Basel 2 Pillar 3

Disclosure as at 30 September 2009
























This is an English translation of the Italian original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 30 settembre 2009" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A. This document contains some forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to future events. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

- *the Group's ability to successfully integrate the employees, products, services and systems of the merger of Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. as well as other recent mergers and acquisitions;*
- *the impact of regulatory decisions and changes in the regulatory environment;*
- *the impact of political and economic developments in Italy and other countries in which the Group operates;*
- *the impact of fluctuations in currency exchange and interest rates;*
- *the Group's ability to achieve the expected return on the investments and capital expenditures it has made in Italy and in foreign countries.*

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which refer only to the date hereof. Accordingly, there can be no assurance that the Group will achieve its projected results.

Basel 2 - Pillar 3 - Disclosure as at 30 September 2009

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Turin Secondary registered office: Via Monte di Pietà, 8 20121 Milan Share capital 6,646,547,922.56 Euro Registration number on the Turin Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

Contents (*)

(*) As described in detail in the Introduction to this document, the other Tables envisaged in the Bank of Italy's instructions (Tables 1 to 2 and Tables 5 to 14) are not published in the quarterly disclosure as specifically laid down by the reference regulations.

Introduction

Notes to the Basel 2 Pillar 3 disclosure

The purpose of the disclosure defined as "Third pillar of Basel 2" is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), by encouraging market efficiency through the development of a set of disclosure requirements that will allow market participants to assess key pieces of information on regulatory capital, risk exposures, risk assessment processes, and therefore the capital adequacy of the institution. Such disclosures have particular relevance under the new framework introduced by Basel 2, where reliance on internal methodologies gives banks more discretion in assessing capital requirements.

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

This document is broken down, in accordance with the provisions of the abovementioned Circular, into sections called "Tables" and has been drawn up on a consolidated basis with reference to a "prudential" scope of consolidation. The Tables include both a "qualitative section" and a "quantitative section". The "Basel 2 Pillar 3" disclosure is published in accordance with the rules laid down by the Bank of Italy with the following frequency:

- figures as at 31 December: full qualitative and quantitative disclosure;
- figures as at 30 June: update of the quantitative disclosure only, because Intesa Sanpaolo is one of the groups that have adopted IRB and/or AMA approaches for credit and operational risk;
- figures as at 31 March/30 September: update solely of the quantitative disclosure on capital (Table 3) and capital adequacy (Table 4), because Intesa Sanpaolo is one of the groups that have adopted IRB and/or AMA approaches for credit and operational risk.

Please therefore refer to the document as at 31 December 2008 for a more comprehensive examination of the qualitative aspects, including the definition of the scope of consolidation used for this document. In addition, please note that the scope of consolidation at 30 September 2009 does not differ significantly from the situation at 31 December 2008 and 30 June 2009.

For the sake of completeness, please also note that the information on regulatory capital and capital adequacy is also published in the Half-yearly Report as at 30 September 2009.

All amounts, unless otherwise indicated, are expressed in millions of euro.

The Intesa Sanpaolo Group publishes this disclosure (Basel 2 Pillar 3) and subsequent updates on its website group.intesasanpaolo.com.

Table 3 – Regulatory capital structure

Quantitative disclosure

Regulatory capital structure

The structure of the regulatory capital of the Intesa Sanpaolo Group as at 30 September 2009 is summarised in the table below:

(in millions of euro)

Information	30.9.2009	31.12.2008
A. Tier 1 capital before the application of prudential filters	**31,159**	**29,352**
B. Tier 1 capital prudential filters	**-928**	**-1,639**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-928	-1,639
C. Tier 1 capital before items to be deducted (A+B)	**30,231**	**27,713**
D. Items to be deducted from Tier 1 capital	**750**	**639**
E. Total Tier 1 capital (C-D)	**29,481**	**27,074**
F. Tier 2 capital before the application of prudential filters	**16,784**	**15,387**
G. Tier 2 capital prudential filters	**-**	**-**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	-
H. Tier 2 capital before items to be deducted (F+G)	**16,784**	**15,387**
I. Items to be deducted from Tier 2 capital	**750**	**639**
L. Total Tier 2 capital (H-I)	**16,034**	**14,748**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**2,887**	**2,774**
N. Regulatory capital (E+L-M)	**42,628**	**39,048**
O. Tier 3 capital	**30**	**30**
P. Regulatory capital including Tier 3 (N+O)	**42,658**	**39,078**

As at 30 September 2009, regulatory capital amounted to 42,628 million euro and total capital, including Tier 3 subordinated loans, was 42,658 million euro. Regulatory capital was calculated without assuming any dividend distribution in 2010 since, to date, it seems premature to determine the amount, although a dividend for ordinary shares has been confirmed.
Against risk-weighted assets of 367,372 million euro, mostly deriving from credit and counterparty risks and, to a lesser extent, from market and operational risks (see Table 4 below), Total capital ratio thus stood at 11.6%, while the Group's Tier 1 ratio was 8.0%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.2%.

The breakdown of Tier 1, Tier 2 and Tier 3 capitals is provided below.

Tier 1 capital

(in millions of euro)

Information	30.9.2009	31.12.2008
TOTAL TIER 1 CAPITAL(*)		
Breakdown of positive items		
- Share capital	7,086	7,091
- Share premium reserve	33,235	33,229
- Reserves and net income	13,231	10,997
- Non-innovative equity instruments	-	-
- Innovative equity instruments	2,999	2,998
- Positive prudential IAS / IFRS filters (+)		
Fair value option: changes in bank's own creditworthiness	-	-
Redeemable shares	-	-
Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
Other positive prudential filters	-	-
TOTAL POSITIVE ITEMS	**56,551**	**54,315**
Breakdown of negative items		
- Own shares or quotas	-	-2
- Goodwill	-19,720	-20,027
- Other intangible assets	-5,672	-4,934
- Loss for the period	-	-
- Adjustments to loans	-	-
- Adjustments calculated on the regulatory trading book	-	-
- Other	-	-
- Negative prudential IAS / IFRS filters (-)		
Fair value option: changes in bank's own creditworthiness	-21	-110
Negative reserves on equities and quotas of UCI available for sale	-	-120
Negative reserves on debt securities available for sale	-405	-855
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
Other negative prudential filters	-502	-554
TOTAL NEGATIVE ITEMS	**-26,320**	**-26,602**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**30,231**	**27,713**
TOTAL ITEMS TO BE DEDUCTED	**-750**	**-639**
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**29,481**	**27,074**

(*) Each item includes Group and minority interests in shareholders' equity

“Total items to be deducted” include 140 million euro for the excess expected losses with respect to total adjustments (50% of total excess of 280 million euro), as required by the regulations when the IRB models are adopted (126 million euro and 252 million euro, respectively, as at 31 December 2008).

Tier 2 capital

(in millions of euro)

Information	30.9.2009	31.12.2008
TIER 2 CAPITAL (*)		
- Valuation reserves - Tangible assets		
Legally-required revaluations	*352*	*352*
Property and equipment used in operations	-	-
- Valuation reserve - Securities available for sale		
Equities and quotas of UCI	*19*	-
Debt securities	-	-
- Non-innovative equity instruments not included in tier 1 capital	-	-
- Innovative equity instruments not included in tier 1 capital	-	-
- Hybrid capital instruments	1,739	1,734
- Tier 2 subordinated liabilities	14,823	13,415
- Positive prudential IAS / IFRS filters (+)		
Excess total adjustments with respect to expected losses	-	-
Net capital gains on equity investments	-	-
Other positive items	-	-
TOTAL POSITIVE ITEMS	**16,933**	**15,501**
- Net capital losses on equity investments	-17	-45
- Loans	-	-
- Other negative items	-122	-69
- Negative prudential IAS / IFRS filters (-)		
Portion not included of the valuation reserve on property and equipment used in operations	-	-
Portion not included of positive reserves on securities available for sale - Equities	*-10*	-
Portion not included of positive reserves on securities available for sale - Debt securities	-	-
Tier 2 subordinated liabilities and hybrid capital instruments forming the object of forward purchase commitments not included in tier 2 capital	-	-
Other negative filters	-	-
TOTAL NEGATIVE ITEMS	**-149**	**-114**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**16,784**	**15,387**
TOTAL ITEMS TO BE DEDUCTED	**-750**	**-639**
TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED	**16,034**	**14,748**

(*) Each item includes Group and minority interests in shareholders' equity

"Total items to be deducted" include 140 million euro for the excess expected losses with respect to total adjustments (50% of total excess of 280 million euro), as required by the regulations when the IRB models are adopted (126 million euro and 252 million euro, respectively, as at 31 December 2008).

Tier 3 capital

(in millions of euro)

Information	30.9.2009	31.12.2008
TIER 3 CAPITAL	**30**	**30**
TOTAL POSITIVE ITEMS	**30**	**30**
- Tier 2 subordinated liabilities not included in tier 2 capital	-	-
- Tier 3 subordinated liabilities	30	30
TOTAL NEGATIVE ITEMS	-	-
- Prudential filters: deductions from tier 3 capital		
Tier 2 and 3 subordinated liabilities forming the object of forward purchase commitments not included in tier 3 capital	-	-
- Other deductions	-	-

Table 4 – Capital adequacy

Quantitative disclosure

Before illustrating quantitative data it should be noted that for the purposes of the internal capital adequacy assessment process (ICAAP - under Pillar II of Basel 2), the Group has presented its interim and final reports for 2008 to the Supervisory Authority (inclusive of the forecast to year-end 2009), as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for measurement of risk, internal capital and total capital available. The assessment revealed satisfactory capital adequacy under both ordinary and stress conditions.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(in millions of euro)

Information	30.9.2009			31.12.2008		
	Unweighted assets	RWA	Capital requirement	Unweighted assets	RWA	Capital requirement
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**548,823**	**319,958**	**25,597**	**582,919**	**335,556**	**26,844**
1. Standard methodology	358,502	177,064	14,165	387,507	194,458	15,557
2. Internal models (IRB)	183,641	140,067	11,206	187,208	138,199	11,055
3. Securitised exposures	6,680	2,827	226	8,204	2,899	232
A.2 Market risk		**17,741**	**1,420**		**18,046**	**1,444**
1. Standard methodology		16,169	1,294		15,534	1,243
2. Internal models		1,570	126		2,475	198
3. Concentration risk		2	-		38	3
A.3 Operational risk		**29,243**	**2,339**		**29,080**	**2,327**
1. Basic indicator approach		1,025	82		875	70
2. Standardised approach		28,218	2,257		28,205	2,257
3. Advanced approach		-	-		-	-
A.4 Other risks		**430**	**34**		**390**	**31**
A.5 Total capital requirements		**367,372**	**29,390**		**383,072**	**30,646**
B. CAPITAL RATIOS (%)						
B.1 Core Tier 1			**7.2**			**6.3**
B.2 Tier 1 ratio			**8.0**			**7.1**
B.3 Total capital ratio			**11.6**			**10.2**

The tables below provide details of the Group's different capital requirements as at 30 September 2009.

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(in millions of euro)

Regulatory portfolio	Capital requirement	
	30.9.2009	**31.12.2008**
Exposures to or secured by governments and central banks	92	77
Exposures to or secured by local authorities	273	246
Exposures to or secured by not for profit and public sector organisations	153	201
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,155	1,465
Exposures to or secured by corporates	5,089	5,795
Retail exposures	3,379	3,581
Exposures secured by real estate property	2,220	2,355
Past due exposures	801	577
High-risk exposures	60	71
Exposures in the form of guaranteed bank bonds (covered bonds)	-	-
Short-term exposures to corporates	114	133
Exposures to UCI	75	94
Other exposures	754	962
Total Capital requirement for credit risk and counterparty risk (Standardised Approach)	**14,165**	**15,557**

Capital requirement for Credit and Counterparty Risk (Foundation IRB Approach)

(in millions of euro)

Regulatory portfolio	Capital requirement	
	30.9.2009	**31.12.2008**
Exposures to or secured by corporates	**11,165**	**11,003**
Specialised lending	353	253
Specialised lending - slotting criteria	95	120
SMEs	3,655	3,457
Other corporates	7,062	7,173
Equities (simple risk weight approach)	**41**	**52**
Private equity exposures	16	14
Exchange-traded exposures	13	7
Other	12	31
Exposures subject to supervisory transition regarding capital requirements	**-**	**-**
Total Capital requirement for Credit Risk (IRB Approach)	**11,206**	**11,055**

The equity exposures, for the companies that have adopted the IRB approach for the corporate regulatory portfolio, subject to grandfathering provisions regarding capital requirements, have a capital requirement of 169 million euro (181 million euro as at 31 December 2008).

Capital requirement for Market Risk

(in millions of euro)

Information	Capital requirement	
	30.9.2009	31.12.2008
Assets included in the regulatory trading book	**1,240**	**1,350**
Position risk	1,240	1,347
Settlement risk for DVP transactions (Delvery Versus Payment)	-	-
Concentration risk	-	3
Other assets	**180**	**94**
Foreign exchange risk	65	48
Commodity risk	115	46
Total Capital requirement for Market Risk	**1,420**	**1,444**

The capital requirement for "counterparty risk" for the regulatory trading book is 572 million euro (535 million euro as at 31 December 2008). This requirement is shown - for the individual regulatory portfolios - in the tables of capital requirements for credit risk under the standardised approach and the IRB approach.

Capital requirement for Operational Risk

(in millions of euro)

Information	Capital requirement	
	30.9.2009	31.12.2008
Basic indicator approach	82	70
Standardised approach	2,257	2,257
Total Operational risk capital requirement	**2,339**	**2,327**

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

The Manager responsible for preparing the Company's financial reports, Ernesto Riva, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 2 - Pillar 3 as at 30 September 2009" corresponds to the corporate records, books and accounts.

10 November 2009

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

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Intesa Sanpaolo is the most widespread bank in Italy. Its leadership stems not only from its size but also thanks to its ability to interpret and respond to the needs of the areas in which it is present.
This commitment can be seen in the choice of maintaining and enhancing all the banks in the group, since it is they that allow Intesa Sanpaolo to present itself to the market as a fully-fledged citizen of every place in which it operates.
This is the reason the illustrations chosen for this report have been inspired by the rich cultural wealth of our cities. They show the major fountains of each regional capital and of the head office cities of the Banche dei Territori. It is a tribute to Italian tradition and history. But it is also emblematic of the willingness to communicate and establish relationships that typifies the people of Intesa Sanpaolo and of the banks in the group.


1. **Padova**
Fountain, Piazza delle Erbe


2. **Roma**
Fontana delle Tartarughe, Piazza Mattei


3. **Firenze**
Courtyard fountain, Palazzo Vecchio


4. **Venezia**
Fountain, Excelsior Palace Hotel


5. **Campobasso**
Fountain, Piazza Vittorio Emanuele


6. **Torino**
Fontana angelica delle Quattro Stagioni, Piazza Solferino


7. **Genova**
Fontana di Nettuno, Palazzo Doria Pamphilj


8. **Forlì**
Fountain, Piazza Ordelaffi


9. **Napoli**
Fountain, Capodimonte Gardens


10. **Bologna**
Fontana del Nettuno, Piazza Maggiore


11. **Milano**
Fountain, Piazza Fontana


12. **Perugia**
Fontana Maggiore, Piazza IV Novembre


13. **Palermo**
Fontana del Tritone, Archaeological Museum


14. **Pesaro**
Fountain, Piazza Maggiore


15. **Bari**
Fountain, Piazza Aldo Moro


16. **Cagliari**
Fontana della passeggiata, Via Roma


17. **L'Aquila**
Detail of the Fontana delle 99 Cannelle, Piazza San Vito


18. **Aosta**
Fountain, Via Croce di Città


19. **Trieste**
Fontana dei Tritoni, Piazza Vittorio Veneto


20. **Catanzaro**
Fountain, Piazza Santa Caterina


21. **Trento**
Fontana di Nettuno, Piazza del Duomo


22. **Potenza**
Fountain, Montereale Park


23. **Ancona**
Fontana dei Cavalli, Piazza Roma


24. **Gorizia**
Fountain, Piazza della Vittoria

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