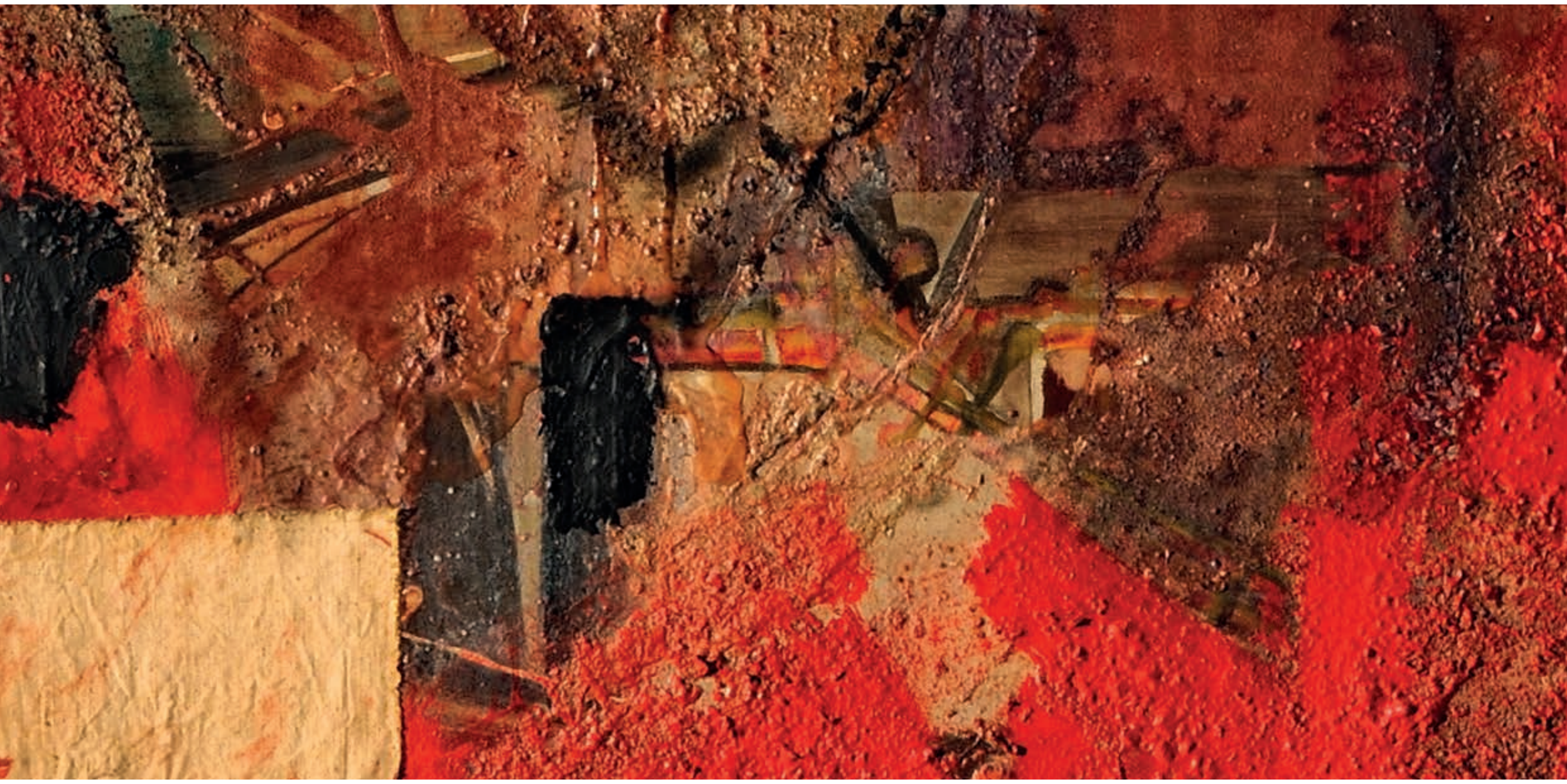
INTESA SANPAOLO

Basel 3 Pillar 3

Disclosure as at 30 June 2014



This is an English translation of the Italian language original "Terzo pilastro di Basilea 3 – Informativa al pubblico al 30 giugno 2014" that has been prepared solely for the convenience of the reader. The Italian language original "Terzo pilastro di Basilea 3 – Informativa al pubblico al 30 giugno 2014" was approved by the Management Board of Intesa Sanpaolo on 1 August 2014 and is available on group.intesasanpaolo.com
This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.
Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. These forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.
All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

INTESA SANPAOLO

Basel 3 Pillar 3 Disclosures as at 30 June 2014

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 8,553,821,316.56 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.

Contents

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 based 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 with Circular no. 285 of 17 December 2013, which contains the prudential supervision regulations applicable to banks and Italian 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).

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. It is also envisaged that, in compliance with art. 16 of (EU) Regulation no. 1093/2010, by 31 December 2014 the EBA (European Banking Authority) issues guidance on entities' assessment of the need to publish disclosures more frequently. A first draft of the document is available for consultation (Guidelines on materiality, proprietary and confidentiality and on disclosure frequency, 13 June 2014).

Given the above regulatory provisions, when issuing its interim reports for March and September, Intesa Sanpaolo publishes summary disclosures on its "Own funds" and "Capital requirements" in accordance with the principle of maximum transparency.
Details on Regulatory capital and capital adequacy are also published in the Half-yearly report as at 30 June 2014. This Report also provides an update on Group liquidity risk.

Given the public importance of this disclosure, the Manager responsible for preparing the Company's financial reports submits the document to the competent Corporate Bodies for approval. This document is therefore subject to the related certification, pursuant to Art. 154 bis of Legislative Decree 58/1998 (Consolidated Law on Finance). As a consequence, the "Basel 3 Pillar 3 disclosure" 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. As the Basel 3 provisions entered into force from 1 January 2014, comparison figures as at 31 December 2013 – which were based on Basel 2 provisions – are not provided. Moreover, note that the scope of application of the disclosure (prudential scope of consolidation) remains essentially the same as that used to calculate the Regulatory capital as at 31 December 2013.

With regard to the scope of application of the internal models used to calculate regulatory requirements, it should be emphasised that there have been no significant changes compared to the situation as at 31 December 2013, except for the Bank of Italy's authorisation for use of the internal model for counterparty risk (EPE – Expected Positive Exposure) for regulatory purposes, with reference to the parent company Intesa Sanpaolo and Banca IMI. In addition, authorisation was obtained for extension of the AIRB approach on credit risk to the subsidiary Banca Monte Parma for the SME Retail regulatory segment with effect from March 2014. In the second quarter, Slovakian subsidiary VUB received authorisation from the Bank of Italy for transition to the AIRB approach for the Corporate segment and the IRB approach for the SME Retail segment. From the second quarter of 2014, market risks are reported according to the internal model for capital requirements for the Parent Company's Hedge Fund portfolios.

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 2014

(millions of euro)

Own funds and capital ratios	30.06.2014
Own funds	
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	36,554
Additional Tier 1 capital (AT1) net of regulatory adjustments	1,260
TIER 1 CAPITAL	**37,814**
Tier 2 capital net of regulatory adjustments	9,461
TOTAL OWN FUNDS	**47,275**
Risk-weighted assets	
Credit and counterparty risks	234,920
Market and settlement risk	18,621
Operational risks	22,123
Other specific risks (a)	574
RISK-WEIGHTED ASSETS	**276,238**
% Capital ratios	
Common Equity Tier 1 ratio	13.2%
Tier 1 ratio	13.7%
Total capital ratio	17.1%

[a] In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities.

Own funds, risk weighted assets and the capital ratios as at 30 June 2014 were calculated according to the new 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, as previously reported, 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 (issued in 2013) and the update to Circular 154.
Regulatory provisions governing own funds envisage the introduction of the new regulatory framework in a gradual manner, through a transitional period, generally through 2017, during which several elements that, when the framework is in full effect, will be eligible for full inclusion in or deduction from common equity, will only have a partial 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 2014 take account of the adjustments envisaged by the transitional provisions for 2014.
As conditions envisaged by Article 26, paragraph 2, of (EU) Regulation no. 575 of 26 June 2013 (CRR) had been met for inclusion, net income for the period was included in common equity tier 1 capital. Consequently, the estimate of dividends to be paid on the 2014 result was also included and determined on a conventional basis as half of the dividends indicated in the 2014-2017 Business Plan as distributable in 2015 (totalling 1 billion euro).
With regard to the stake in the Bank of Italy, the prudential approach adopted in compliance with consolidated practice involves the weighting among RWA as equity exposure, in addition to full recognition in CET1 capital of the capital gain resulting from cancellation of the old stake and subsequent recognition of the new stake.

As at 30 June 2014, total own funds came to 47,275 million euro, against risk-weighted assets of 276,238 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 17.1%, while the ratio of the Group’s tier 1 capital to its total risk-weighted assets (its tier 1 ratio) was 13.7%. The ratio of common equity tier 1 capital (CET1) to risk-weighted assets (the common equity ratio) was 13.2%.

In addition, 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 2014 was seven basis point negative.

Own funds

Qualitative and quantitative disclosure

The new 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) to European Union laws, became applicable from 1 January 2014.

These regulatory provisions were adopted in Italy 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;
- Update to 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 (CET1);
    - Additional Tier 1 (AT1);
- Tier 2 capital (T2)

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

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

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

The regulations also envisage a series of elements to be deducted from Common Equity Tier 1:
- goodwill, intangible assets and residual intangible assets;
- deferred tax assets (DTA) associated with future income not deriving from temporary differences (e.g. DTA on losses carried forward);
- expected losses exceeding total adjustments (the shortfall reserve) for positions weighted according to IRB approaches;
- net assets deriving from defined benefit plans;
- exposures for which it is decided to opt for deduction rather than a 1.250% weighting among RWA;
- minor investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the 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 AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares).

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

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

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 30 June 2014 is summarised in the table below. As mentioned previously (see the "Introduction" to this document), comparison figures from the previous year, which were calculated according to Basel 2 rules, are not provided. For an illustration of these figures, please see the Pillar 3 Disclosure as at 31 December 2013.

(millions of euro)

Own funds	30.06.2014
Own funds	
A. Common Equity Tier 1 capital (CET1) before regulatory adjustments	43,418
B. Common Equity Tier 1 capital (CET1): Regulatory adjustments	-8,965
C. Common Equity Tier 1 capital (CET1): Transitional period adjustments	2,101
D. Common Equity Tier 1 capital (CET1) (A + B + C)	**36,554**
E. Additional Tier 1 capital (AT1) before regulatory adjustments	492
F. Additional Tier 1 capital (AT1): Regulatory adjustments	-
G. Additional Tier 1 capital (AT1): Transitional period adjustments and AT1 instruments subject to grandfathering	768
H. Additional Tier 1 capital (AT1) (E + F + G)	**1,260**
I. Tier 1 capital (D + H)	**37,814**
J. Tier 2 capital (T2) before regulatory adjustments	9,893
K. Tier 2 capital (T2): Regulatory adjustments	-180
L. Tier 2 capital (T2): Transitional period adjustments and T2 instruments subject to grandfathering	-252
M. Tier 2 capital (T2) (J + K + L)	**9,461**
N. TOTAL OWN FUNDS (TOTAL CAPITAL) (I + M)	**47,275**

The tables below provide a detailed summary of the various capital levels before regulatory adjustments and transitional regime adjustments, together with the reconciliation between Common Equity Tier 1 and net book value. With regard to transitional regime adjustments, note that for the eligibility of:
– grandfathered instruments;
– minority interests;
– unrealised profits or losses on instruments designated at fair value;
– negative amounts resulting from the calculation of expected losses (shortfall reserve);
– IAS 19 filter on valuation reserves for actuarial gains or losses on defined benefit plans;
– other minor captions

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

Reconciliation of net book value and Common Equity Tier 1 capital

(millions of euro)

	30.06.2014
Group Shareholders' equity	44,258
Minority interests	515
Net Shareholders' equity as per the Balance Sheet	**44,773**
Pro-rata dividend to Intesa Sanpaolo shareholders in accordance with the Business Plan	-500
Shareholders' equity following distribution to shareholders	**44,273**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period (if uieligible)	
- Capital of savings shares eligible for inclusion in AT1	-485
- Minority interests eligible for inclusion in AT1	-7
- Minority interests eligible for inclusion in T2	-9
- Ineligible minority interests on full phase-in	-405
- Net income for the period (if ineligible)	-
- Treasury shares included under regulatory adjustments	49
- Other ineligible components on full phase-in	2
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,418**
Regulatory adjustments (including transitional adjustments)	**-6,864**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**36,554**

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

Common Equity Tier 1 (CET1)

(millions of euro)

	30.06.2014
Common Equity Tier 1 capital (CET1)	
Share capital - ordinary shares	8,064
Share premium reserve	27,020
Reserves [(a)]	9,261
Accumulated other comprehensive income	-1,241
Parent company's net income (loss) for the period [(b)]	720
Dividends for distribution [(c)]	-500
Minority interests	94
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,418**
Common Equity Tier 1 capital (CET1): Regulatory adjustments	
Treasury shares	-49
Goodwill	-4,277
Other intangible assets	-2,915
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-341
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-232
Defined benefit pension funds assets	-
Prudential filters	-
- of which Cash Flow Hedge Reserve	*1,137*
- of which Gains or Losses due to changes in own credit risk (DVA)	*71*
- of which Prudent valuation adjustments	*-134*
- 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 threshold of 10% [(d)]	-1,998
- 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	*-1,998*
Deductions with threshold of 15% [(e) (f)]	-
Positive or negative elements - other	-227
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-10,963**
Total adjustments in the transitional period (CET1)	**2,101**
Common Equity Tier 1 (CET1) - Total	**34,556**

[(a)] Amount included in CET1.

[(b)] In the calculation of Common Equity Tier 1, interim profit as at 30 June 2014 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 2014 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, as conditions envisaged by Article 26, paragraph 2, of (EU) Regulation no. 575 of 26 June 2013 (CRR) had been met for inclusion, net income for the period was included in common equity tier 1 capital. Consequently, the estimate of dividends to be paid on the 2014 result was also included and determined on a conventional basis as half of the dividends indicated in the 2014-2017 Business Plan as distributable in 2015 (totalling 1 billion euro).
With regard to the stake in the Bank of Italy, the prudential approach adopted involves the weighting among RWA as equity exposures, in addition to full recognition in CET1 capital of the capital gain, namely of the higher net value recognised in the income statement, resulting from cancellation of the old stake and subsequent recognition of the new stake.

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 2014 is 97 million euro and, based on the Supervisory Provisions, includes two 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 (AT1)

(millions of euro)

	30.06.2014
Additional Tier 1 capital (AT1)	
Saving shares	485
Other AT1 instruments	-
Minority interests	7
Additional Tier 1 capital (AT1) before regulatory adjustments	**492**
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 elements - other	-
Total regulatory adjustments to Additional Tier 1 (AT1)	**-**
Total adjustments in the transitional period, including minority interests (AT1)	**-872**
AT1 instruments eligible for grandfathering	**1,640**
Additional Tier 1 (AT1) - Total	**1,260**

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

Additional Tier 1 (AT1) equity instruments eligible for grandfathering

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	593
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	464
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur	YES	1,000,000,000	383
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	200
Total Additional Tier 1 equity instruments									**1,640**

Tier 2 capital (T2)

(millions of euro)

	30.06.2014
Tier 2 Capital (T2)	
T2 Instruments	9,706
Minority interests	9
Excess of provisions over expected losses eligible (excess reserve)	178
Tier 2 capital before regulatory adjustments	**9,893**
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	-180
Positive or negative elements - other	-
Total regulatory adjustments to Tier 2 (T2)	**-180**
Total adjustments in the transitional period, including minority interests (T2)	**-654**
T2 instruments eligible for grandfathering	**402**
Tier 2 Capital (T2) - Total	**9,461**

The details of instruments making up Tier 2, including those eligible for grandfathering, are provided in the following table.
In particular, note that, during the course of the second quarter of 2014, Intesa Sanpaolo S.p.A. launched a subordinated benchmark Tier 2 bond issue for 2 billion US dollars exclusively targeting the U.S. and Canadian markets. It is a 10-year, fixed-rate issue under the U.S.$ Medium Term Notes Programme of Intesa Sanpaolo. The coupon, payable semi-annually in arrears on 26 June and 26 December of each year from and including 26 December 2014 up to the maturity date, is equal to 5.017% per annum. The re-offer price was set at 100%. The total spread for the investor is equal to the yield of the 10-year U.S. Treasury Bill plus 240 basis points per annum. The settlement date was 26 June 2014.

Tier 2 (T2) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 2/3/2015: 3.75% p.a.; subsequently: 3-month Euribor + 0.89% p.a.	YES	02-Mar-2005	02-Mar-2020	02-Mar-2015	Eur	YES	500,000,000	269
Intesa Sanpaolo (*)	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur	YES	1,000,000,000	97
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	22
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	14
Total Tier 2 instruments subject to transitional provisions									**402**
Intesa Sanpaolo	5% fixed rate	NO	17-Oct-2013	17-Oct-2020	NO	Eur	NO	1,576,000,000	1,569
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,464
Intesa Sanpaolo	6.625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	1,400
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	NO	1,500,000,000	1,023
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	NO	1,250,000,000	910
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	NO	1,250,000,000	647
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	524
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	323
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	280
Intesa Sanpaolo	4% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	NO	1,096,979,000	273
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	210
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	196
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	NO	544,546,000	149
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	NO	800,000,000	119
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	NO	415,156,000	117
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	108
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	NO	382,401,000	102
Intesa Sanpaolo	6.16 % fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	NO	120,000,000	96
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	87
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	56
Intesa Sanpaolo	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	NO	30,000,000	18
Intesa Sanpaolo	6.11% fixed rate; from 23/02/2005 97% 30-year Euro Mid-Swap rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	NO	65,000,000	9
Intesa Sanpaolo	92% 30-year Euro Mid-Swap rate; never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Eur	NO	50,000,000	7
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	4
Intesa Sanpaolo	1st coupon: 8%, 2nd: 5.5%, 3rd: 4%, thereafter: 65% of 10-year Euro Swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Eur	NO	250,000,000	2
Lower subordinated liabilities issued by other Group companies									13
Total Tier 2 instruments not subject to transitional provisions									**9,706**
Total Tier 2 instruments									**10,108**

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

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

(millions of euro)

	30.06.2014
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	3,645
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	3,645
C. Threshold of 15% for significant investments and DTA not deducted in the threshold described under point B (*)	5,468

(*) 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 regime adjustments

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	**-**	**-**	**-**	**1,640**	**402**
Minority interests	**94**	**209**	**303**	**-**	**-**
Other adjustments in the transitional period	**732**	**-732**	**-**	**-**	**-**
- of which Unrealised gains on assets measured at fair value	732	-732	-	-	-
- of which Unrealised losses on assets measured at fair value	-	-	-	-	-
Regulatory adjustments	**-3,148**	**2,624**	**-524**	**-872**	**-872**
- of which Deferred tax assets that rely on future profitability and do not arise from temporary differences	-341	272	-69	-	-
- of which Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-232	186	-46	-93	-93
- of which IAS 19 Reserves	-577	558	-19	-	-
- 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	-1,998	1,608	-390	-779	-779
Other filters and adjustments	**-**	**-**	**-**	**-**	**218**
Total adjustments in the transitional period and instruments eligible for grandfathering	**n.s.**	**2,101**	**n.s.**	**768**	**-252**

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 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 Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

<table>
<tr><th></th><th colspan="2">Corporate</th><th>SME Retail</th><th>Mortgage</th></tr>
<tr><th></th><th>FIRB</th><th>AIRB LGD</th><th>IRB LGD</th><th>IRB LGD</th></tr>
<tr><td>Intesa Sanpaolo</td><td rowspan="12">Dec - 2008</td><td rowspan="11">Dec - 2010</td><td rowspan="11">Dec - 2012</td><td rowspan="10">Jun - 2010</td></tr>
<tr><td>Banco di Napoli</td></tr>
<tr><td>Cassa di Risparmio del Veneto</td></tr>
<tr><td>Cassa di Risparmio di Bologna</td></tr>
<tr><td>Cassa di Risparmio di Venezia</td></tr>
<tr><td>Cassa di Risparmio del Friuli Venezia Giulia</td></tr>
<tr><td>Cassa dei Risparmi di Forlì e della Romagna</td></tr>
<tr><td>Banca dell'Adriatico</td></tr>
<tr><td>Banca di Trento e Bolzano</td></tr>
<tr><td>Banca di Credito Sardo</td></tr>
<tr><td>Mediocredito Italiano</td><td>n.a.</td></tr>
<tr><td>Mediofactoring</td><td>Jun - 2012</td><td>*</td><td>n.a.</td></tr>
<tr><td>Gruppo Cassa di Risparmio di Firenze</td><td>Dec - 2009</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Jun - 2010</td></tr>
<tr><td>Cassa di risparmio dell'Umbria</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Cassa di Risparmio della Provincia di Viterbo</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Cassa di Risparmio di Rieti</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Banca Monte Parma</td><td>n.a.</td><td>Dec - 2013</td><td>Mar - 2014</td><td>Dec - 2013</td></tr>
<tr><td>Banca Prossima</td><td>n.a.</td><td>Dec - 2013</td><td>Dec - 2013</td><td>n.a.</td></tr>
<tr><td>Banca IMI</td><td>n.a.</td><td>Jun - 2012</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Intesa Sanpaolo Bank Ireland</td><td>Mar - 2010</td><td>Dec - 2011</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Vseobecna Uverova Banka</td><td>Dec - 2010</td><td>Jun - 2014</td><td>Jun - 2014</td><td>Jun - 2012</td></tr>
</table>

(*) Banks included in the roll-out plan which have not yet obtained authorisation from the Supervisory Authority.

It should be noted, in particular, that effective from the report as at 30 June 2014, the Slovakian subsidiary VUB received authorisation from the Bank of Italy for transition to the AIRB approach for the Corporate segment and the IRB approach for the SME Retail segment.

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 as part of the process leading up to the application for authorisation to be submitted in the first half of 2015.

The Group is also proceeding with development of the rating approaches 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.

Banks must also comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk (rate fluctuation risk) for debt securities. Applicable from the report as at 30 September 2012, Intesa Sanpaolo and Banca IMI have been authorised by the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the incremental risk charge into the calculation of the capital requirement for market risks; for Banca IMI, position risk in quotas of UCIs is also included in the internal model (with regard to the Constant Proportion Portfolio Insurance – CPPI component). The scope of validated risks has subsequently been extended to position risk on dividend derivatives and position risk on commodities for Banca IMI, which is the only legal entity in the Group authorised to hold open positions in commodities. In addition, Banca IMI and Intesa Sanpaolo have been using Stressed VaR to calculate the requirement for market risks, since December 2011. 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 network banks, with the aim of launching the validation process for regulatory purposes by the end of 2014.
The main characteristics of the model were summarised in the Pillar 3 document of 31 December 2013 (Table 9 – Counterparty risk), to which reference should be made for further details.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approach (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 6.0% of risk-weighted assets;
- the total regulatory capital (or own funds), equal to Tier 1 plus Tier 2 capital, must at all times be equal to at least 8.0% of risk-weighted assets.

Also, 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 the Intesa Sanpaolo Group from 1 January 2014 equal 7% of the Common Equity Tier 1, including the capital retention reserve equal to 2.5%, 8% of Tier 1 and 10.5% of Tier Total. The Common Equity Tier 1 ratio requirements set by the ECB as part of the Comprehensive Assessment equals 8%.
In April 2014 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(milions of euro)

	30.06.2014		
	Unweighted amounts	Weighted amounts	Requirements
A. CAPITAL REQUIREMENTS			
A.1 Credit and counterparty risks	**525,453**	**233,551**	**18,684**
1. Standardised approach	235,292	103,809	8,305
2. Internal models (IRB)	1,162	4,388	351
3. Internal models - Advanced approach and retail exposures	285,837	120,753	9,660
4. Securitisations - banking book	3,162	4,601	368
A.2 Credit risk adjustment		**1,369**	**110**
A.3 Settlement risk		**1**	**-**
A.4 Market risk		**18,620**	**1,490**
1. Standardised approach		4,179	334
2. Internal models		14,441	1,156
A.5. Concentration risk		**-**	**-**
A.6 Operational risk		**22,123**	**1,769**
1. Basic indicator approach		742	59
2. Standardised approach		3,314	265
3. Advanced measurement approach		18,067	1,445
A.7 Other capital requirements		**-**	-
A.8 Other calculation elements [(a)]		**574**	**46**
A.9 Total capital requirements		**276,238**	**22,099**
B. CAPITAL RATIOS (%)			
B.1 Common Equity Tier 1 ratio			**13.2%**
B.2 Tier 1 ratio			**13.7%**
B.3 Total capital ratio			**17.1%**

[(a)] In terms of risk-weighted assets, this capition includes the specific additional capital requirements required by the supervisory authorities for individual Group entities.

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.

As mentioned previously (see the "Introduction" to this document), comparison figures from the previous year, which were calculated according to Basel 2 rules, are not provided. For an illustration of these figures, please see the Pillar 3 Disclosure as at 31 December 2013.

The tables below provide details of the Group’s different capital requirements as at 30 June 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 30.06.2014
Credit risk	18,092
Counterparty risk	592
Total capital requirement for credit and counterparty risk	**18,684**

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 30.06.2014
Exposures to or secured by central governments and central banks	941
Exposures to or secured by regional governments or local authorities	238
Exposures to or secured by public sector organisations	408
Exposures to or secured by multilateral development banks	-
Exposures to or secured by international organisations	-
Exposures to or secured by supervised institutions	1,145
Exposures to or secured by corporates	1,886
Retail exposures	1,562
Exposures secured by real estate property	165
Default exposures	423
High-risk exposures	63
Exposures in the form of covered bonds	16
Short-term exposures to corporates or to supervised institutions	-
Exposures to UCIs	152
Equity exposures	800
Other exposures	506
Total capital requirement for credit and counterparty risk (Standardised Approach)	**8,305**

Capital requirement for Credit and Counterparty Risk (IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement 30.06.2014
A. Exposures to or secured by corporates (FIRB & AIRB Approach)	**8,625**
A.1) Specialised lending	938
A.2) Specialised lending - slotting criteria	74
A.3) SMEs	2,646
A.4) Other corporates	4,967
B. Retail exposures (IRB Approach)	**1,116**
B.1) Exposures secured by property: SMEs	78
B.2) Exposures secured by property: natural persons	781
B.3) Other retail exposures: SMEs	257
C. Equity exposures	**270**
- Equity exposures (simple risk weight approach)	**223**
C.1) Private equity exposures in sufficiently diversified portfolios	9
C.2) Exchange-traded equity exposures	66
C.3) Other equity exposures	148
- Equity exposures (PD/LGD approach)	-
- Equity exposures (Exposures subject to fixed weighting factors)	47
Total capital requirement for credit and counterparty risk (IRB Approach)	**10,011**

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

(millions of euro)

	Capital requirement 30.06.2014
Securitisations - Standardised Approach	228
Securitisations - IRB (Rating Based Approach)	140
Total capital requirement for credit and counterparty risk on securitisations	**368**

Capital requirement for Market Risk

(millions of euro)

	Capital requirement 30.06.2014
Assets included in the regulatory trading book	**1,388**
Position risk [(a)]	1,388
Other assets	**102**
Foreign exchange risk	89
Commodity risk	13
Total capital requirement for market risk	**1,490**

(a) The caption includes capital requirements for exposures to securitisations for 135 million euro.

Capital requirement for Operational Risk

(millions of euro)

	Capital requirement 30.06.2014
Basic indicator approach	59
Standardised approach	265
Advanced measurement approach	1,445
Total capital requirement for operational risk	**1,769**

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 only calculated annually, unless one or more Group companies change approach during the year, by migrating towards more evolved models.

Further information on credit, market and operational risks, as well as on the Group’s fair value policy, is provided in the Half-yearly Report as at 30 June 2014.

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 3 - Pillar 3 as at 30 June 2014" corresponds to the corporate records, books and accounts.

1 August 2014

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

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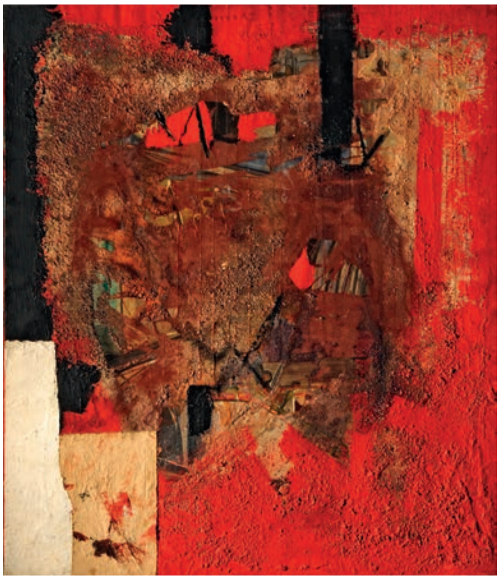
GALLERIE D'ITALIA.
THREE MUSEUMS, ONE CULTURAL NETWORK FOR ITALY.

Intesa Sanpaolo's Gallerie d'Italia project enables the bank to share its artistic and architectural heritage with the wider public. With 1,000 artworks on display in historic palazzos in three cities, its museum network is truly one of a kind.

The **Gallerie di Piazza Scala**, Milano: this prestigious architectural complex houses a selection of two hundred 19th-century masterpieces by painters from Lombardy, as well as an exhibition charting the leading figures and tendencies in Italian art from the latter half of the twentieth century.
The **Gallerie di Palazzo Leoni Montanari**, Vicenza: home to the most important collection of Russian icons in the West and examples of 18th-century painting from Veneto.
The **Gallerie di Palazzo Zevallos Stigliano**, Napoli: the galleries host the *Martyrdom of Saint Ursula*, one of Caravaggio's very last paintings, in addition to southern Italian landscapes dating from the 17th to the early 20th centuries.

On the cover



Alberto Burri
(Città di Castello 1915 – Nice 1995)
Red Black, 1953
oil, paint, canvas and ground pumice stone on canvas,
98.8 x 85.2 cm
Intesa Sanpaolo Collection
Gallerie d'Italia-Piazza Scala, Milano

Alberto Burri is one of Italy's most important post-Second World War artists. After graduating with a degree in medicine in 1940, he joined the army as a medical officer but was taken prisoner by the British in Tunisia in 1943. The following year he was transferred by the Americans to a prison camp in Texas, where he began experimenting with art. On his return to Italy, he gave up medicine to dedicate himself exclusively to painting.

The lack of faith in art and the languages of art after the War moved Burri, like his contemporaries, to seek out new means of expressing the creative angst which radiates from his work, making it the focus of his personal vision of the individual.

Red Black marks a significant hiatus in the "Art Informel" period of the early 1950s, the elegance of its forms contrasting sharply with the *brutality* of the materials. In this piece, it is as though Burri wanted to return to traditional techniques and evocative gestures as opposed to direct compositions. The painting enhances the continuity of the artist's language, as reflected in the close ties between colour and matter which transcend the complexity and variety of the media.

The choice of this work highlights the value of identity, the power of design and the courage to innovate.