets measured at fair value	-	-	-	-	-
Regulatory adjustments	**-2,812**	**744**	**-2,068**	**-191**	**-191**
- of which Deferred tax assets that rely on future profitability and do not arise from temporary differences	-158	32	-126	-	-
- of which Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-15	3	-12	-2	-2
- of which IAS 19 Reserves	-645	224	-421	-	-
- of which CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-	-	-	-
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	-	-	-	-	-
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-1,994	485	-1,509	-189	-189
Other filters and adjustments	**-**	**80**	**80**	**-**	**50**
Total adjustments in the transitional period and instruments eligible for grandfathering	**-2,649**	**829**	**-1,820**	**834**	**439**

Capital requirements

Qualitative and quantitative disclosure

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

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

The elements indicated above are subject to the following limits:

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

Furthermore, in addition to top-quality capital necessary to satisfy own funds requirements, banks are expected to maintain a capital conservation buffer amounting to 1.25% of the bank's total risk exposure. The minimum capital requirements requested from 1 January 2017 are equal to 5.75% of Common Equity Tier 1, including the abovementioned capital conservation buffer equal to 1.25%, 7.25% of Tier 1 and 9.25% of Total Capital Ratio.

Following the Supervisory Review and Evaluation Process (SREP), on 12 December 2016 the ECB notified its final decision on the capital requirement that Intesa Sanpaolo must comply with at consolidated level from 1 January 2017.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 7.25% under the transitional arrangements for 2017 and 9.25% on a fully loaded basis, while the Total Capital ratio must be equal to 9.5%.
Contributing to determining the requirement relating to the Common Equity Tier 1 ratio for 2017 are: the minimum regulatory requirement of 4.5%, an additional Pillar 2 requirement of 1.5% and an additional requirement relating to the capital conservation buffer, equal to 1.25% according to the transitional arrangements in force for 2017, while it is necessary to consider a capital conservation buffer, equal to 2.5% according to the fully-loaded arrangements in force for 2019, and an O-SII Buffer (Other Systemically Important Institutions Buffer), equal to 0.75% on a fully loaded basis in 2021.

With regard to credit risk, among the main changes please note the authorisations received from the ECB - effective after 31 March 2017 - to use internal ratings-based approaches for the Public Sector Entities and Banks portfolios and use the new rating models (PD) and LGD for the Corporate portfolio on a scope including the Parent Company, the network banks in the Banca dei Territori Division and the main Italian and international Group companies.
The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.

There were no changes in the scope of application of the internal models concerning counterparty risk for OTC derivatives and operational risk compared to 31 December 2016.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2017.

Specific countercyclical capital buffer of the institution

Below is the information relating to the "Countercyclical capital buffer", prepared based on the ratios applicable at 31 March 2017 and Delegated Regulation (EU) 2015/1555 of the Commission of 28 May 2015 which integrates regulation (EU) no. 575/2013 of the European Parliament and of the Council (so-

called CRR) regarding the regulatory technical standards pertaining to the publication of information in relation to the compliance of the institutions' obligation to hold countercyclical capital buffer pursuant to Article 440 of the same CRR. As established by Article 140, paragraph 1, of directive 2013/36/EU (so-called CRD IV), the specific countercyclical ratio of the institution consists in the weighted mean of the countercyclical ratios which are applied in the countries where the relevant credit exposures of the institutions are located.
CRD IV establishes the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer (CCyB) starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Italy with Bank of Italy circular no. 285, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the Bank of Italy decided to maintain the ratio of the countercyclical capital buffer at zero percent for the second quarter of 2017. The relevant credit exposures include all the classes of exposure other than those under Article 112, letters from a) to f), of regulation (EU) no. 575/2013. The following portfolios are excluded: exposures to central administrations or central banks; exposures to regional administrations or local authorities; exposures to public-sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

In reference to 31 March 2017:
– the countercyclical capital ratios at individual country level were set, with the methods summarised above, generally equal to 0%, with the exception of the following countries: Sweden (2.00%), Norway (1.50%), Hong Kong (1.25%), Iceland (1.00%) and Czech Republic (0.50%);
– at consolidated level, Intesa Sanpaolo's specific countercyclical ratio equals 0.007%.

Amount of the specific countercyclical capital buffer of the institution

(millions of euro)

	31.03.2017	31.12.2016
Total risk exposure	281,530	283,918
Specific countercyclical ratio of the institution	0.007%	0.002%
Specific countercyclical capital buffer requirement of the institution	20	6

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

	31.03.2017			31.12.2016		
	Unweighted amounts	Weighted amounts	Requirements	Unweighted amounts	Weighted amounts	Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**571,710**	**239,446**	**19,156**	**571,335**	**242,312**	**19,385**
1. Standardised approach	268,228	110,468	8,837	270,507	114,333	9,146
2. Internal models (IRB)	3,254	6,471	518	2,842	6,622	530
3. Internal models - Advanced approach and retail exposures	292,332	118,622	9,490	288,863	117,034	9,363
4. Securitisations - banking book	7,896	3,885	311	9,123	4,323	346
A.2 Credit risk adjustment		**876**	**70**		**1,039**	**83**
A.3 Settlement risk		**1**	**-**		**1**	**-**
A.4 Market risk		**20,057**	**1,605**		**19,198**	**1,536**
1. Standardised approach		1,683	135		1,628	130
2. Internal models		18,374	1,470		17,570	1,406
A.5. Concentration risk		**-**	**-**		**-**	**-**
A.6 Operational risk		**19,545**	**1,563**		**19,545**	**1,563**
1. Basic indicator approach		489	39		489	39
2. Standardised approach		2,805	224		2,805	224
3. Advanced measurement approach		16,251	1,300		16,251	1,300
A.7 Other capital requirements		**-**	-		**-**	-
A.8 Other calculation elements [(a)]		**1,605**	**128**		**1,823**	**146**
A.9 Total capital requirements		**281,530**	**22,522**		**283,918**	**22,713**
B. CAPITAL RATIOS (%)						
B.1 Common Equity Tier 1 ratio			**12.5%**			**12.7%**
B.2 Tier 1 ratio			**14.1%**			**13.9%**
B.3 Total capital ratio			**17.3%**			**17.0%**

[(a)] This caption includes all the other requirements that enter into the calculation of total capital requirements, not considered in previous captions.

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 included when determining EAD.

On 7 March 2017, the Slovak subsidiary Vseobecna Uverova Banka (VUB) received the authorisation from the ECB to use the new internal rating model for the Retail Mortgage regulatory segment, effective after 31 March 2017.

On 9 March 2017 the Group received from the ECB the authorisation relating to the Banks and Public Sector Entities portfolios, effective after 31 March 2017. With regard to the model for determining the probability of default for the Banks portfolio, the choice was made to differentiate between models for banks in mature economies and banks in emerging countries. In short, the model consists of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component representing systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the "relationship manager's judgement") that allows the rating to be modified in certain conditions. The Loss Given Default (LGD) calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models.
In the Public Sector Entities segment, the reference models have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An approach to extend the rating of the regulatory Entity (e.g.: Region) has been adopted for local healthcare authorities and other sector entities, with possible changes on the basis of financial statement assessments (notching). With regard to the LGD estimate of the Public Sector Entities segment, the methodological framework is substantially similar to that used for the development of the LGD models of the already validated segments (Corporate, Retail SME, Retail Mortgage).

On 31 March 2017, effective on the same date, the Slovenian subsidiary, Banka Intesa Sanpaolo (formerly Banka Koper) received the authorisation from the ECB to use the internal rating systems (PD-FIRB) for the Corporate portfolio.

On 18 April 2017, the Group also received the authorisation from the ECB to use the new internal rating systems (PD) and LGD for the Corporate portfolio, effective after 31 March 2017. With regard to the re-estimation of rating models, steps were taken, on the one hand, to broaden the information set used for counterparty evaluation and, on the other hand, efforts were made to simplify their framework and number. Finally, various measures have been adopted that are aimed at favouring a through-the-cycle profile of the probabilities of default produced by the models, consistently with the relational-type commercial approach adopted by the Group. With regard to the LGD, the most significant change is represented by the development of the model dedicated to non-performing loans. The scope of the authorisation also extends to the subsidiaries Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Bank Luxembourg. The Slovak subsidiary Vseobecna Uverova Banka (VUB) uses this model only for counterparties with a turnover of more than 500 million euro.

The tables below provide details of the Group's different capital requirements as at 31 March 2017, with a comparison to the same figures as at 31 December 2016.

Capital requirement for Credit and Counterparty Risk

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

(millions of euro)

	Capital requirement	
	31.03.2017	**31.12.2016**
Credit risk	18,709	18,923
Counterparty risk	447	462
Total capital requirement for credit and counterparty risk	**19,156**	**19,385**

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.

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.03.2017	**31.12.2016**
Exposures to or secured by central governments and central banks	1,402	1,383
Exposures to or secured by regional governments or local authorities	212	214
Exposures to or secured by public sector organisations	207	254
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,039	1,314
Exposures to or secured by corporates	2,349	2,350
Retail exposures	1,511	1,440
Exposures secured by real estate property	127	133
Default exposures	369	378
High-risk exposures	14	12
Exposures in the form of covered bonds	16	13
Short-term exposures to corporates or to supervised institutions	-	-
Exposures to UCIs	173	181
Equity exposures	829	881
Other exposures	589	593
Total capital requirement for credit and counterparty risk (Standardised Approach)	**8,837**	**9,146**

Capital requirement for Credit and Counterparty Risk (IRB Approaches)

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.03.2017	31.12.2016
A. Exposures to or secured by corporates (FIRB & AIRB Approach)	**8,514**	**8,318**
A.1) Specialised lending	710	739
A.2) Specialised lending - slotting criteria	71	76
A.3) SMEs	2,000	1,996
A.4) Other corporates	5,733	5,507
B. Retail exposures (IRB Approach)	**1,115**	**1,110**
B.1) Exposures secured by property: SMEs	60	61
B.2) Exposures secured by property: natural persons	853	857
B.3) Other retail exposures: SMEs	202	192
C. Equity exposures	**379**	**465**
C.1) Equity exposures (Simple risk weight approach)	219	319
- Private equity exposures in sufficiently diversified portfolios	1	1
- Exchange-traded equity exposures	53	61
- Other equity exposures	165	257
C.2) Equity exposures (PD/LGD approach)	-	-
C.3) Equity exposures (Exposures subject to fixed weighting factors)	160	146
Total capital requirement for credit and counterparty risk (IRB Approach)	**10,008**	**9,893**

Details of the capital requirement for Credit and Counterparty Risk (IRB Approaches) - Specialised lending - slotting criteria

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.03.2017	31.12.2016
A. Specialised lending - slotting criteria	**71**	**76**
A.1) Category 1 - 50% - 70% greater than or equal to 2.5 years	15	13
A.2) Category 2 - 70% less than 2.5 years - 90%	21	27
A.3) Category 3 - 115%	21	21
A.4) Category 4 - 250%	14	15
A.5) Category 5 - 0%	-	-
Total capital requirement for credit and counterparty risk (IRB Approach) - slotting criteria	**71**	**76**

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

(millions of euro)

	Capital requirement	
	31.03.2017	31.12.2016
Securitisations - Standardised Approach	254	283
Securitisations - IRB (Rating Based Approach - Supervisory formula approach)	57	63
Total capital requirement for credit and counterparty risk on securitisations	**311**	**346**

Capital requirement for Market Risk

(millions of euro)

	Capital requirement	
	31.03.2017	**31.12.2016**
Assets included in the regulatory trading book	**1,521**	**1,459**
Position risk [(a)]	1,521	1,459
Other assets	**84**	**77**
Foreign exchange risk	43	42
Commodity risk	41	35
Total capital requirement for market risk	**1,605**	**1,536**

[(a)] The caption includes capital requirements for exposures to securitisations for 40 million euro.

Capital requirement for Operational Risk

(millions of euro)

	Capital requirement	
	31.03.2017	**31.12.2016**
Basic indicator approach	39	39
Standardised approach	224	224
Advanced measurement approach	1,300	1,300
Total capital requirement for operational risk	**1,563**	**1,563**

Almost all the Group companies use the Advanced Measurement Approach (AMA) and – to a lesser extent – the Standardised Approach to determine capital requirements for operational risk. A small remaining number of companies use the Basic Indicator Approach (BIA). For the Advanced Measurement Approach the requirement is recalculated on a half-yearly basis, whereas for the Standardised and the BIA Approaches the requirement is normally only calculated annually; therefore, the figure as at 31 March 2017 (1,563 million) is unchanged compared to that as at 31 December 2016.

Leverage Ratio

Qualitative and quantitative disclosure

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

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

The leverage ratio is one of the measurement criteria selected within the scope of the Risk Appetite Framework for the monitoring of the overall risk and, more specifically, of the Group’s capital adequacy.
In line with the previous year, the 2017 RAF update confirmed the choice to define its limits by adding to the regulatory minimum of 3% a stress buffer. Moreover, an Early Warning threshold has been confirmed, with an additional prudential buffer. The compliance with these limits is monitored in the Tableau de Bord of the risks and reported to the Risks Committee and the Board of Directors on a quarterly basis.

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

Leverage ratio of the Intesa Sanpaolo Group

The following is the Intesa Sanpaolo Group's Leverage Ratio as at 31 March 2017, in compliance with the CRR regulatory principles, amended according to the Delegated Act and expressed in percent form.

The Leverage ratio is indicated according to the transitional provisions.

(millions of euro)

Capital and total exposure measure	31.03.2017	31.12.2016
Tier 1 capital	39,828	39,459
Leverage ratio total exposure measure	621,998	626,077
Leverage ratio	**6.4%**	**6.3%**

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

The Manager responsible for preparing the Company’s financial reports, Fabrizio Dabbene, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document “Basel 3 - Pillar 3 as at 31 March 2017” corresponds to the corporate records, books and accounts.

Milan, 5 May 2017

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

Attachment 1

Own funds: Terms and conditions of Additional Tier 1 AT1 instruments issued during the period

Common equity Additional Tier 1 instruments (AT1) - New issues in 2017

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS1548475968
3	Governing law(s) of the instrument	English law, except subordination clauses
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 Capital
5	Post-transitional CRR rules	Additional Tier 1 Capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt security - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	1,250
9	Nominal amount of instrument: original amount in currency of issuance (mln)	1,250
	Nominal amount of instrument: original amount - currency of issuance	EUR
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	1,250
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	11/01/2017
12	Perpetual or dated	Irredeemable
13	Original maturity date	Without maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	11/01/2027 (and on every interest payment date thereafter)
	Contingent call dates and redemption amount	Regulatory and Tax Event
16	Subsequent call dates, if applicable	Call date exercisable on every interest payment date after 11/01/2027
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7,75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, the Regulator can prevent payment of interest at any time.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncomulative or comulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of the nominal capital if the CET1 of Iintesa Sanpaolo or of the Intesa Sanpaolo Group falls below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	In case the CET1 of ISP or of the Group is re-established above 5.125 pct, the issuer can decide to write-up the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior compared to Equity and subordinated compared to the instruments having lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

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

Through the Gallerie d'Italia project, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities, forging the links in a museum network that is unique of its kind.

In an architectural complex of great value, the **Gallerie di Piazza Scala** in Milan host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.

The **Gallerie di Palazzo Leoni Montanari** in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.

In Naples, the **Gallerie di Palazzo Zevallos Stigliano** present the *Martyrdom of Saint Ursula*, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo:

HENDRIK FRANS VAN LINT *(Antwerp, 1684 - Rome, 1763)*
Church of Santa Maria della Salute with Punta della Dogana, ca. 1750
Oil on canvas, 46.5 x 71.5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza

Van Lint's view of the *Church of Santa Maria della Salute with Punta della Dogana* belongs to the Intesa Sanpaolo's 18^{th} century Venetian art collection, which is part of the permanent exhibition at Gallerie d'Italia - Palazzo Leoni Montanari, the Bank's museum venue in Vicenza.
The collection offers a review of all the pictorial genres - particularly landscape painting - that won Venice and its school a central role on the international artistic scene in the 18^{th} century. Views of many Italian locations, including Venice, painted by Gaspar van Wittel (late 1600s) were crucial for the success met by this genre in the 1700s. Among his main followers, we cannot fail to mention Hendrik Frans van Lint, a famous Flemish painter who was much sought after for the extreme refinement of his works.