

# Basel 2 Pillar 3

Disclosure as at 31 March 2010





*This is an English translation of the Italian original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 31 marzo 2010" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A. This document contains certain forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate. 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 (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. 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 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; and*
- *the Group's ability to finalise capital management actions on its non-core assets (including disposals, either full or partial, partnerships, listings, etc.).*

*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 as a prediction of actual results. All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.*



# Basel 2 Pillar 3 – Disclosure as at 31 March 2010

**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 6,646,547,922.56 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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<sup>(\*)</sup> 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.





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# 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. This has particular relevance under the framework introduced by Basel 2, where reliance on internal methodologies gives banks more discretion in assessing capital requirements.

The procedures to be adopted by Italian banks or banking groups when disclosing information (referred to in brief as Pillar 3) to the public have been laid down by Bank of Italy 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 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 “Pillar 3 Basel 2” 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 2009 for a more comprehensive examination of the qualitative aspects, including the scope of consolidation used for this document. In addition, please note that the scope of consolidation for the figures as at 31 March 2010 does not differ significantly from the scope as at 31 December 2009.

For the sake of completeness, please note that the information on regulatory capital and capital adequacy is also published in the Interim Statement as at 31 March 2010.

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 at the address [group.intesasanpaolo.com](http://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 31 March 2010 is summarised in the table below.

Information	(millions of euro)	
	31.03.2010	31.12.2009
<b>A. Tier 1 capital before the application of prudential filters</b>	<b>32,579</b>	<b>32,170</b>
<b>B. Tier 1 capital prudential filters</b>	<b>-959</b>	<b>-932</b>
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-959	-932
<b>C. Tier 1 capital before items to be deducted (A+B)</b>	<b>31,620</b>	<b>31,238</b>
<b>D. Items to be deducted from Tier 1 capital</b>	<b>1,029</b>	<b>1,033</b>
<b>E. Total Tier 1 capital (C-D)</b>	<b>30,591</b>	<b>30,205</b>
<b>F. Tier 2 capital before the application of prudential filters</b>	<b>16,505</b>	<b>16,599</b>
<b>G. Tier 2 capital prudential filters</b>	<b>-87</b>	<b>-94</b>
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-87	-94
<b>H. Tier 2 capital before items to be deducted (F+G)</b>	<b>16,418</b>	<b>16,505</b>
<b>I. Items to be deducted from Tier 2 capital</b>	<b>1,029</b>	<b>1,033</b>
<b>L. Total Tier 2 capital (H-I)</b>	<b>15,389</b>	<b>15,472</b>
<b>M. Items to be deducted from total Tier 1 and Tier 2 capital</b>	<b>2,994</b>	<b>2,923</b>
<b>N. Regulatory capital (E+L-M)</b>	<b>42,986</b>	<b>42,754</b>
<b>O. Tier 3 capital</b>	-	-
<b>P. Regulatory capital including Tier 3 (N+O)</b>	<b>42,986</b>	<b>42,754</b>

At the end of the first quarter of 2010, total regulatory capital - which takes into account the distribution of dividends in 2010 – came to 42,986 million euro, compared to risk-weighted assets of 361,337 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

All capital ratios improved compared to 31 December 2009. The Total capital ratio stood at 11.9%, while the Group's Tier 1 ratio was 8.5%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.2%.

Lastly, the increase in regulatory capital, which was achieved due to ordinary operations alone, accounts for an estimate of the dividends to be paid on the 2010 net income, which by convention have been determined to be one-fourth of the dividends distributed on the 2009 net income (258 million of the total 1,033 million euro).

## Tier 1 capital

	(millions of euro)	
Information	31.03.2010	31.12.2009
<b>TOTAL TIER 1 CAPITAL (*)</b>		
- Share capital	7,003	7,036
- Share premium reserve	33,228	33,235
- Reserves and net income	13,122	12,766
- Non-innovative equity instruments	-	-
- Innovative equity instruments	4,499	4,499
- Positive IAS / IFRS prudential filters (+)		
<i>Fair value option: changes in bank's own creditworthiness</i>	-	-
<i>Redeemable shares</i>	-	-
<i>Capital resources forming the object of forward purchase commitments included in tier 1 capital</i>	-	-
<i>Other positive prudential filters</i>	-	-
<b>TOTAL POSITIVE ITEMS</b>	<b>57,852</b>	<b>57,536</b>
- Own shares or quotas	-7	-2
- Goodwill	-19,717	-19,731
- Other intangible assets	-5,549	-5,633
- Loss for the period	-	-
- Adjustments to loans	-	-
- Adjustments calculated on the regulatory trading book	-	-
- Other	-	-
- Negative IAS / IFRS prudential filters (-)		
<i>Fair value option: changes in bank's own creditworthiness</i>	-2	-11
<i>Negative reserves on equities and quotas of UCI available for sale</i>	-	-
<i>Negative reserves on debt securities available for sale</i>	-447	-437
<i>Net accumulated capital gain on tangible assets</i>	-	-
<i>Capital resources forming the object of forward purchase commitments included in tier 1 capital</i>	-	-
<i>Other negative prudential filters</i>	-510	-484
<b>TOTAL NEGATIVE ITEMS</b>	<b>-26,232</b>	<b>-26,298</b>
<b>TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED</b>	<b>31,620</b>	<b>31,238</b>
<b>TOTAL ITEMS TO BE DEDUCTED</b>	<b>-1,029</b>	<b>-1,033</b>
- Investment in the Bank of Italy	-314	-314
- Insurance subsidiaries purchased after 20 July 2006	-30	-29
- Other banking and financial investments higher than 10% of the investee's capital	-433	-442
- Excess expected losses with respect to adjustments (IRB-AIRB models)	-178	-176
- Other deductions	-74	-72
<b>TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED</b>	<b>30,591</b>	<b>30,205</b>

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

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

## Tier 2 capital

	(millions of euro)	
Information	31.03.2010	31.12.2009
<b>TIER 2 CAPITAL (*)</b>		
- Valuation reserves - Tangible assets		
<i>Legally-required revaluations</i>	352	352
<i>Property and equipment used in operations</i>	-	-
- Valuation reserve - Securities available for sale		
<i>Equities and quotas of UCI</i>	174	189
<i>Debt securities</i>	-	-
- Non-innovative equity instruments not included in tier 1 capital	-	-
- Innovative equity instruments not included in tier 1 capital	-	-
- Hybrid capital instruments	1,741	1,737
- Tier 2 subordinated liabilities	14,271	14,452
- Other positive items	9	1
- Positive IAS / IFRS prudential filters (+)		
<i>Excess total adjustments with respect to expected losses</i>	-	-
<i>Net capital gains on equity investments</i>	-	-
<i>Other positive items</i>	-	-
<b>TOTAL POSITIVE ITEMS</b>	<b>16,547</b>	<b>16,731</b>
- Net capital losses on equity investments	-22	-25
- Loans	-	-
- Other negative items	-20	-107
- Negative IAS / IFRS prudential filters (-)		
<i>Portion not included of the valuation reserve on property and equipment used in operations</i>	-	-
<i>Portion not included of positive reserves on securities available for sale - Equities</i>	-87	-94
<i>Portion not included of positive reserves on securities available for sale - Debt securities</i>	-	-
<i>Tier 2 subordinated liabilities and hybrid capital instruments forming the object of forward purchase commitments not included in tier 2 capital</i>	-	-
<i>Other negative filters</i>	-	-
<b>TOTAL NEGATIVE ITEMS</b>	<b>-129</b>	<b>-226</b>
<b>TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED</b>	<b>16,418</b>	<b>16,505</b>
<b>TOTAL ITEMS TO BE DEDUCTED</b>	<b>-1,029</b>	<b>-1,033</b>
- Investment in the Bank of Italy	-314	-314
- Insurance subsidiaries purchased after 20 July 2006	-30	-29
- Other banking and financial investments higher than 10% of the investee's capital	-433	-442
- Excess expected losses with respect to adjustments (IRB-AIRB models)	-178	-176
- Other deductions	-74	-72
<b>TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED</b>	<b>15,389</b>	<b>15,472</b>

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

The Group has no Tier 3 subordinated liabilities or other liabilities contributing to that balance sheet aggregate.



# Table 4 – Capital adequacy

## Quantitative disclosure

### Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

Information	31.03.2010			31.12.2009		
	Unweighted amounts	Weighted amounts	Requirements	Unweighted amounts	Weighted amounts	Requirements
<b>A. CAPITAL REQUIREMENTS</b>						
<b>A.1 Credit and counterparty risks</b>	<b>538,272</b>	<b>314,727</b>	<b>25,178</b>	<b>540,605</b>	<b>316,258</b>	<b>25,301</b>
1. Standardised approach	342,445	166,333	13,307	344,625	165,206	13,217
2. Internal models (IRB)	191,552	145,724	11,657	191,735	148,331	11,866
3. Securitisations	4,275	2,670	214	4,245	2,721	218
<b>A.2 Market risk</b>		<b>18,025</b>	<b>1,442</b>		<b>16,804</b>	<b>1,344</b>
1. Standardised approach		16,521	1,322		14,889	1,191
2. Internal models		1,167	93		1,202	96
3. Concentration risk		337	27		713	57
<b>A.3 Operational risk</b>		<b>28,113</b>	<b>2,249</b>		<b>28,113</b>	<b>2,249</b>
1. Basic indicator approach		1,363	109		1,363	109
2. Standardised approach		9,925	794		9,925	794
3. Advanced measurement approach		16,825	1,346		16,825	1,346
<b>A.4 Other capital requirements</b>		-	-		-	-
<b>A.5 Other calculation elements</b>		<b>472</b>	<b>38</b>		<b>473</b>	<b>38</b>
<b>A6 Total capital requirements</b>		<b>361,337</b>	<b>28,907</b>		<b>361,648</b>	<b>28,932</b>
<b>B. CAPITAL RATIOS (%)</b>						
<b>B.1 Core Tier 1</b>			<b>7.2%</b>			<b>7.1%</b>
<b>B.2 Tier 1 ratio</b>			<b>8.5%</b>			<b>8.4%</b>
<b>B.3 Total capital ratio</b>			<b>11.9%</b>			<b>11.8%</b>

The tables below provide details of the Group's different capital requirements as at 31 March 2010.

Please note that starting from 31 March 2010 the subsidiary Intesa Sanpaolo Bank Ireland used the IRB approach to calculate the capital requirements to cover credit risks in the Regulatory corporate segment following authorisation by the Supervisory Authorities.

### Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.03.2010	31.12.2009
Exposures to or secured by governments and central banks	104	101
Exposures to or secured by local authorities	278	275
Exposures to or secured by not for profit and public sector organisations	176	155
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,162	1,093
Exposures to or secured by corporates	4,674	4,424
Retail exposures	2,925	3,130
Exposures secured by real estate property	2,036	2,106
Past due exposures	967	878
High-risk exposures	93	89
Exposures in the form of covered bonds	-	-
Short-term exposures to corporates	114	120
Exposures to UCI	69	70
Other exposures	709	776
<b>Total capital requirement for credit risk and counterparty risk (Standardised Approach)</b>	<b>13,307</b>	<b>13,217</b>

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

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.03.2010	31.12.2009
<b>A. Exposures to or secured by corporates</b>	<b>11,597</b>	<b>11,815</b>
A.1) Specialised lending	508	372
A.2) Specialised lending - slotting criteria	103	97
A.3) SMEs	3,869	3,974
A.4) Other corporates	7,117	7,372
<b>B. Equity exposures: simple risk weight approach</b>	<b>60</b>	<b>51</b>
B.1) Private equity exposures in sufficiently diversified portfolios	22	21
B.2) Exchange-traded equity exposures	10	10
B.3) Other equity exposures	28	20
<b>C. Equity instruments: Other assets - Ancillary investments</b>	<b>-</b>	<b>-</b>
<b>D. Exposures subject to supervisory transition regarding capital requirements</b>	<b>-</b>	<b>-</b>
<b>Total capital requirement for credit risk and counterparty risk (Foundation IRB Approach)</b>	<b>11,657</b>	<b>11,866</b>

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 173 million euro (179 million euro as at 31 December 2009).



### Capital requirement for Credit and Counterparty Risk on securitisations (Standardised Approach)

Capital requirement for Credit and Counterparty Risk on securitisations (Standardised Approach) amounted to 214 million euro as at 31 March 2010 (218 million euro as at 31 December 2009).

### Capital requirement for Market Risk

Information	(millions of euro)	
	Capital requirement	
	31.03.2010	31.12.2009
<b>Assets included in the regulatory trading book</b>	<b>1,345</b>	<b>1,246</b>
Position risk	1,318	1,189
Settlement risk for DVP (Delivery Versus Payment) transactions	-	-
Concentration risk	27	57
<b>Other assets</b>	<b>97</b>	<b>98</b>
Foreign exchange risk	60	70
Commodity risk	37	28
<b>Total capital requirement for market risk</b>	<b>1,442</b>	<b>1,344</b>

The capital requirement for “counterparty risk” for the regulatory trading book is 665 million euro (557 million euro as at 31 December 2009). 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

Information	(millions of euro)	
	Capital requirement	
	31.03.2010	31.12.2009
Basic indicator approach	109	109
Standardised approach	794	794
Advanced measurement approach	1,346	1,346
<b>Total capital requirement for operational risk</b>	<b>2,249</b>	<b>2,249</b>

Starting from December 2009 the Group used the Advanced Measurement Approach (AMA) and the Standardised Approach to determine capital requirements for operational risk. A remaining, residual, number of companies used the Basic Indicator Approach (BIA). The calculation is updated on a half-yearly basis for AMA approach and on an annual basis for Standardised and BIA approaches.



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

The Manager responsible for preparing the Company's financial reports, Ernesto Riva, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 2 - Pillar 3 as at 31 March 2010" corresponds to the corporate records, books and accounts.

14 May 2010

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



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## Contacts



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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 heritage of Italian cities. They show the steeples of greatest importance to the cities where our registered offices are located and which appear in the names of our local 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 distinguishes the people at Intesa Sanpaolo and the banks in the Group.



**1. Milano**  
Steeple, Basilica of Sant' Ambrogio



**2. Torino**  
Steeple, San Carlo Church



**3. Napoli**  
Steeple, Santa Chiara Monastery



**4. Trento**  
Steeple, Duomo of Trento



**5. Forlì**  
Steeple, Piazza Vittorio Emanuele



**6. Bologna**  
Steeple, San Francesco Church



**7. Venezia**  
Steeple, Piazza San Marco



**8. Padova**  
Steeple, Basilica of Sant' Antonio



**9. Narni**  
Steeple of San Giovenale



**10. Rieti**  
Steeple, Duomo dell'Assunta



**11. Spoleto**  
Steeple, Palazzo Montevercchio



**12. Bolzano**  
Steeple, San Giovanni in Villa Church



**13. Civitavecchia**  
Steeple, Chiesa dell'Orazione e Morte



**14. Foligno**  
Steeple, Cathedral



**15. Pistoia**  
Steeple, Piazza del Duomo



**16. Terni**  
Steeple, San Francesco Church



**17. Firenze**  
Giotto's Bell Tower, Piazza del Duomo



**18. Ascoli Piceno**  
Steeple, Santi Vincenzo e Anastasio Church



**19. Viterbo**  
Steeple, Ex Chiesa degli Almadiani



**20. Pescaia**  
Steeple, Santa Maria Assunta Cathedral



**21. Città di Castello**  
Steeple, Duomo



**22. Pesaro**  
Steeple, San Giacomo Church



**23. Gorizia**  
Steeple, Sant'Ignazio Church



**24. Cagliari**  
Steeple, Sant'Anna Church



**25. La Spezia**  
Steeple, Chiesa di Nostra Signora della Neve

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