INTESA SANPAOLO

Basel 3 Pillar 3

Disclosure as at 30 June 2015

Basel 3 Pillar 3 Disclosures as at 30 June 2015

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 8,729,881,454.84 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.

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 does not differ significantly from that used as at 31 December 2014. There have been no significant changes to the scope of application of internal models for calculating capital requirements compared to the situation as at 31 December 2014.

Under the terms of art. 433 of the CRR, banks publish the disclosures envisaged in 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. In accordance with Article 16 of Regulation (EU) No. 1093/2010, the EBA (European Banking Authority) then issued guidance concerning the need to publish public disclosures more frequently (Guidelines on materiality, proprietary and confidentiality and on disclosure frequency).
Given the above regulatory provisions, when issuing its interim reports for March and September, Intesa Sanpaolo publishes summary disclosures on its "Own Funds", "Capital Requirements" and "Leverage" (the latter from 2015 as specifically provided for by applicable regulations), supplemented in the half-

yearly report with additional information on the use of internal models for credit, market and operational risks.
Details on own funds and capital ratios are also published in the Consolidated Half-yearly Report as at 30 June 2015 which. also provides 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. Since public disclosure regulations for "Leverage" entered into force on 1 January 2015, the comparative figures as at 31 December 2014 have not been provided for this area.

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 30 June 2015

(millions of euro)

Own funds and capital ratios	30.06.2015	31.12.2014
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,648	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	1,487	1,700
TIER 1 CAPITAL	**39,135**	**38,247**
Tier 2 capital net of regulatory adjustments	9,075	8,043
TOTAL OWN FUNDS	**48,210**	**46,290**
Risk-weighted assets		
Credit and counterparty risks	242,649	231,394
Market and settlement risk	16,234	16,476
Operational risks	20,376	21,157
Other specific risks [a]	1,037	763
RISK-WEIGHTED ASSETS	**280,296**	**269,790**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.4%	13.5%
Tier 1 capital ratio	14.0%	14.2%
Total capital ratio	17.2%	17.2%

[a] Including, inter alia, further specific capital requirements, in terms of risk-weighted assets, demanded by the Supervisory Authority to specific Group entities.

Own funds, risk weighted assets and the capital ratios at 30 June 2015 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 no. 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 Bank of Italy Circulars 285 and 286 and the update to Circular 154.
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 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).
Accordingly, the prudential ratios as at 30 June 2015 take account of the adjustments envisaged by the transitional provisions for 2015.
As at 30 June 2015, total Own Funds came to 48,210 million euro, against risk-weighted assets of 280,296 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. The increase in RWA related to credit risk compared to 31 December 2014 may be attributed, in part, to the impact of the European Commission Decision, which, when published in the specific list, specified the nations for which a regime equivalent to the one prevailing in the European Union for the weighting of exposure to central banks and government bodies is applicable as of 1 January 2015, thereby eliminating the possibility to apply the previously preferential weighting indistinctly for each foreign nation.

The total capital ratio stood at 17.2%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (its Tier 1 ratio) was 14.0%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 13.4%.

It should be noted that Common Equity Tier 1 capital takes account of net income for the first half of the year, in that the regulatory requirements for its inclusion have been met (pursuant to article 26 (2) of the CRR), and thus also of the related pro-rata dividend, calculated as half of the dividend that the 2014-2017 Business Plan envisages to be distributed in 2016 (totalling 2 billion euro).
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa

Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its Own Funds. The effect on Common Equity Tier 1 capital as at 30 June 2015 was 13 basis points positive.

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, essentially through the following circulars:
- Bank of Italy Circular no. 285: Supervisory regulations for banks;
- Bank of Italy Circular no. 286: Instructions for preparing prudential reports for banks and Italian investment companies;
- Bank of Italy Circular no. 154: Credit and financial institutions supervisory reports: preparation and transmission.

The new regulatory framework requires that Own Funds (or regulatory capital) are made up of the following tiers of capital:
- Tier 1 capital, in turn composed of:
    - Common Equity Tier 1 capital (CET1);
    - Additional Tier 1 capital (AT1);
- Tier 2 capital (T2).

Tier 1's predominant element is Common Equity, mainly composed of capital instruments (e.g. ordinary shares net of treasury shares), share premium reserves, profit reserves, valuation reserves, eligible minority interests, plus deducted elements.
In order to be eligible for Common Equity, the capital 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 capital instrument other than ordinary shares and the pertinent reserves 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 deductible envisaged in the regulations);
- deferred tax assets (DTA) that depend upon future income and which derive from temporary differences (less the amount exceeding the deductible envisaged in the regulations);

– significant investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the deductible envisaged in the regulations).

In general, the Additional Tier 1 capital (AT1) category includes capital 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).

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 until 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, starting in 2014).

Own funds structure

The structure of the Intesa Sanpaolo Group's Own Funds as at 30 June 2015 is summarised in the table below.

(millions of euro)

	30.06.2015	31.12.2014
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**44,300**	**43,067**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**-737**	**-465**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**43,563**	**42,602**
D. Items to be deducted from CET 1	**-7,650**	**-7,842**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional adjustments	**1,735**	**1,787**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**37,648**	**36,547**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**1,930**	**2,131**
of which AT1 instruments subject to transitional adjustments	1,435	1,640
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	**-443**	**-431**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**1,487**	**1,700**
M. Tier 2 (T2) before items to be deducted and effects of transitional period	**9,464**	**8,354**
of which T2 instruments subject to transitional adjustments	1,163	1,464
N. Items to be deducted from T2	**-153**	**-178**
O. Transitional period - Impact on T2 (+ / -), including instruments issued by subsidiaries and included in T2 pursuant to transitional adjustments	**-236**	**-133**
P. Total Tier 2 (T2) (M - N +/- O)	**9,075**	**8,043**
Q. Total own funds (F + L + P)	**48,210**	**46,290**

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 Shareholders' equity. 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 Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

	30.06.2015	31.12.2014
Group Shareholders' equity	45,695	44,683
Minority interests	634	549
Shareholders' equity as per the Balance Sheet	**46,329**	**45,232**
Presumed pro-rata dividend to Intesa Sanpaolo shareholders in accordance with the Business Plan	-1,000	-
Shareholders' equity following presumed distribution to shareholders	**45,329**	**45,232**
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
- Minority interests eligible for inclusion in AT1	-10	-6
- Minority interests eligible for inclusion in T2	-6	-5
- Ineligible minority interests on full phase-in	-579	-492
- Ineligible net income for the period [a]	-	-1,251
- Treasury shares included under regulatory adjustments	52	63
- Other ineligible components on full phase-in	-1	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**44,300**	**43,067**
Regulatory adjustments (including transitional adjustments)	**-6,652**	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**37,648**	**36,547**

[a] Net income for 2014 and the related dividend have not been included in Common Equity Tier 1 capital, as the conditions for the inclusion thereof envisaged in Art. 26 (2) of Regulation (EU) No 575 of 26 June 2013 (CRR) have not been met.

Further details are provided below on the composition of each capital tier making up Own Funds.

The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments are reported in Attachment 1 to the Basel 3 Pillar 3 - Disclosure as at 31 December 2014. Attachment 1 as at 30 June 2015 reports only the details of two new instruments issued during the first half of the year.
Attachment 2, on the other hand, reports the Transitional Own Funds Disclosure Template envisaged in Implementing Regulation (EU) 1423/2013.

Common Equity Tier 1 (CET1)

(millions of euro)

	30.06.2015	31.12.2014
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	8,240	8,240
Share premium reserve	27,349	27,349
Reserves [a]	9,118	9,054
Accumulated other comprehensive income	-1,450	-1,622
Net income (loss) for the period [b]	2,004	1,251
Net income (loss) for the period not eligible [b]	-	-1,251
Presumed pro-rata dividend to Intesa Sanpaolo shareholders in accordance with the Business Plan [c]	-1,000	-
Minority interests	39	46
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**44,300**	**43,067**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-52	-63
Goodwill	-4,257	-4,237
Other intangible assets	-2,755	-2,861
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-241	-273
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-20	-112
Defined benefit pension funds assets	-	-
Prudential filters	-	-
- of which Cash Flow Hedge Reserve	*1,143*	*1,362*
- of which Gains or Losses due to changes in own credit risk (DVA)	*85*	*-39*
- of which Prudent valuation adjustments	*-164*	*-169*
- of which Other prudential filters	-	-
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 [d]	-1,801	-1,619
- 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	*-1,801*	*-1,619*
Deductions with threshold of 15% [e] [f]	-	-
Positive or negative elements - other	-325	-296
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-8,387**	**-8,307**
Total adjustments in the transitional period (CET1)	**1,735**	**1,787**
Common Equity Tier 1 (CET1) - Total	**37,648**	**36,547**

[a] Amount included in CET1.

[b] In the calculation of Common Equity Tier 1, contrary to 2014, interim profit as at 30 June 2015 was taken into account, as the eligibility conditions envisaged by art. 26, paragraph 2 of (EU) Regulation 575 of 26 June 2013 (CRR) (audit by independent auditors and authorisation from the supervisory authority) were satisfied.

[c] Portion of the estimated dividend distributable on 2015 results based on the 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.

[f] The threshold refers to the percentage indicated by the regulations for the transitional period. In 2018 this threshold will be increased to 17.65%.

As mentioned in the Introduction, own funds as at 30 June 2015 do not take into account income for the first half of 2015 or, accordingly, the corresponding portion of the distributable dividend, identified as half of the dividend expected to be distributed in 2016 (2 billion euro in total) as stated in the 2014-2017 Business Plan.

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. Exclusion is gradual. The amount of the filter as at 30 June 2015 is 165 million euro and, based on the Supervisory Provisions, includes three years and the amount attributable to the period. The remaining amounts will gradually be eliminated from the calculation of own funds by 31 December 2016.

Additional Tier 1 capital (AT1)

(millions of euro)

	30.06.2015	31.12.2014
Additional Tier 1 capital (AT1)		
Saving shares	485	485
Other AT1 instruments	-	-
Minority interests	10	6
Additional Tier 1 capital (AT1) before regulatory adjustments	**495**	**491**
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)	**-443**	**-431**
AT1 instruments eligible for grandfathering	**1,435**	**1,640**
Additional Tier 1 (AT1) - Total	**1,487**	**1,700**

The details of instruments making up Additional Tier 1 capital and eligible for Grandfathering are provided in the following table.

Additional Tier 1 (AT1) capital instruments eligible for Grandfathering as at 30 June 2015

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 b.p./year	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500,000,000	519
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	406
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur	YES	1,000,000,000	335
Intesa Sanpaolo	8.698% up to 24/9/2018 (excluded); thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250,000,000	175
Total Additional Tier 1 equity instruments									**1,435**

Tier 2 capital (T2)

(millions of euro)

	30.06.2015	31.12.2014
Tier 2 Capital (T2)		
T2 Instruments	8,010	6,885
Minority interests	6	5
Excess of provisions over expected losses eligible (excess reserve)	285	-
Tier 2 capital before regulatory adjustments	**8,301**	**6,890**
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	-153	-178
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	**-153**	**-178**
Total adjustments in the transitional period, including minority interests (T2)	**-236**	**-133**
T2 instruments eligible for grandfathering	**1,163**	**1,464**
Tier 2 Capital (T2) - Total	**9,075**	**8,043**

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 30 June 2015

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; then 3-month Euribor + 687 bps/year	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500,000,000	223
Intesa Sanpaolo	interest paid quarterly according to the formula (3-month Euribor + 1.6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	NO	805,400,000	218
Intesa Sanpaolo (*)	up to 20/6/2018 (excluded): 8.047% p.a.; subsequently: 3-month Euribor + 4.10 p.a.	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	YES	1,250,000,000	174
Intesa Sanpaolo (*)	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur	YES	1,000,000,000	144
Intesa Sanpaolo	interest paid quarterly according to the formula (3-month Euribor + 1.60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	NO	479,050,000	136
Intesa Sanpaolo	interest paid quarterly according to the formula (3-month Euribor + 2%)/4	NO	31-Mar-2011	31-Mar-2018	NO	Eur	NO	373,400,000	123
Intesa Sanpaolo (*)	up to 24/9/2018 (excluded): 8.698% p.a.; subsequently: 3-month Euribor + 5.05 p.a.	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250,000,000	75
Intesa Sanpaolo	up to 18/3/2019 (excluded): 5.625% p.a.; subsequently: 3-month Sterling LIBOR + 1.125 p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	YES	165,000,000	17
Intesa Sanpaolo	interest paid quarterly according to the formula (3-month Euribor + 4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	NO	635,350,000	17
Intesa Sanpaolo	4% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	NO	1,096,979,000	11
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	NO	544,546,000	8
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	NO	415,156,000	7
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	NO	382,401,000	5
Intesa Sanpaolo	interest paid quarterly according to the formula (3-month Euribor + 4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	NO	165,050,000	5
Total Tier 2 instruments subject to transitional provisions									**1,163**
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,787
Intesa Sanpaolo	6.663% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	1,408
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	NO	1,500,000,000	886
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	NO	1,250,000,000	912
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	NO	1,250,000,000	479
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	146
Intesa Sanpaolo	3-moths Euribor + 237 p.b./4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	744
Intesa Sanpaolo	2,855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	500
Intesa Sanpaolo	up to 20/2/2013 (excluded): 3-month Euribor + 0.25% p.a.; subsequently: 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	NO	Eur	NO	750,000,000	78
Intesa Sanpaolo	6.16 % fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	NO	120,000,000	72
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	913
Intesa Sanpaolo	up to 26/6/2013 (excluded): 4.375% p.a.; subsequently: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	NO	Eur	NO	500,000,000	65
Intesa Sanpaolo	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	NO	30,000,000	13
Intesa Sanpaolo	6.375% fixed rate; from 12/11/2012 3-month Sterling LIBOR	YES	12-Oct-2007	12-Nov-2017	NO	Gbp	NO	250,000,000	3
Lower subordinated liabilities issued by other Group companies									4
Total Tier 2 instruments not subject to transitional provisions									**8,010**
Total Tier 2 instruments									**9,173**

(*) 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 instruments of financial sector entities where the institution has a significant investment

(millions of euro)

	30.06.2015	31.12.2014
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	3,771	3,638
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	3,771	3,638
C. Threshold of 15% for significant investments and DTA not deducted in the threshold described under point B (*)	5,657	5,457

(*) The threshold refers to the percentage indicated by the regulations for the transitional period. In 2018 this threshold will be increased to 17.65%.

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 limits 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 limits and adjustments during the transitional period is envisaged.
For significant investments in CET1 instruments and DTAs, however, an initial limit on deductions is envisaged, still calculated as 10% of CET1 prior to deductions deriving from exceeding the limits and adjustments during the transitional period, adjusted to take into account any excess over the limit described in the previous point. A further limit is indicated, calculated on 15% of Common Equity adjusted for the above 10% limit, to be applied in aggregate on amounts not deducted using the first limit.
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 when fully operative, for amounts not deducted.

Transitional period adjustments as at 30 June 2015

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

(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	**-**	**-**	**-**	**1,435**	**1,163**
Minority interests	**39**	**122**	**161**	**-**	**-**
Other adjustments in the transitional period	**316**	**-40**	**276**	**-**	**-**
- of which Unrealised gains on assets measured at fair value	453	-272	181	-	-
- of which Unrealised losses on assets measured at fair value	-137	232	95	-	-
Regulatory adjustments	**-2,472**	**1,653**	**-819**	**-443**	**-443**
- of which Deferred tax assets that rely on future profitability and do not arise from temporary differences	-241	141	-100	-	-
- of which Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-20	12	-8	-6	-6
- of which IAS 19 Reserves	-410	282	-128	-	-
- 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	-1,801	1,218	-583	-437	-437
Other filters and adjustments	**-**	**-**	**-**	**-**	**207**
Total adjustments in the transitional period and instruments eligible for grandfathering	**n.s.**	**1,735**	**n.s.**	**992**	**927**

Full reconciliation of the components of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital, as well as the filters and deductions applied to the institution's own funds and the balance sheet of the financial statements

(millions of euro)

ASSETS	Accounting data		Relevant amount for the purpose of own funds	See table "Transitional own funds disclosure template"
	Financial statements scope	Prudential scope		
100. Investments in associates and companies subject to joint control	1,756	7,242	-1,805	8, 19, 41b, 56b
of which: implicit goodwill in associated companies IAS 28-31	348	842	-842	8, 19, 41b, 56b
130. Intangible assets	7,155	6,438	-6,906	8
of which: goodwill	3,914	3,444	-3,914	8
of which: other intangible assets	3,241	2,994	-2,992	8
140. Tax assets	14,952	14,462	-101	10
of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability	241	241	-101	10

LIABILITIES	Accounting data		Relevant amount for the purpose of own funds	See table "Transitional own funds disclosure template"
	Financial statements scope	Prudential scope		
30. Securities issued	116,632	118,985	10,608	33, 46, 47, 52
of which: subordinated instruments subject to transitional arrangements	0	2,598	2,598	33, 47
of which: subordinated instruments not subject to transitional arrangements	0	8,010	8,010	46, 52
80. Tax liabilities	2,973	2,210	242	8
a) Current tax liabilities	1,181	1,174	n.d.	
b) Deferred tax liabilities	1,792	1,036	n.d.	
of which: tax liabilities related to goodwill and other intangible assets	242	0	242	8
140. Valuation reserves	-1,449	-1,449	143	3, 9, 11, 26a, 56c
of which: valuation reserves on securities available for sale	316	316	483	26a, 56c
of which: valuation reserves on cash flow hedges	-1,143	-1,143	0	11
of which: foreign exchange differences	-560	-560	-560	3
of which: legally-required revaluations	348	348	348	3
of which: valuation reserves on net actuarial losses	-410	-410	-128	9
of which: other	0	0	0	
170. Reserves	9,119	9,119	9,119	2
180. Share premium reserve	27,349	27,349	27,349	1
190. Share capital	8,725	8,725	8,725	1, 30
of which: ordinary shares	8,240	8,240	8,240	1
of which: savings shares	485	485	485	30
200. Treasury shares (-)	-53	-52	-52	16
210. Minority interests (+/-)	634	358	178	5, 34, 48
of which CET1 compliant			162	5
of which AT1 compliant			10	34
of which T2 compliant			6	48
220. Net income (loss) for the period (+/-)	2,004	2,004	2,004	5a
of which net income (loss) for the period, net of the dividend in distribution on the net income (loss) for the period			-1,000	5a

OTHER COMPONENTS OF OWN FUNDS	Relevant amount for the purpose of own funds	See table "Transitional own funds disclosure template"
Total other components, of which:	-294	
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	85	14
Value adjustments due to the requirements for prudent valuation	-164	7
IRB shortfall of credit risk adjustments to expected losses	-20	12, 41a, 56a
IRB Excess of provisions over expected losses eligible	285	50
Filter on unrealised capital gains on real properties	-34	26
Filter on double tax realignment	-165	26
Direct and indirect holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment	-153	55
Indirect investments	-128	26
Total own funds as at 30 June 2015	**48,210**	

Capital requirements

Qualitative and quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's capital must normally amount to at least 10.5% 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 and the decrease in operational risk following insurance coverage.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies. Progressively, the scope of application has been gradually extended to include the SME Retail and Retail Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

	Corporate		SME Retail	Mortgage Retail
	FIRB	AIRB LGD	IRB LGD	IRB LGD
Intesa Sanpaolo	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banco di Napoli	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio del Veneto	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio in Bologna	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio del Friuli Venezia Giulia	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa dei Risparmi di Forlì e della Romagna	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banca dell'Adriatico	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banca di Trento e Bolzano	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Mediocredito Italiano	Dec - 2008	Dec - 2010	Dec - 2012	n.a.
Gruppo Cassa di Risparmio di Firenze	Dec - 2009	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio dell'Umbria	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Cassa di Risparmio della Provincia di Viterbo	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Cassa di Risparmio di Rieti	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Banca Monte Parma	n.a.	Dec - 2013	Mar - 2014	Dec - 2013
Banca Prossima	n.a.	Dec - 2013	Dec - 2013	n.a.
Banca IMI	n.a.	Jun - 2012	n.a.	n.a.
Intesa Sanpaolo Bank Ireland	Mar - 2010	Dec - 2011	n.a.	n.a.
Vseobecna Uverova Banka	Dec - 2010	Jun - 2014	Jun - 2014	Jun - 2012

Dedicated rating approaches have been developed for the Banks and Public Entities Portfolio according to the type of counterparty to be assessed. This was the subject of a pre-validation inspection by the Supervisory Authority conducted in December 2013, followed by an additional validation visit in March 2015. In the same month an AIRB authorisation request was presented to the Supervisory Authority for this portfolio.
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.

Furthermore, banks must also comply with capital requirements on market risks calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk and specific risk for equities and debt securities. Banca IMI's internal model also includes the position risk on quotas of UCIs (for 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. Lastly, as from June 2014, capital requirements for the Parent Company's Hedge Fund portfolios are reported according to the internal model. Standardised approaches are used for the other types of risk.

Counterparty risk is calculated independently of the portfolio of allocation. Effective the report as at 31 March 2014, the Parent Company Intesa Sanpaolo and Banca IMI have received authorisation from the Bank of Italy to use the internal counterparty risk model for regulatory purposes. From that reporting date, therefore, the two banks use the internal model to calculate the EAD component of the requirement with respect to default risk and to calculate the new CVA Capital Charge. The advanced measurement approach for counterparty risk is in the development phase for the banks of the Banca dei Territori Division and for Securities Financing Transactions (SFTs), with the aim of launching the validation process for regulatory purposes in 2015.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009; the scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities.

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 and Additional Tier 1;
- 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 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 retention reserve amounting to 2.5% of the bank's total risk exposure. The minimum capital requirements requested from 1 January 2014 equal to 7% of the Common Equity Tier 1, including the abovementioned capital retention reserve equal to 2.5%, 8.5% of Tier 1 and 10.5% of Total Capital Ratio.

The Common Equity Tier 1 ratio requirements set by the ECB as part of the Comprehensive Assessment was 8%.

Finally, on 25 February 2015 Intesa Sanpaolo was notified of the ECB's final decision regarding specific capital requirements at the consolidated level. Those requirements are as follows:
- a Common Equity Tier 1 ratio of 9%;
- a Total Capital Ratio of 11.5%.

The adequacy of the internal control system for risks is also illustrated in the annual Internal Capital Adequacy Assessment Process Report, based on the extensive use of internal approaches for the measurement of risks and for the calculation of internal capital and total capital available. The document was approved and presented to the Bank of Italy in April 2015.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(milions of euro)

	30.06.2015			31.12.2014		
	Unweighted amounts	**Weighted amounts**	**Requirements**	**Unweighted amounts**	**Weighted amounts**	**Requirements**
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**538,422**	**241,175**	**19,294**	**521,077**	**229,873**	**18,389**
1. Standardised approach	241,769	112,813	9,025	227,775	103,830	8,306
2. Internal models (IRB)	2,950	6,728	538	2,342	4,903	392
3. Internal models - Advanced approach and retail exposures	288,013	116,899	9,352	286,470	116,701	9,336
4. Securitisations - banking book	5,690	4,735	379	4,490	4,439	355
A.2 Credit risk adjustment		**1,474**	**118**		**1,521**	**122**
A.3 Settlement risk		**-**	**-**		**1**	**-**
A.4 Market risk		**16,234**	**1,298**		**16,475**	**1,318**
1. Standardised approach		3,578	286		4,168	333
2. Internal models		12,656	1,012		12,307	985
A.5. Concentration risk		**-**	**-**		**-**	**-**
A.6 Operational risk		**20,376**	**1,630**		**21,157**	**1,693**
1. Basic indicator approach		661	53		660	53
2. Standardised approach		3,116	249		3,181	255
3. Advanced measurement approach		16,599	1,328		17,316	1,385
A.7 Other capital requirements		**-**	-		**-**	-
A.8 Other calculation elements [(a)]		**1,037**	**83**		**763**	**61**
A.9 Total capital requirements		**280,296**	**22,423**		**269,790**	**21,583**
B. CAPITAL RATIOS (%)						
B.1 Common Equity Tier 1 ratio			**13.4%**			**13.5%**
B.2 Tier 1 ratio			**14.0%**			**14.2%**
B.3 Total capital ratio			**17.2%**			**17.2%**

[(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.

The tables below provide details of the Group's different capital requirements as at 30 June 2015, with a comparison to the same figures as at 31 December 2014. There have been no significant changes to the scope of application of internal models for calculating capital requirements compared to the situation as at 31 December 2014.

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	
	30.06.2015	**31.12.2014**
Credit risk	18,717	17,778
Counterparty risk	577	611
Total capital requirement for credit and counterparty risk	**19,294**	**18,389**

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	
	30.06.2015	31.12.2014
Exposures to or secured by central governments and central banks	1,312	991
Exposures to or secured by regional governments or local authorities	232	238
Exposures to or secured by public sector organisations	387	330
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,220	1,074
Exposures to or secured by corporates	1,985	1,904
Retail exposures	1,688	1,534
Exposures secured by real estate property	155	156
Default exposures	404	405
High-risk exposures	22	60
Exposures in the form of covered bonds	4	14
Short-term exposures to corporates or to supervised institutions	-	-
Exposures to UCIs	174	138
Equity exposures	981	988
Other exposures	461	474
Total capital requirement for credit and counterparty risk (Standardised Approach)	**9,025**	**8,306**

Capital requirement for Credit and Counterparty Risk (IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.06.2015	31.12.2014
A. Exposures to or secured by corporates (FIRB & AIRB Approach)	**8,352**	**8,282**
A.1) Specialised lending	894	885
A.2) Specialised lending - slotting criteria	89	80
A.3) SMEs	2,418	2,517
A.4) Other corporates	4,951	4,800
B. Retail exposures (IRB Approach)	**1,071**	**1,111**
B.1) Exposures secured by property: SMEs	72	75
B.2) Exposures secured by property: natural persons	766	794
B.3) Other retail exposures: SMEs	233	242
C. Equity exposures	**467**	**335**
C.1) Equity exposures (Simple risk weight approach)	331	209
- Private equity exposures in sufficiently diversified portfolios	4	7
- Exchange-traded equity exposures	96	46
- Other equity exposures	231	156
C.2) Equity exposures (PD/LGD approach)	-	-
C.3) Equity exposures (Exposures subject to fixed weighting factors)	136	126
Total capital requirement for credit and counterparty risk (IRB Approach)	**9,890**	**9,728**

Details of the capital requirement for credit and counterparty risk (IRB Approach) - Specialised lending - slotting criteria

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.06.2015	31.12.2014
A. Specialised lending - slotting criteria	**89**	**80**
A.1) Category 1 - 50% - 70% greater than or equal to 2.5 years	7	6
A.2) Category 2 - 70% less than 2.5 years - 90%	21	23
A.3) Category 3 - 115%	33	37
A.4) Category 4 - 250%	28	14
A.5) Category 5 - 0%	-	-
Total capital requirement for credit and counterparty risk (IRB Approach) - slotting criteria	**89**	**80**

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

(millions of euro)

	Capital requirement	
	30.06.2015	31.12.2014
Securitisations - Standardised Approach	254	215
Securitisations - IRB (Rating Based Approach - Supervisory formula approach)	125	140
Total capital requirement for credit and counterparty risk on securitisations	**379**	**355**

Capital requirement for Market Risk

(millions of euro)

	Capital requirement	
	30.06.2015	31.12.2014
Assets included in the regulatory trading book	**1,194**	**1,196**
Position risk [(a)]	1,194	1,196
Other assets	**104**	**122**
Foreign exchange risk	70	91
Commodity risk	34	31
Total capital requirement for market risk	**1,298**	**1,318**

(a) The caption includes capital requirements for exposures to securitisations for 123 million euro.

Capital requirement for Operational Risk

(millions of euro)

	Capital requirement	
	30.06.2015	31.12.2014
Basic indicator approach	53	53
Standardised approach	249	255
Advanced measurement approach	1,328	1,385
Total capital requirement for operational risk	**1,630**	**1,693**

As already noted, almost all the Group companies used 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 AMA 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, unless one or more Group companies change approach during the year, by migrating towards more evolved models. The decrease in the requirement for the AMA Approach compared to December 2014 is related to the periodical update of external events data base and of insurance coverage eligible for regulatory purposes.

Credit risk: disclosure for portfolios subject to IRB approaches

Quantitative disclosure

The supervisory regulations provide for two approaches for the calculation of the capital requirement: the Standardised approach and the Internal Rating Based (IRB) approach, in which the risk weightings are a function of the banks' internal assessments of their borrowers. The IRB approach is in turn divided into a Foundation Internal Rating Based (FIRB) approach and an Advanced Internal Rating Based (AIRB) approach that differ in the risk parameters that banks are required to estimate. Under the foundation approach, banks use their own PD estimates and regulatory values for the other risk parameters, whereas under the advanced approach the latter are also estimated internally. 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 approach.

As illustrated in this document, the Group is also proceeding with development of the rating models for the various segments and the extension of the scope of companies for their application are continuing in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

The exposure values as at 30 June 2015 for the various IRB approaches (IRB, Foundation IRB and Advanced IRB) are shown in the tables below.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2015	**31.12.2014**
Exposures to or secured by corporates:		
- Specialised lending	*-*	*-*
- SMEs (Small and Medium Enterprises)	*198*	*145*
- Other corporates	*851*	*795*
Total credit risk (IRB)	**1,049**	**940**

Exposure values by regulatory portfolio (Advanced IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2015	**31.12.2014**
Exposures to or secured by corporates:		
- Specialised lending	*16,064*	*16,563*
- SMEs (Small and Medium Enterprises)	*72,621*	*72,531*
- Other corporates	*114,686*	*110,822*
Total credit risk (Advanced IRB approach)	**203,371**	**199,916**

Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

Regulatory portfolio	**Exposure value**	
	30.06.2015	**31.12.2014**
Retail exposures:		
- Exposures secured by residential property: SMEs	*6,159*	*6,341*
- Exposures secured by residential property: private individuals	*61,949*	*63,764*
- Other retail exposures: SMEs	*15,599*	*15,490*
Total credit risk (IRB)	**83,707**	**85,595**

Values of exposures to securitisations (IRB Approach)

(millions of euro)

Regulatory portfolio	**Exposure value**	
	30.06.2015	**31.12.2014**
Exposures to securitisations (RBA - SFA)	*2,977*	*2,246*
Total credit risk (IRB)	**2,977**	**2,246**

The exposure value shown in the tables set forth in this Section is expressed gross of adjustments and takes into account (for guarantees given and commitments to disburse funds) credit conversion factors. Conversely, the exposure value does not consider the techniques for mitigation of risk which – for exposures assessed using internal models – are directly incorporated in the weightings applied to said exposure.

Breakdown of exposures by exposure class and PD class (Foundation IRB Approach and Advanced IRB Approach)

(millions of euro)

Regulatory portfolio	Rating class	Central PD (%)	30.06.2015 Exposure value	Average risk weight	Weighted average LGD (%) (*)	31.12.2014 Exposure value
Exposures to or secured by corporates						
- Specialised lending			**16,065**			**16,563**
	-class from 1 to 3	-	-	-	-	-
	-class 4	0.04	-	-	-	-
	-class 5	0.05	-	-	-	-
	-class 6	0.07	-	-	-	-
	-class 7	0.10	4	43%	38.0	4
	-class 8	0.15	4	41%	38.0	4
	-class 9	0.23	55	23%	19.7	80
	-class 10	0.34	535	42%	24.2	596
	-class 11	0.50	1,175	58%	26.6	1,193
	-class 12	0.83	1,276	65%	27.1	1,332
	-class 13	1.24	2,133	66%	25.2	1,919
	-class 14	1.83	1,629	68%	24.0	2,223
	-class 15	2.87	2,035	86%	27.8	2,254
	-class 16	4.95	1,140	94%	29.0	1,294
	-class 17	8.20	1,343	98%	24.4	611
	-class 18	12.45	664	128%	28.8	1,110
	-class 19	17.42	483	153%	30.4	434
	-class 20	26.73	676	175%	30.7	502
	-class 21 (default)	100.00	2,913	-	39.2	3,007
- SMEs (Small and Medium Enterprises)			**72,818**			**72,676**
	-class from 1 to 3	-	-	-	-	-
	-class 4	0.04	-	-	-	-
	-class 5	0.05	6	14%	38.6	7
	-class 6	0.07	1,145	13%	34.3	1,161
	-class 7	0.10	1,454	17%	33.0	1,279
	-class 8	0.15	2,392	22%	33.8	2,341
	-class 9	0.23	2,818	28%	33.7	2,648
	-class 10	0.34	2,546	34%	33.3	2,292
	-class 11	0.50	4,651	43%	33.6	4,350
	-class 12	0.83	4,085	50%	32.7	4,109
	-class 13	1.24	5,054	59%	33.2	5,122
	-class 14	1.83	5,343	66%	32.3	5,452
	-class 15	2.87	6,144	74%	32.0	6,605
	-class 16	4.95	5,002	90%	31.7	5,012
	-class 17	8.20	2,626	101%	30.4	2,842
	-class 18	12.45	1,820	120%	30.7	2,258
	-class 19	17.42	43	120%	33.0	96
	-class 20	26.73	2,191	143%	30.2	2,547
	-class 21 (default)	100.00	25,498	-	49.3	24,555

(*) The disclosure refers only to the Advanced IRB approach.

(millions of euro)

Regulatory portfolio	Rating class	30.06.2015 Central PD (%)	Exposure value	Average risk weight	Weighted average LGD (%) (*)	31.12.2014 Exposure value
Exposures to or secured by corporates -continued						
- Other corporates			**115,537**			**111,616**
	-class 1	-	-	-	-	-
	-class 2	-	-	-	-	-
	-class 3	0.03	3,264	12%	38.4	3,223
	-class 4	0.04	1,467	12%	38.0	2,029
	-class 5	0.05	2,295	16%	38.5	4,218
	-class 6	0.07	8,047	20%	36.3	6,174
	-class 7	0.10	8,472	27%	38.4	5,903
	-class 8	0.15	12,268	33%	38.1	11,546
	-class 9	0.23	6,549	38%	36.2	5,879
	-class 10	0.34	9,021	51%	37.1	10,853
	-class 11	0.50	13,238	62%	36.6	10,714
	-class 12	0.83	9,016	70%	36.2	8,018
	-class 13	1.24	7,070	81%	35.3	6,880
	-class 14	1.83	7,327	98%	37.1	7,202
	-class 15	2.87	7,073	109%	36.5	6,300
	-class 16	4.95	2,860	127%	35.8	3,572
	-class 17	8.20	1,467	149%	35.9	1,628
	-class 18	12.45	869	181%	36.9	1,542
	-class 19	17.42	151	212%	38.1	165
	-class 20	26.73	1,521	203%	34.4	1,606
	-class 21 (default)	100.00	13,562	-	44.2	14,164

(*) The disclosure refers only to the Advanced IRB approach.

Breakdown of exposures by exposure class and PD class (IRB Approach)

(millions of euro)

Regulatory portfolio	Rating class	30.06.2015 Central PD (%)	Exposure value	Average risk weight	Weighted average LGD (%)	31.12.2014 Exposure value
Retail exposures						
- Exposures secured by residential property: SMEs			**6,159**			**6,341**
	-class from 1 to 5	-	-	-	-	-
	-class 6	-	-	-	-	-
	-class 7	-	-	-	-	-
	-class 8	0.15	688	6%	22.2	764
	-class 9	0.23	2	15%	41.4	-
	-class 10	0.34	497	8%	22.2	493
	-class 11	0.50	324	11%	22.1	330
	-class 12	0.83	351	15%	22.2	371
	-class 13	1.24	472	19%	22.4	493
	-class 14	1.83	603	23%	22.4	626
	-class 15	2.87	564	26%	22.5	568
	-class 16	4.95	354	28%	22.6	380
	-class 17	8.20	217	32%	22.6	232
	-class 18	12.45	5	54%	25.2	6
	-class 19	17.42	204	40%	22.5	252
	-class 20	26.73	219	47%	22.5	250
	-class 21	-	-	-	-	-
	(default)	100.00	1,659	-	32.9	1,576
- Exposures secured by residential property: private individuals			**61,949**			**63,764**
	-class from 1 to 2	-	-	-	-	-
	-class 3	0.03	1,044	2%	22.9	967
	-class 4	-	-	-	-	-
	-class 5	-	-	-	-	-
	-class 6	0.07	6,650	3%	14.0	6,755
	-class 7	-	-	-	-	-
	-class 8	0.15	2,427	4%	13.7	2,652
	-class 9	0.23	7,658	7%	13.3	8,206
	-class 10	-	-	-	-	2
	-class 11	0.50	18,530	10%	13.0	19,272
	-class 12	0.83	9,835	16%	13.9	9,931
	-class 13	-	-	-	-	6
	-class 14	1.83	3,583	24%	14.0	3,637
	-class 15	2.87	2,374	31%	13.6	2,426
	-class 16	4.95	3,072	49%	13.8	3,158
	-class 17	-	-	-	-	3
	-class 18	-	-	-	-	1
	-class 19	17.42	1	78%	13.2	2
	-class 20	26.73	2,607	83%	14.0	2,711
	-class 21	-	-	-	-	-
	(default)	100.00	4,168	-	24.0	4,035

(millions of euro)

Regulatory portfolio	Rating class	Central PD (%)	30.06.2015 Exposure value	Average risk weight	Weighted average LGD (%)	31.12.2014 Exposure value
Retail exposures - continued						
- Other retail exposures: SMEs			**15,599**			**15,490**
	-class from 1 to 5	-	-	-	-	-
	-class 6	-	-	-	-	-
	-class 7	-	-	-	-	-
	-class 8	0.15	1,912	8%	32.9	1,885
	-class 9	0.23	9	17%	48.0	9
	-class 10	0.34	1,263	13%	33.8	1,194
	-class 11	0.50	803	18%	34.7	769
	-class 12	0.83	806	24%	35.2	809
	-class 13	1.24	1,005	31%	35.7	995
	-class 14	1.83	1,234	37%	36.4	1,250
	-class 15	2.87	1,205	42%	36.9	1,161
	-class 16	4.95	668	45%	37.3	704
	-class 17	8.20	431	51%	38.0	465
	-class 18	12.45	11	64%	46.1	10
	-class 19	17.42	339	66%	37.6	419
	-class 20	26.73	262	79%	38.6	322
	-class 21	-	-	-	-	-
	(default)	100.00	5,651	-	64.5	5,498

Specialised lending and equity exposures subject to the IRB approaches

(millions of euro)

Regulatory portfolio	Exposure value 30.06.2015	Exposure value 31.12.2014
A) Exposures to or secured by corporates: Specialised lending - slotting criteria	**935**	**960**
A.1) Category 1 - 50% - 70% equal to or higher than 2.5 years	125	111
A.2) Category 2 - 70% lower than 2.5 years - 90%	284	342
A.3) Category 3 - 115%	363	408
A.4) Category 4 - 250%	139	71
A.5) Category 5 - 0%	24	28
B. Equity exposures: Simple risk weight approach	**1,223**	**771**
B.1) Private equity exposures in sufficiently diversified portfolios	29	44
B.2) Exchange-traded equity exposures	414	200
B.3) Other equity exposures	780	527
C. Equity exposures: Exposures subject to fixed weighting factors	678	631
Total Specialised lending and equity exposures subject to the IRB approaches	**2,836**	**2,362**

Market risk: internal models

Qualitative and quantitative disclosure

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

Risk factors	
Interest rates	Spreads in credit default swaps (CDS)
Equity and market indexes	Spreads in bond issues
Investment funds	Correlation instruments
Foreign exchange rates	Dividend derivatives
Implied volatilities	Asset Backed Securities (ABS)
	Commodities

Some Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 1% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates and foreign exchange rates, both regarding linear pay-offs.

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the risk profiles validated for market risks are:
(i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI;
(ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI;
(iii) position risk on dividend derivatives;
(iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The Supervisory Authority authorised the Group to extend the internal model to specific risk on debt securities from the third quarter of 2012.
Effective from June 2014, market risks are reported according to the internal model for capital requirements for the Parent Company's Hedge fund portfolios.

Breakdown of capital requirements by Calculation approach

(millions of euro)

	30.06.2015	31.12.2014
Total risk weighted exposures: market risk	**1,298**	**1,318**
Standardised approach	286	333
Position risk on debt instruments	*138*	*153*
Position risk on equity exposures	*78*	*90*
Foreign exchange risk	*70*	*90*
Position risk on commodities	*-*	*-*
Internal models	1,012	985
Total risk weighted exposures: concentration risk	**-**	**-**

Under position risk, the requirements relating to exposures to securitisations in the trading book are presented separately, amounting to 123 million, including 2 referring to Credit Default Swaps with underlying exposures to securitisations included in the correlation portfolio.

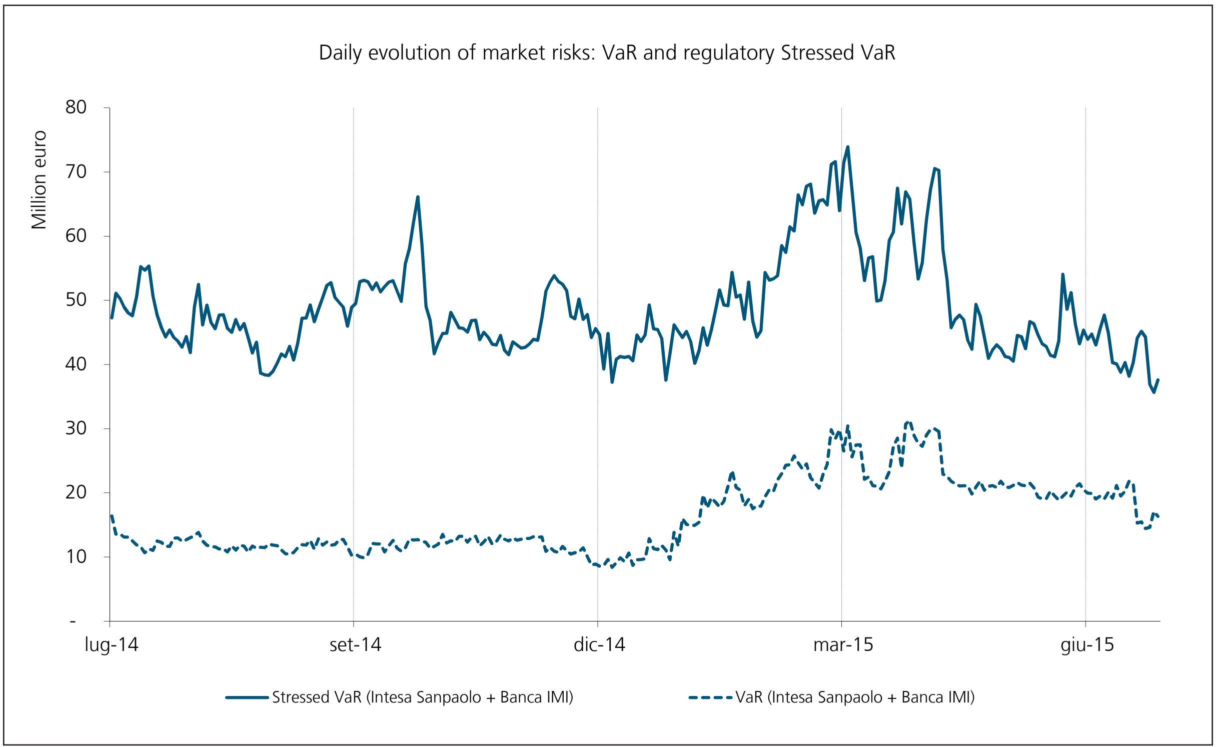
regulatory VaR and Stressed VaR

The requirement for stressed VaR is included when determining capital absorption effective 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":

– the period must represent a stress scenario for the portfolio;
– the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
– the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the document, the period relevant to the measurement of stressed VaR was set as 1 January to 31 December 2011 for Intesa Sanpaolo and as 1 July 2011 to 30 June 2012 for Banca IMI.

The graph below shows the trend of the measures.



VaR

The analysis of market risk profiles relating to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

Incremental Risk Charge (IRC)

The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading portfolio resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

Stress tests

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Sensitivity and greeks

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures

Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

Daily VaR evolution

In the second quarter of 2015, the average VaR of Intesa Sanpaolo and Banca IMI increased compared to the average values of the first quarter of 2015, reaching 85 million euro.

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI

(millions of euro)

Operating VaR [(a)]	2015				2014			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	13.8	7.0	18.3	12.1	8.2	9.3	9.6	9.4
Banca IMI	71.1	55.8	113.6	64.6	52.0	32.9	35.0	37.0
Total	**84.9**	**69.3**	**122.8**	**76.7**	**60.3**	**42.2**	**44.7**	**46.5**

[(a)] Each line in the table sets out past estimates of daily operating VaR calculated on the quarterly historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for Intesa Sanpaolo and Banca IMI are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

During the first six months of 2015, the average VaR of Intesa Sanpaolo and Banca IMI increased with respect to the values for 2014.

(millions of euro)

Operating VaR [(a)]	2015			2014		
	average	minimum	maximum	average	minimum	maximum
Intesa Sanpaolo	12.9	6.0	18.5	9.5	7.9	12.0
Banca IMI	67.9	54.0	113.6	36.0	23.8	45.7
Total	**80.8**	**64.5**	**122.7**	**45.6**	**32.0**	**55.5**

[(a)] Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the year respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for the two companies are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

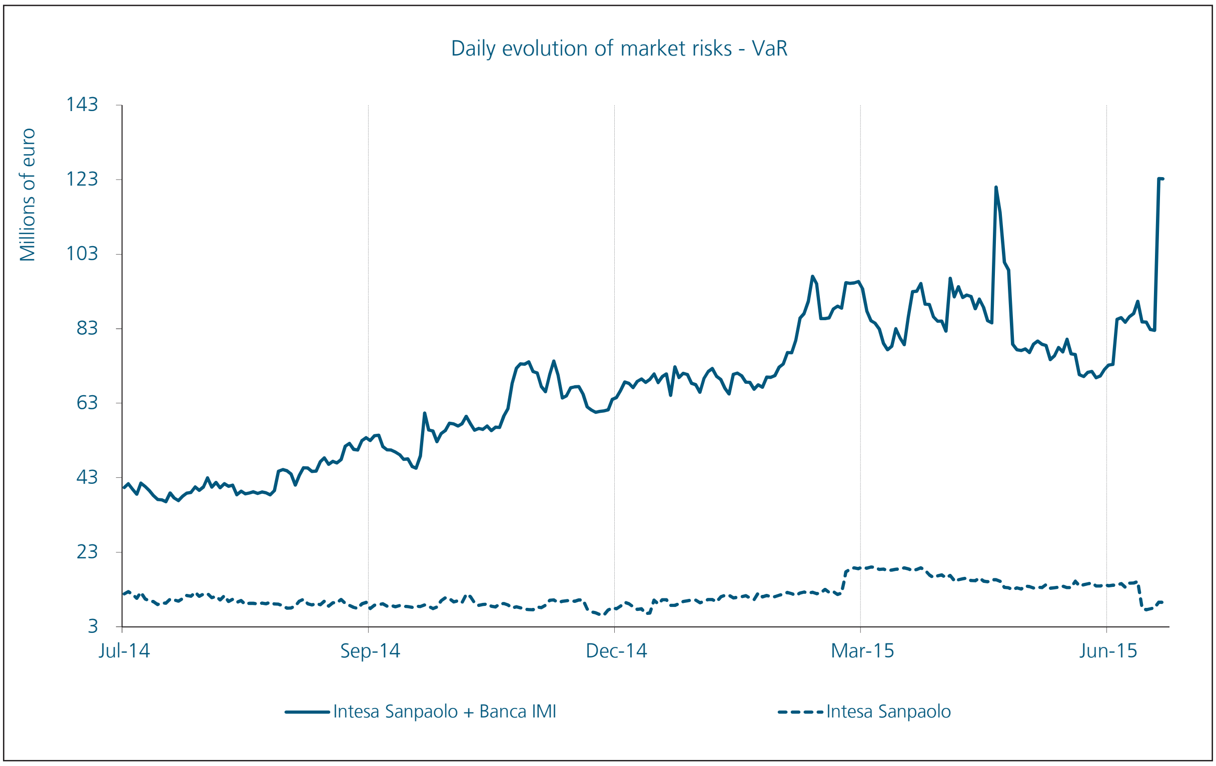
For Intesa Sanpaolo the breakdown of risk profile in the second quarter of 2015 with regard to the various factors shows the prevalence of the risk generated by equities, which accounted for 57% of total VaR; for Banca IMI credit spread risk was the most significant, representing 67% of total VaR.

Contribution of risk factors to total VaR [(a)]

2nd quarter 2014	Shares	Hedge fund	Rates	Credit spread	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	57%	7%	8%	20%	7%	1%	0%
Banca IMI	3%	0%	23%	67%	1%	3%	3%
Total	**11%**	**1%**	**21%**	**60%**	**2%**	**3%**	**2%**

[(a)] Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2015, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

The evolution of VaR in the last twelve months is set out below.
The first part of the first half of 2015 saw growth in risks as a result of the increase in Banca IMI's exposures in Italian and Spanish government bonds (taken within the limits approved by the Risk Appetite Framework 2015). In the following period, the risk measures showed peaks due to volatility on financial markets (specifically of government credit spreads) relating to the uncertainties linked to the Greek debt crisis. Specifically, at the beginning of May there was a sharp rise in VaR on Banca IMI, which flattened out in the following few days, mainly due to the rolling scenario and then to sales. In any event, in the period indicated, the Group's overall limit, amounting to 130 million euro, was never exceeded. The second increase in risk, occurring for Banca IMI at the end of the period analysed, was also recorded due to the same trends in volatility of variables in the Eurozone as a result of the Greek crisis. In relation to the latter event, though the changes in parameters were highly volatile, they were lower than the peaks recorded in the last sovereign crises in the Eurozone in the last few years. Therefore, also thanks to the appropriateness of the Group's VaR limit established for the trading book (including the AFS book only for Banca IMI), the risk measures and any mitigation actions if the Group limit is neared shall be monitored during the third quarter of 2015.



With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

Contribution of strategies to portfolio breakdown [(a)]

	30.06.2015	31.12.2014
- Catalist Driven	15%	18%
- Credit	42%	45%
- Directional trading	17%	16%
- Equity hedged	20%	15%
- Equity Long Only	6%	6%
- Multi-strategy	0%	0%
Total hedge funds	**100%**	**100%**

[(a)] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

In the first half of 2015 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (2% of the total in terms of portfolio value). The VaR of the hedge fund portfolio is calculated on a full transparency basis for funds managed on the Managed Account platform (80%).

Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of June is summarised as follows:

- on stock market positions, a bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 16 million euro theoretical loss; the opposite scenario would have led to a 6 million euro theoretical gain;
- on interest rate exposures, a parallel +40 basis point shift in the yield curve would have led to a 143 million euro loss, whereas a bearish rates scenario would imply potential gains for 48 million euro;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a theoretical 233 million euro loss;
- on foreign exchange exposures, an increase of the euro against the other currencies would have led to a theoretical loss of approximately 11 million euro;
- lastly, on commodity exposures, the risk profile shows a potential theoretical loss (-1 million euro) in the event of a 20% increase in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+40bp	lower rate	-25bp	+25bp	-10%	+10%	-20%	+20%
Total	-16	6	-143	48	231	-233	6	-11	6	-1

Backtesting

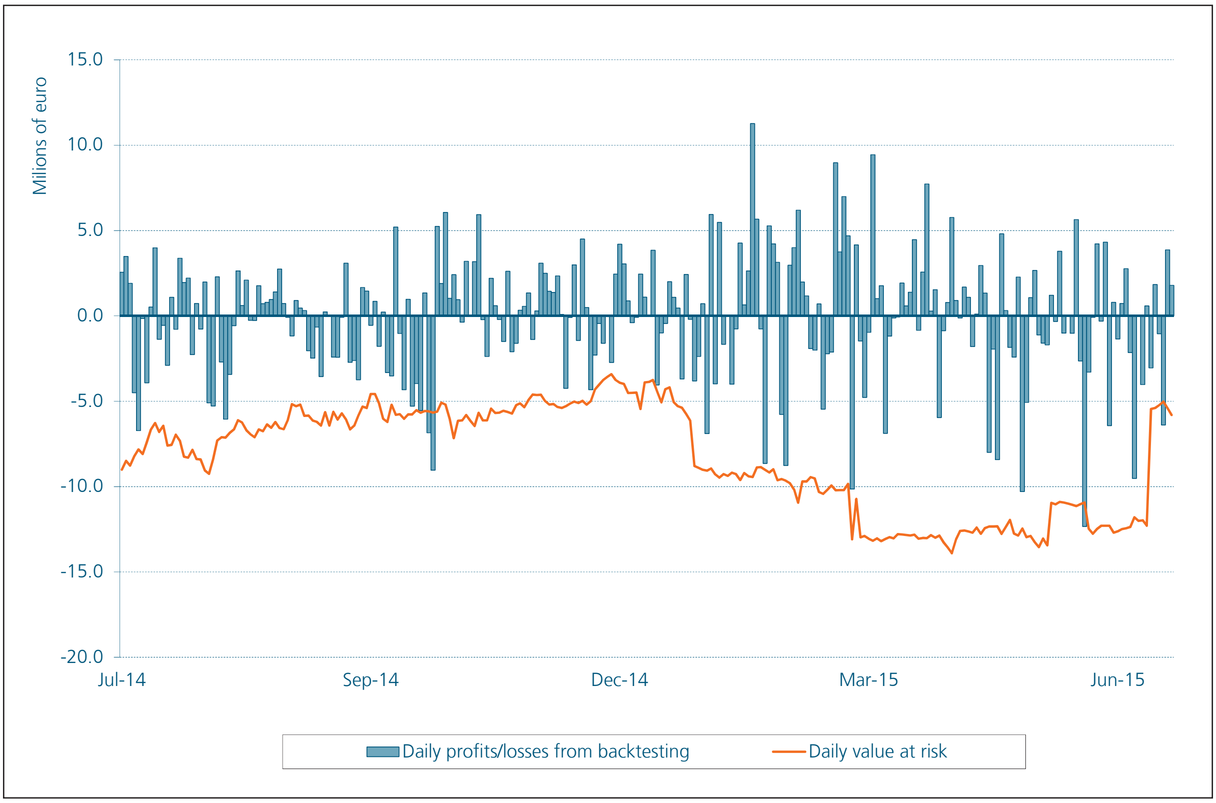
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model’s capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on valuation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

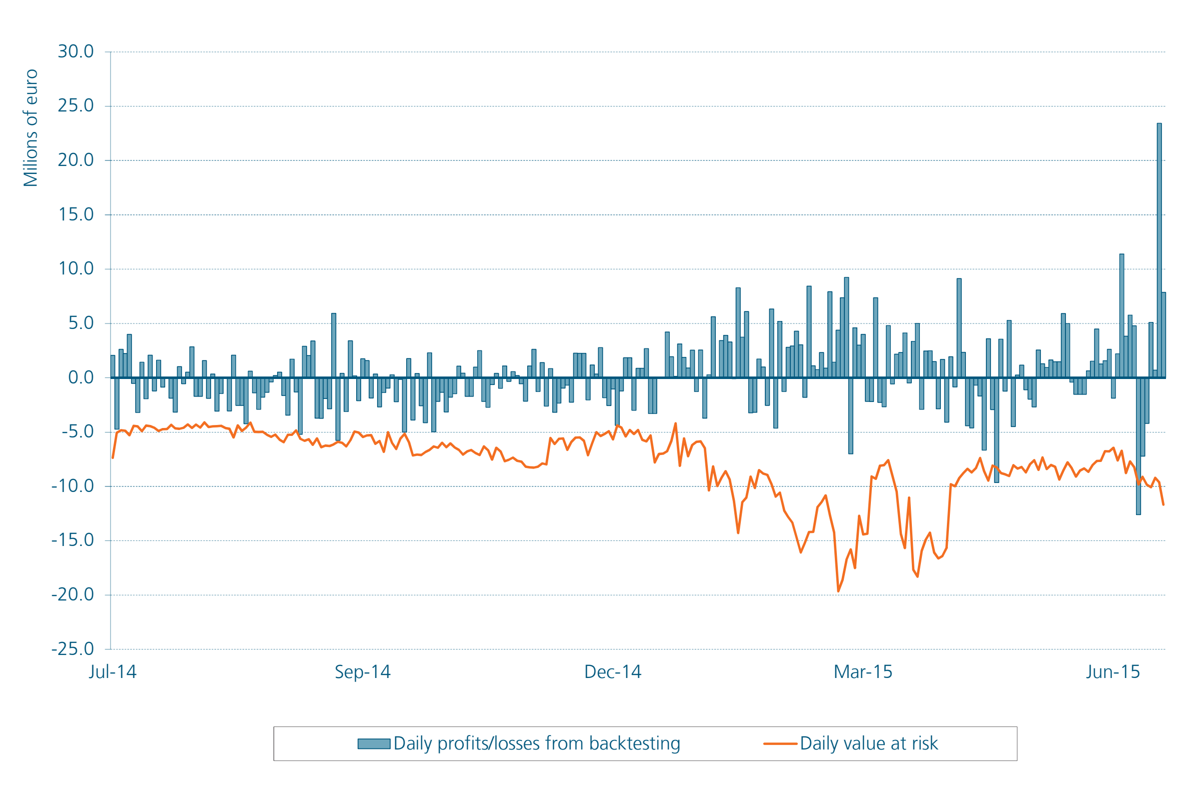
Backtesting in Intesa Sanpaolo

There were four backtesting exceptions during the last year. The exceptions can be attributed to the volatility of the credit markets following the ECB's announcements in mid-October (delay in QE) and, more recently, to the effects of the Greek debt crisis on the fixed-income markets.



Backtesting in Banca IMI

The two backtesting exceptions of Banca IMI refer to the actual P&L data. The losses derive from the increased volatility as a result of the worsening of the Greek debt crisis.



Issuer risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, and it is monitored through a system of operating limits based on both rating classes and concentration indexes.

Breakdown of exposures by type of issuer for Intesa Sanpaolo and Banca IMI [(a)]

	Total	of which						
		Corporate	Financial	Emerging	Covered	Governement	Financial Govt	Securitis.
Intesa Sanpaolo	60%	18%	6%	0%	13%	56%	0%	7%
Banca IMI	40%	-2%	14%	-1%	8%	6%	1%	74%
Total	**100%**	**10%**	**9%**	**0%**	**11%**	**36%**	**1%**	**33%**

(a) The table sets out in the Total column the contribution of Intesa Sanpaolo and Banca IMI to issuer risk exposures. The other columns indicate percentage breakdown by type of issuer, considering the total equal to 100%.
Period-end percentage on area total, excluding Italian Government bonds, AAA, own bonds and including CDS.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities in the government segment (excluding AAA and Italy) for Intesa Sanpaolo and the securitisation segment for Banca IMI.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the following basic concepts of hierarchy and interaction.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

– first level limits: are approved by the Management Board, after the opinion of the Group Financial Risks Committee. Limit variations are proposed by the Risk Management Department, after the opinion of the Heads of Operating Departments. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee;

- second level limits: have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

In the 2015 Risk Appetite Framework (RAF), the VaR limit for trading was increased from 110 to 130 million euro, in line with the RAF principles established for 2015. It was also established that at the end of the first half of 2015 the limit would be brought back down to 125 million euro, following the maturity of ISP extraordinary transactions.

With respect to the component sub-allocated to the organisational units, it may be noted that the use of the VaR limit (held for trading component) for Intesa Sanpaolo averaged 51% in the first half of 2015, with a maximum use of 69%. For Banca IMI, the average use of VaR limit came to 71%, with a maximum use of 113% (the past due position was approved by the CRO). It should be specified that for Banca IMI the VaR limit also includes the AFS component, inasmuch as these assets are managed in close synergy with HFT assets.

The use of the IRC limits at the end of the half year amounted to 56% for Intesa Sanpaolo (limit of 220 million euro) and 30% for Banca IMI (limit of 330 million euro).

The use of VaR operating limits on the AFS component (excluding Banca IMI) at the end of June was 81%. On this component, the 2015 RAF established a limit of 200 million euro, up on the previous limit of 135 million euro. The new limit reflects the RAF guidelines for 2015.

The Fair Value Policy

The criteria used by the Group to measure the fair value of financial instruments remain unchanged compared to those adopted for the previous year, illustrated in full in the Pillar 3 document as at 31 December 2014, to which reference should be made for further details. These criteria are also summarised in the Consolidated Half-yearly Report as at 30 June 2015 (see “Risk Management”).

Operational risk: internal models

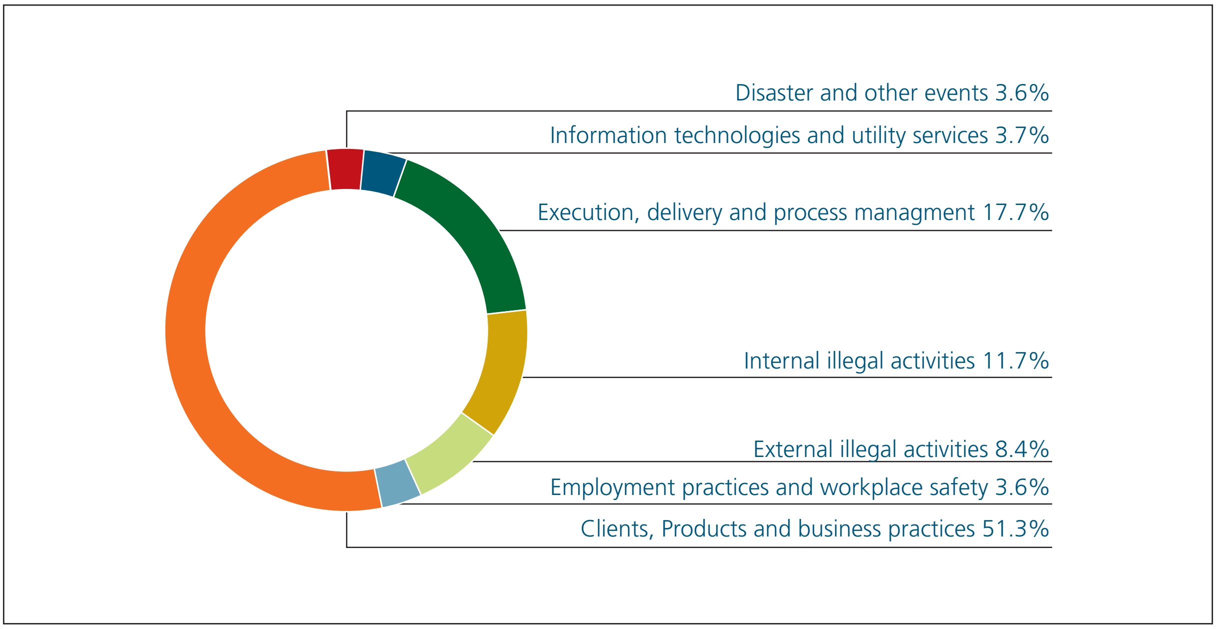
Qualitative and quantitative disclosure

Methods for calculating Operational Risk

With regard to operational risk, on 31 December 2009 the Group adopted the Advanced Measurement Approach (AMA - internal model), used partially along with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the leading banks and companies in the Banca dei Territori, Corporate and Investment Banking, Private Banking and Asset Management Divisions, by the Intesa Sanpaolo Group Services consortium and by VUB Banka (including Consumer Financial Holding and VUB Leasing) and PBZ Banka.
The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Measurement approaches, based on the roll-out plan presented to the Management and Supervisory Authorities.

The following shows the breakdown by type of operational event of capital requirement relating to the Advanced AMA Approach, which represents 81% of the total requirement (equal to 1,630 as at 30 June 2015).

Breakdown of capital requirement (Advanced Measurement Approach - AMA) by type of operational event



The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (Self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the Head Office Department and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by Management (subsidiaries, Parent Company's business areas and the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organisational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.
In addition, the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and 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. At the end of June 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group subscribed an insurance coverage policy named Operational Risk Insurance Programme, which offers additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013, with immediate effect of its benefits on operations and on the capital requirements.

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 Capital Requirement Regulation (CRR - Regulation 575/2013) grants the Supervisory Authorities of individual countries the right to exercise "national discretion," on the basis of which, inter alia, during the period from 1 January 2015 to 31 December 2017, the Leverage ratio may be calculated at the end of the quarter, instead of using the simple arithmetic mean of monthly leverage ratios over the quarter of reference. Since the Bank of Italy has exercised the above-mentioned national discretion (see Circular 285), the Intesa Sanpaolo Group's Leverage ratio set out below has been calculated in reference to quarter-end data.

In further detail, 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 (guarantees and commitments, derivatives, securities financing transactions and transactions with long-term settlement).

During the period from 1 January 2015 to 31 December 2021, the Leverage ratio will be calculated and reported using both of the following elements as capital measures:
– "transitional" Tier 1 capital, i.e. the sum of the entity's Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital;
– "full phase-in" Tier 1 capital, i.e. not including the derogations under the transitional provisions and the grandfathering clauses for capital instruments.

The delegated act of the Commission of 10 October 2014 (which became Regulation EU No 61/2015) was published in the Official Journal of the European Union on 17 January 2015. In the delegated act, which amends Regulation 575/2013 (the CRR), the European Commission provides, inter alia, indications aimed at ensuring the consistency of the various interpretations of the methods for calculating the Leverage ratio that make the indicators calculated by the various institutions not comparable with one another. The way in which the denominator of the indicator is determined has been changed, with regard to the determination of the exposure in the form of transactions in securities to be received/delivered (SFTs) and derivatives. The possibility of deducting transactions with a clearing house was introduced, and Member States were allowed to exclude intra-group exposures from calculation of the individual Leverage ratio only.

Leverage ratio of the Intesa Sanpaolo Group

The following is a summary of the data relating to the calculation of the Intesa Sanpaolo Group's Leverage ratio as at 30 June 2015. The ratio is expressed in percent form and is subject to the regulatory minimum threshold of 3% (the Basel Committee reference value).

Leverage ratios

(milions of euro)

LEVERAGE RATIOS	30.06.2015
Tier 1 capital (TIER 1) - Full phase-in	36,408
Total Exposure - Full phase-in	572,849
LEVERAGE RATIO - FULL PHASE-IN	**6.4%**
Tier 1 capital (TIER 1) - Transitional	39,135
Total Exposure - Transitional	574,773
LEVERAGE RATIO - TRANSITIONAL	**6.8%**

The risk of excessive leverage is managed by monitoring the regulatory minimum, in addition to a more conservative internally-set level.

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

The Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 3 - Pillar 3 as at 30 June 2015" corresponds to the corporate records, books and accounts.

July 31, 2015

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

Attachment 1

Own funds: Terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments issued during the semester

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	IT0005118838
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 486 CRR
8	Amount recognised in regulatory capital (€/mln)	744
9	Nominal amount of instrument: original amount in currency of issuance (mln)	782
	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	782
9a	Issue price	106
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/06/2015
12	Perpetual or dated	Dated
13	Original maturity date	30/06/2022
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date	N/A
	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3m Euribor + 237 bps
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Noncomulative or comulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS1222597905
3	Governing law(s) of the instrument	English law, except for subordination provisions
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt instrument - Art. 486 CRR
8	Amount recognised in regulatory capital (€/mln)	500
9	Nominal amount of instrument: original amount in currency of issuance (mln)	500
	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	500
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	23/04/2015
12	Perpetual or dated	Dated
13	Original maturity date	23/04/2025
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date	N/A
	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	0.02855
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	NO
22	Noncomulative or comulative	Comulative
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	NO
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	NO
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

Attachment 2

Own funds: Transitional own funds disclosure template

(millions of euro)

		Amount at disclosure date	Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575.2013
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	35,589	
	of which: Ordinary shares	*35,589*	
2	Retained earnings	9,118	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1,450	
3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1 capital	-	
	Public sector capital injections grandfathered until 1 January 2018	-	
5	Minority interests (amount allowed in consolidated CET1)	161	122
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,004	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**44,422**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-164	
8	Intangible assets (net of related tax liability) (negative amount)	-7,012	
9	Transitional adjustment related to IAS 19	282	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-100	-241
11	Fair value reserves related to gains or losses on cash flow hedges	1,143	
12	Negative amounts resulting from the calculation of expected loss amounts	-8	-20
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	85	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by the institution of own CET1 instruments (negative amount)	-52	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-583	
20	[not relevant in EU regulation]	-	
20a	Exposure amount of the following items which qualify for a risk weighting of 1250%, where the institution opts for the deduction alternative	-	
20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	
20c	*of which: securitisation positions (negative amount)*	-	
20d	*of which: free deliveries (negative amount)*	-	
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	

(millions of euro)

			Amount at disclosure date	Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575.2013
22		Amount exceeding the 15% threshold (negative amount)	-	
	23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	
24		Deferred tax assets	-	
	25	*of which: deferred tax assets arising from temporary differences*	-	
25a		Losses for the current financial year (negative amount)	-	
25b		Foreseeable tax charges relating to CET1 items (negative amount)	-	
26		Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-325	
26a		Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-40	
		of which: Unrealized losses on debt securities including the regulatory filter applicable to unrealized gains or losses on exposures to central administrations of European Union	*232*	
		of which: Unrealised gains on equities and quotas of UCI	*-272*	
26b		Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre-CRR	-	
		of which deduction of deferred tax assets that rely on future profitability and do not arise from temporary differences (Articles 469(1)(a), 36(1)(c) and 478(1) of the CRR)	-	
		of which deduction of negative amounts resulting from the calculation of expected loss amounts in accordance with Articles 158 and 159 of the CRR (Articles 469(1)(a), 36(1)(d) and 478(1) of the CRR)	-	
		of which deduction of the applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities and deferred tax assets that rely on future profitability and arise from temporary differences (Articles 469(1)(c), 36(1)(c) and (i) and 478(1) and (2) of the CRR)	-	
		of which impacts arising from deductible under transitional adjustments	-	
27		Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	
28		**Total regulatory adjustments to Common Equity Tier 1 (CET1) capital**	**(6,774)**	
29		**Common Equity Tier 1 (CET1) capital**	**37,648**	

(millions of euro)

		Amount at disclosure date	Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575.2013
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	485	
31	*of which: classified as equity under applicable accounting standards*	-	
32	*of which: classified as liabilities under applicable accounting standards*	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	1,435	
	Public sector capital injections grandfathered until 1 January 2018	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	10	
35	*of which: instruments issued by subsidiaries subject to phase-out*	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**1,930**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	(6)	
	of which residual amount by which expected losses exceed adjustments for IRB positions	*(6)*	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	(437)	
	of which deduction of the applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities and deferred tax assets that rely on future profitability and arise from temporary differences (Articles 469(1)(c), 36(1)(c) and (i) and 478(1) and (2) of the CRR)	*(453)*	
	of which impacts arising from deductible under transitional adjustments	*16*	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	
	of which: possible filter for unrealised losses	-	
	of which: possible filter for unrealised gains	-	
	of which: other filter	-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(443)**	
44	**Additional Tier 1 (AT1) capital**	**1,487**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**39,135**	

(millions of euro)

		Amount at disclosure date	Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575.2013
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	8,143	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	1,163	
	Public sector capital injections grandfathered until 1 January 2018	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	6	
49	*of which: instruments issued by subsidiaries subject to phase-out*	-	
50	Credit risk adjustments	285	
51	**Tier 2 (T2) capital before regulatory adjustments**	**9,597**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(133)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	
54a	*of which new holdings not subject to transitional arrangements*	-	
54b	*of which holdings existing before 1 January 2013 and subject to transitional arrangements*	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(153)	
56	Regulatory adjustments applied to T2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	
56a	Residual amounts deducted from T2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	(6)	
	of which residual amount by which expected losses exceed adjustments for IRB positions	*(6)*	
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	(437)	
	of which deduction of the applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities and deferred tax assets that rely on future profitability and arise from temporary differences (Articles 469(1)(c), 36(1)(c) and (i) and 478(1) and (2) of the CRR)	*(453)*	
	of which impacts arising from deductible under transitional arrangements	*16*	
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR	207	
	of which: possible filter for unrealised losses	-	
	of which: unrealised gains on AFS securities subject to additional national filter	*207*	
	of which: other filter	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(522)**	
58	**Tier 2 (T2) capital**	**9,075**	
59	**Total capital (TC = T1 + T2)**	**48,210**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability, net of the related tax liabilities, indirect holdings of own CET1 instruments, etc.)	-	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be deducted line by line, e.g. reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	-	
60	**Total risk weighted assets**	**280,296**	

(millions of euro)

		Amount at disclosure date	Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575.2013
Capital ratios and buffers			
61	Common Equity Tier 1 capital (as a percentage of risk exposure amount)	13.4%	
62	Tier 1 capital (as a percentage of risk exposure amount)	14.0%	
63	Total capital (as a percentage of risk exposure amount)	17.2%	
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%	
65	*of which: capital conservation buffer requirement*	*2.5%*	
66	*of which: countercyclical buffer requirement*	-	
67	*of which: systemic risk buffer requirement*	-	
67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	-	
68	Common Equity Tier 1 capital available to meet buffers (as a percentage of total risk exposure amount)	6.0%	
69	[not relevant in EU regulation]		
70	[not relevant in EU regulation]		
71	[not relevant in EU regulation]		
Capital ratios and buffers			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	1,393	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	3,823	
74	[not relevant in EU regulation]	-	
75	Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1,073	
Applicable caps on the inclusion of provisions in T2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	751	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	1,435	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	616	
84	Current cap on T2 instruments subject to phase-out arrangements	2,642	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

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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

Apulian red-figure volute krater
depicting: *Maidens at the Fountain and Amazonomachy*
Workshop of the Baltimore Painter
330-310 BC
h. max. 73 cm, diam. rim 35.5 cm
Intesa Sanpaolo Collection

This Apulian red-figure volute krater belongs to the Intesa Sanpaolo collection of ceramics from Attica and Magna Graecia. It was made around 330-310 BC in the Workshop of the Baltimore Painter – one of the most important late Apulian workshops which operated between Canosa and Ruvo and was specialised in vases of large proportions.
The main side is decorated with a scene of Amazonomachy – a battle between Greeks and Amazons – while the neck of the krater is adorned with a figurative scene portraying a group of maidens at a fountain. The damsels are posed around a double-spouted fountain gushing forth within a *naiskos* (small temple). They collect and carry the water using the large recipients designed for this purpose, known as *hydriae*.
In Ancient Greece, as in all cultures in different parts of the world and in different periods, water has a very strong symbolic significance. It generates life and evokes the concept of birth, and also of rebirth and transformation: it is a dynamic element, representing the flow of becoming. It represents purifying energy and a means of regeneration. Water has always been a vital element, a common good to be shared, a precious and inestimable resource to be defended as the source and guarantee of life and wellbeing.