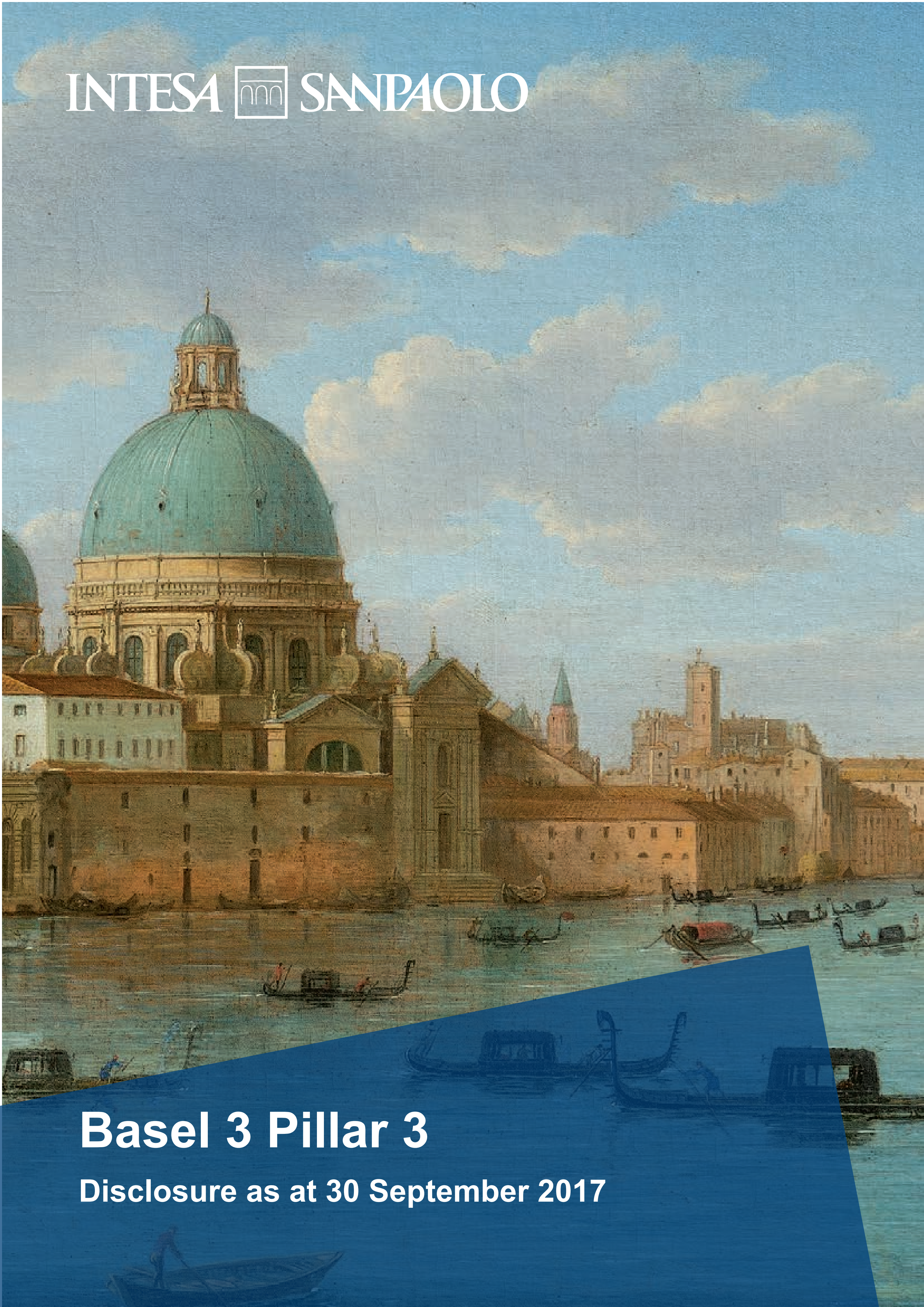
INTESA SANPAOLO



Basel 3 Pillar 3

Disclosure as at 30 September 2017

This is an English translation from the original "Terzo pilastro di Basilea 3 – Informativa al pubblico al 30 settembre 2017" and was prepared solely for the convenience of the reader. The Italian original "Terzo pilastro di Basilea 3 – Informativa al pubblico al 30 settembre 2017" was approved by the Board of Directors of Intesa Sanpaolo on 7 November 2017 and is available on group.intesasanpaolo.com

This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

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

Basel 3 Pillar 3
Disclosure as at 30 September 2017

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of “Intesa Sanpaolo”, included in the National Register of Banking Groups.

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 founded on three Pillars, which was at the basis of the previous capital accord, known as “Basel 2”, supplementing and strengthening it to increase the quantity and quality of intermediaries’ available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.

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

The content of “Basel 3” was incorporated into two EU legislative acts:

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

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

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

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

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

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

the proposed draft to amend CRR 575 published in November 2016. At the end of March 2017, the Basel Committee published the document "Pillar 3 disclosure requirements - consolidated and enhanced framework" which constitutes the second phase of the review of the reference regulatory framework concerning public disclosure, started with the abovementioned document issued in January 2015. This review aims to further promote market regulations through the consolidation of all the requirements already introduced and the arrangement of a dashboard of a bank's key prudential metrics to support the market in the analysis of the data and achieve greater comparability.
These guidelines will be applicable starting from 31 December 2017.

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In accordance with the abovementioned provisions, this document has been drawn up on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (integrated by the proportional consolidation of the jointly controlled entities).

As regards the prudential scope of consolidation, it is recalled that Intesa Sanpaolo signed a contract, effective as of 26 June 2017, with the liquidators of Banca Popolare di Vicenza and Veneto Banca for the acquisition, at the token price of one euro, of certain assets and liabilities and certain legal relationships of the two banks (hereinafter the Aggregate Set). On 25 June 2017 the two above banks were admitted to the compulsory administrative liquidation procedure provided for in the Consolidated Law on Banking and Decree Law 99 of 25 June 2017. The Aggregate Set includes the shareholdings of Banca Popolare di Vicenza S.p.A. in Banca Nuova S.p.A., of Veneto Banca S.p.A. in Banca Apulia S.p.A. and in the international banks operating in Moldova, Croatia and Albania, as well as the shareholdings of both banks in SEC Servizi S.c.p.a and in Servizi Bancari S.c.p.a.
For this operation, Intesa Sanpaolo received a public contribution of 3.5 billion euro to offset the impacts on the capital ratios deriving from the acquisition and of 1.285 billion euro to support the corporate restructuring measures that Intesa Sanpaolo must activate to fulfil the commitments made to the European Commission.
With reference to the subject of control over the abovementioned subsidiaries, inside the acquired segregated scope, the contractual clauses concerning the abovementioned acquisition as a whole were carefully analysed, along with the legal framework within which this operation is intended to produce its effects. Following the analysis, in the absence of the authorisations from the competent authorities (ECB, Antitrust, etc.), the above investments were not included in the prudential scope of consolidation as at 30 June 2017. In view of the conclusion of the authorisation process, all the abovementioned subsidiaries were included in the prudential scope of consolidation as at 30 September 2017, as the date of acquisition - determined based on the issue of the authorisations required to exercise control - was close to 30 September 2017.
However, the prudential scope of consolidation as at 30 September 2017 did not include Veneto Banka sh.a. (Albania), for which the authorisation from the local central bank had not been received at the reporting date, and Eximbank s.a. (Moldova), for which the change of ownership registration had not yet started at the reporting date.
For further details concerning the aforementioned acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, please refer to the thorough discussion provided in Intesa Sanpaolo's Interim Statement as at 30 September 2017 and in the Half-yearly Report as at 30 June 2017.
In addition to the above, the prudential scope of consolidation did not show significant changes compared to 31 December 2016.

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

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

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

Given the public importance of this disclosure, the “Basel 3 Pillar 3 disclosure” is signed by the Manager responsible for preparing the Company's financial reports and is subject to the checks and controls established in the Group’s “Guidelines for administrative and financial governance”, which set out the rules for the application of art. 154 bis of the Consolidated Law on Finance in the Intesa Sanpaolo Group. In particular, the internal control system for accounting and financial information is designed to ensure the ongoing verification of the adequacy and effective implementation of the administrative and accounting procedures at Group level.

All the amounts reported in this disclosure, unless otherwise specified, are stated in millions of euro.

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

Own Funds and capital ratios as at 30 September 2017

(millions of euro)

Own funds and capital ratios	30.09.2017	31.12.2016
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,901	35,926
Additional Tier 1 capital (AT1) net of regulatory adjustments	5,418	3,533
TIER 1 CAPITAL	**43,319**	**39,459**
Tier 2 capital net of regulatory adjustments	8,005	8,815
TOTAL OWN FUNDS	**51,324**	**48,274**
Risk-weighted assets		
Credit and counterparty risks	251,352	243,351
Market and settlement risk	17,487	19,199
Operational risks	21,231	19,545
Other specific risks [a]	1,236	1,823
RISK-WEIGHTED ASSETS	**291,306**	**283,918**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.0%	12.7%
Tier 1 capital ratio	14.9%	13.9%
Total capital ratio	17.6%	17.0%

[a] The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

The figures as at 30 September 2017 include assets and liabilities in relation to the acquired operations of Banca Popolare di Vicenza and Veneto Banca

Own Funds, risk-weighted assets and the capital ratios as at 30 September 2017 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.
Regulatory provisions governing Own Funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions (i.e. grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from Own Funds (over a period of eight years).
Accordingly, the prudential ratios as at 30 September 2017 take account of the adjustments envisaged by the transitional provisions for 2017.
As at 30 September 2017, total Own Funds came to 51,324 million euro, against risk-weighted assets of 291,306 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
In January and May 2017, Intesa Sanpaolo issued two Additional Tier 1 (AT 1) equity instruments, respectively for 1.25 and 0.75 billion euro. These two issues complete the issue of 4 billion euro of Additional Tier 1 instruments envisaged in the 2014-17 Business Plan (a first issue of AT1 instruments had already been carried out in September 2015 for 1 billion dollars and a second one in January 2016 for 1.25 billion euro). The instruments issued in January and May 2017, both targeted to the international markets, have, as the issues of 2015 and 2016, characteristics in line with the provisions of CRD IV and the CRR, are perpetual (with maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and may be redeemed in advance by the issuer respectively after 10 and 7 years from the issue date and on every coupon payment date thereafter.
With regard to the January 2017 issue for 1.25 billion euro, the coupon, payable semi-annually in arrears on 11 January and 11 July of each year, with first payment on 11 July 2017, is equal to 7.75% per annum. With regard to the May 2017 issue for 0.75 billion euro, the issuer will pay a fixed rate coupon of 6.25% per annum, payable semi-annually in arrears on 16 May and 16 November of each

year, with first coupon payment on 16 November 2017. For both issues, if the early redemption option is not exercised on 11 January 2027 and 16 May 2024, respectively, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date). As envisaged by the regulations applicable to AT 1 instruments, the payment of coupons for both instruments is discretionary and subject to certain limitations.

Moreover, the offering period relating to the subordinated Tier 2 bond issue targeted to qualified investors and high-net-worth individuals on the domestic market ended on 21 September 2017 with the assignment of a nominal amount of 723.7 million euro. This floating-rate bond has a 7-year duration and will be redeemed in whole at maturity. The coupon, payable quarterly in arrears on 26 March, 26 June, 26 September and 26 December of each year, from 26 December 2017 to 26 September 2024, is equal to 3-month Euribor plus 190 basis points per annum.

Common Equity Tier 1 capital includes the 3.5 billion euro public contribution received to offset the impact of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca; this amount was recognised in the income statement for the period and shall not be considered as a distributable amount. Conversely, net income for the period, net of the abovementioned contribution, was not included in Common Equity Tier 1 capital (just as the relative pro-rata dividend for the period), since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017 based on the overall objective of 10 billion euro in cumulative cash dividends as indicated in the 2014-2017 Business Plan.

With regard to the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, please note that, in calculating the Group's prudential ratios as at 30 September 2017, risk-weighted assets of the acquired operations and the subsidiary banks included in the aggregated scope of the sale contract for which the authorisation process for inclusion in the banking Group had been completed as at 30 September 2017 were taken into consideration. Conversely, the banking subsidiaries for which the authorisation process and related fulfilments were still pending, in the case in point Veneto Banka sh.a. (Albania) and Eximbank s.a. (Moldova), were considered among the elements deducted from own funds.

Based on the foregoing, the Total capital ratio was 17.6%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.9%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 13.0%.

You are reminded that, on 12 December 2016, Intesa Sanpaolo received the ECB's final decision regarding the capital requirements to be observed with effect from 1 January 2017, in light of the results of the Supervisory Review and Evaluation Process (SREP). The capital requirement at consolidated level in terms of Common Equity Tier 1 ratio is 7.25% under the transition arrangements in force for 2017 and 9.25% on a fully loaded basis.

Own funds

Qualitative and quantitative disclosure

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

These regulatory provisions were adopted in Italy through the following circulars:
- Bank of Italy Circular no. 285: Supervisory regulations for banks;
- Bank of Italy Circular no. 286: Instructions for preparing prudential reports for banks and Italian investment companies;
- Update of Bank of Italy Circular no. 154: Credit and financial institutions supervisory reports: Preparation and transmission.

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

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

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

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

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

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

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

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

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

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

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 30 September 2017 is summarised in the table below.

(millions of euro)

	30.09.2017	31.12.2016
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**46,772**	**43,298**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**-1,321**	**-808**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**45,451**	**42,490**
D. Items to be deducted from CET 1	**-8,855**	**-7,670**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional adjustments	**1,305**	**1,106**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**37,901**	**35,926**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**5,638**	**3,842**
of which AT1 instruments subject to transitional adjustments	1,025	1,230
H. Items to be deducted from AT1	**-**	**-**
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 pursuant to transitional adjustments	**-220**	**-309**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**5,418**	**3,533**
M. Tier 2 (T2) before items to be deducted and effects of transitional period	**8,936**	**9,154**
of which T2 instruments subject to transitional adjustments	547	410
N. Items to be deducted from T2	**-756**	**-152**
O. Transitional period - Impact on T2 (+ / -), including instruments issued by subsidiaries and included in T2 pursuant to transitional adjustments	**-175**	**-187**
P. Total Tier 2 (T2) (M - N +/- O)	**8,005**	**8,815**
Q. Total own funds (F + L + P)	**51,324**	**48,274**

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

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

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

Reconciliation of net book value and Common Equity Tier 1 Capital

(millions of euro)

	30.09.2017	31.12.2016
Group Shareholders' equity	53,648	48,911
Minority interests	391	408
Shareholders' equity as per the Balance Sheet	**54,039**	**49,319**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Other equity instruments eligible for inclusion in AT1	-4,120	-2,121
- Minority interests eligible for inclusion in AT1	-8	-6
- Minority interests eligible for inclusion in T2	-5	-2
- Ineligible minority interests on full phase-in	-333	-356
- Ineligible net income for the period [a]	-2,388	-3,111
- Treasury shares included under regulatory adjustments	96	98
- Other ineligible components on full phase-in	-24	-38
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**46,772**	**43,298**
Regulatory adjustments (including transitional adjustments)	**-8,871**	**-7,372**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**37,901**	**35,926**

[a] Common Equity Tier 1 capital includes the public contribution of 3.5 billion euro recognised in the income statement, received to offset the impact of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca on the capital ratios. Conversely, net income for the period, net of the abovementioned contribution, was not included in Common Equity Tier 1 capital (just as the related pro-rata dividend for the period), since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017, based on the 2014-2017 Business Plan.

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

Common Equity Tier 1 Capital (CET1)

(millions of euro)

	30.09.2017	31.12.2016
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	8,247	8,247
Share premium reserve	26,006	27,349
Reserves [(a)]	10,882	9,512
Accumulated other comprehensive income	-1,908	-1,854
Net income (loss) for the period [(b)]	5,888	3,111
Net income (loss) for the period not eligible [(b)]	-2,388	-3,111
Dividends and other expected charges	-	-
Minority interests	45	44
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**46,772**	**43,298**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-96	-98
Goodwill	-4,108	-4,183
Other intangible assets	-2,878	-2,822
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-564	-155
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-232	-23
Defined benefit pension funds assets	-	-
Prudential filters		
- of which Cash Flow Hedge Reserve	*1,030*	*1,146*
- of which Gains or Losses due to changes in own credit risk (DVA)	*-26*	*53*
- of which Prudent valuation adjustments	*-133*	*-144*
- of which Other prudential filters	-	-
Exposures to securitisations deducted rather than risk weighted at 1250%	*-192*	*-115*
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically, which exceed the threshold of 10% of Common Equity	-	-
Deductions with 10% threshold [(d)]	-2,000	-1,748
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	-	-
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	*-2,000*	*-1,748*
Deductions with threshold of 17.65% [(e)]	-584	-
Positive or negative elements - other	-393	-389
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-10,176**	**-8,478**
Total adjustments in the transitional period (CET1)	**1,305**	**1,106**
Common Equity Tier 1 (CET1) - Total	**37,901**	**35,926**

[(a)] Portion included in CET1.

[(b)] Common Equity Tier 1 capital includes the 3.5 billion euro state contribution, recognised in the income statement, received to offset the impact of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca on the capital ratios. Conversely, net income for the period, net of the abovementioned contribution, was not included in Common Equity Tier 1 capital (just as the related pro-rata dividend for the period), since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017, based on the 2014-2017 Business Plan.

[(c)] See the specific table for the details of the calculation of the deduction thresholds.

[(d)] The deductions reported refer solely to DTAs and material investments not deducted in the 10% threshold.

Common Equity Tier 1 capital includes the 3.5 billion euro state contribution received to offset the impact on the capital ratios of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca. The amount was recognised in the income statement. Conversely, net income for the period, net of the abovementioned contribution, was not included in Common Equity Tier 1 capital (just as the relative pro-rata dividend for the period), since Intesa Sanpaolo has decided to apply to the ECB for authorisation pursuant to Art. 26 of the CRR to include the net income for the period in Own Funds only when the amount of the net income exceeds the total amount of the planned dividend distribution for the year, equal to 3.4 billion euro for 2017, based on the indications of the 2014-2017 Business Plan.

The “Negative elements – other” mainly include the sterilisation in common equity of deferred tax assets (DTA) associated with tax realignment of a single item of goodwill. Exclusion is gradual. The amount of the filter as at 30 September 2017 is equal to 219 million euro.

Additional Tier 1 Capital (AT1)

(millions of euro)

	30.09.2017	31.12.2016
Additional Tier 1 capital (AT1)		
Saving shares	485	485
Other AT1 instruments	4,120	2,121
Minority interests	8	6
Additional Tier 1 capital (AT1) before regulatory adjustments	**4,613**	**2,612**
Additional Tier 1 capital (AT1): Regulatory adjustments		
AT1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
AT1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-	-
Positive or negative items - other	-	-
Total regulatory adjustments to Additional Tier 1 (AT1)	**-**	**-**
Total adjustments in the transitional period, including minority interests (AT1)	**-220**	**-309**
AT1 instruments eligible for grandfathering	**1,025**	**1,230**
Additional Tier 1 (AT1) - Total	**5,418**	**3,533**

AT1 instruments are detailed in the tables below.

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

Furthermore, it is worth mentioning that, in May 2017, Intesa Sanpaolo launched a second Additional Tier 1 issue of 750 million euro, targeted at the international markets. This second issue also has characteristics in line with CRD IV provisions, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be redeemed in advance by the issuer after 7 years from the issue date and on every coupon payment date thereafter. The issuer will pay a fixed rate coupon of 6.25% per annum, payable semi-annually in arrears every 16 May and 16 November of each year, with the first coupon payment on 11 November 2017. In the event that the early redemption rights are not utilised on 16 May 2024, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). In accordance with the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier 1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.
The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments have been reported in Attachment 1 to the Basel 3 Pillar 3 - Disclosure as at 31 December 2016. Attachment 1 as at 30 September 2017 only provides details on the new instruments issued during the period.

Additional Tier 1 (AT1) equity instruments as at 30 September 2017

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfather-ing	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 14/10/2019: 8.375% fixed rate; thereafter 3-month Euribor + 687 bps/year	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500,000,000	484
Intesa Sanpaolo	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	YES	1,250,000,000	378
Intesa Sanpaolo	up to 24/9/2018 (excluded): 8.698%; thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250,000,000	163
Total Additional Tier 1 instruments subject to transitional provisions									**1,025**
Intesa Sanpaolo	6,25% fixed rate	NO	16-May-2017	perpetual	16-May-2024	Eur	NO	750,000,000	750
Intesa Sanpaolo	7.70% fixed rate (up to the first call date)	NO	19-Jan-2016	perpetual	19-Jan-2021	Eur	NO	1,250,000,000	1,250
Intesa Sanpaolo	7.75% fixed rate (up to the first call date)	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,250
Intesa Sanpaolo	7.70% fixed rate (up to the first call date)	NO	19-Sep-2015	perpetuo	17-Sep-2025	Usd	NO	1,000,000,000	871
Total Additional Tier 1 instruments not subject to transitional provisions									**4,121**
Total Additional Tier 1 equity instruments									**5,146**

Tier 2 Capital (T2)

(millions of euro)

	30.09.2017	**31.12.2016**
Tier 2 Capital (T2)		
T2 Instruments	8,359	8,503
Minority interests	5	2
Excess of provisions over expected losses eligible (excess reserve)	25	239
Tier 2 capital before regulatory adjustments	**8,389**	**8,744**
Tier 2 Capital (T2): Regulatory adjustments		
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-756	-152
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	**-756**	**-152**
Total adjustments in the transitional period, including minority interests (T2)	**-175**	**-187**
T2 instruments eligible for grandfathering	**547**	**410**
Tier 2 Capital (T2) - Total	**8,005**	**8,815**

Furthermore, it is worth mentioning that, in September 2017, Intesa Sanpaolo launched an Additional Tier 2 subordinated issue of 724 million euro, targeted at the international markets. This issue has characteristics in line with CRD IV provisions and a duration of 7 years. The issuer will pay a floating rate coupon equal to the 3-month Euribor + 190bps, payable quarterly in arrears every 26 March, 26 June, 26 September and 26 December of each year, with the first coupon payment on 26 December 2017.

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

Tier 2 (T2) capital instruments as at 30 September 2017

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo (*)	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 687 bps/p.a.	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500,000,000	247
Intesa Sanpaolo (*)	up to 20/6/2018 excluded: 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	YES	1,250,000,000	193
Intesa Sanpaolo (*)	8,698% up to 24/9/2018 excluded; thereafter 3-month Euribor 3 + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250,000,000	83
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 2%)/4	NO	31-Mar-2011	31-Mar-2018	NO	Eur	YES	373,400,000	7
Intesa Sanpaolo	up to 18/3/2019 excluded: 5.625% p.a.; thereafter: 3-month Sterling Libor + 1.125 p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	YES	165,000,000	15
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	YES	479,050,000	2
Total Tier 2 instruments subject to transitional provisions									**547**
Intesa Sanpaolo	3-month Euribor + 190 bps/4	NO	26-Sep-2017	26-Sep-2024	NO	Eur	NO	724,000,000	724
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,662
Intesa Sanpaolo	6,6625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	1,409
Intesa Sanpaolo	5,71% fixed	NO	15-Jan-2016	15-Jan-2026	NO	Usd	NO	1,500,000,000	1,270
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	980
Intesa Sanpaolo	3-month Euribor + 237 bps/4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	725
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	NO	1,250,000,000	514
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	NO	1,500,000,000	415
Intesa Sanpaolo	2,855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	480
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	NO	1,250,000,000	101
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	33
Intesa Sanpaolo	6.16 % fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	NO	120,000,000	18
Intesa Sanpaolo	up to 26/6/2013 excluded: 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	NO	Eur	NO	500,000,000	16
Intesa Sanpaolo	up to 20/2/2013 excluded: 3-month Euribor + 0.25% p.a.; thereafter: 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	NO	Eur	NO	750,000,000	12
Intesa Sanpaolo	6.375% fixed rate ; from 12 Nov 2012 3-month gpb libor	YES	12-Oct-2007	12-Nov-2017	NO	Gbp	NO	250,000,000	-
Total Tier 2 instruments not subject to transitional provisions									**8,359**
Total Tier 2 instruments									**8,906**

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

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

(millions of euro)

	30.09.2017	31.12.2016
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	3,918	3,657
B. Threshold of 10% for CET1 instruments of financial sector entities where the institution has a significant investment and for DTA that rely on future profitability and arise from temporary differences	3,918	3,657
C. Threshold for significant investments and DTA not deducted in the threshold described under point B:		
• 15% during the transitional period until 31 December 2017	5,925	5,526
• 17.65% from 2018	5,490	5,236

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

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

Transitional period adjustments as at 30 September 2017

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

(millions of euro)

	ADJUSTMENTS TO CET1			ADJUSTMENTS TO AT1	ADJUSTMENTS TO T2
	Amounts eligible /deductible on full phase-in	Adjustments to CET1	Net effect on CET1 at the date		
Instruments eligible for grandfathering	**-**	**-**	**-**	**1,025**	**547**
Minority interests	**45**	**27**	**72**	**-**	**-**
Other adjustments in the transitional period	**314**	**-62**	**252**	**-**	**-**
- of which Unrealised gains on assets measured at fair value	314	-62	252	-	-
- of which Unrealised losses on assets measured at fair value	-	-	-	-	-
Regulatory adjustments	**-3,374**	**834**	**-2,540**	**-220**	**-220**
- of which Deferred tax assets that rely on future profitability and do not arise from temporary differences	-564	113	-451	-	-
- of which Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-232	46	-186	-	-
- of which IAS 19 Reserves	-578	196	-382	-23	-23
- 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	-2,000	479	-1,521	-197	-197
Other filters and adjustments	**-584**	**506**	**-78**	**-**	**45**
Total adjustments in the transitional period and instruments eligible for grandfathering	**-3,599**	**1,305**	**-2,294**	**805**	**372**

Capital requirements

Qualitative and quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's capital must normally amount to at least 9.25% 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 reduction in operational risk from the recognition of insurance coverage.

With regard to credit risks, compared to the situation as at 30 June 2017, on 28 august 2017 the group received notice from the ECB of authorisation to use the internal estimates of the credit conversion factor (CCF) to calculate EAD for the corporate segment, starting with supervisory reporting as at 30 September 2017, on a scope including the parent company, the network banks in the Banca dei Territori division, the main Italian companies of the group, Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Bank Luxembourg.

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

The development and application of IRB systems for the other segments and the extension of the scope of companies is proceeding according to the Group's Basel 3 roll-out plan.

The credit exposures included in the acquired scope of operations of Veneto Banca S.p.A. and Banca Popolare di Vicenza S.p.A. (former Venetian banks) are evaluated, with reference to 30 September 2017, with the standardised approach. They will migrate to the internal rating systems according to a plan that will be agreed with the Supervisory Authority.

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

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

The elements indicated above are subject to the following limits:

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

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

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

consider a capital conservation buffer, equal to 2.5% according to the fully-loaded arrangements in force for 2019, and an O-SII Buffer (Other Systemically Important Institutions Buffer), equal to 0.75% on a fully loaded basis in 2021.

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

Countercyclical capital buffer

Below is the information relating to the "Countercyclical capital buffer", prepared based on the ratios applicable at 30 September 2017 and Delegated Regulation (EU) 2015/1555 of the Commission of 28 May 2015 which integrates regulation (EU) no. 575/2013 of the European Parliament and of the Council (so-called CRR) regarding the regulatory technical standards pertaining to the publication of information in relation to the compliance of the institutions' obligation to hold a countercyclical capital buffer pursuant to Article 440 of the same CRR. As established by Article 140, paragraph 1, of directive 2013/36/EU (so-called CRD IV), the specific countercyclical ratio of the institution consists in the weighted mean of the countercyclical ratios which are applied in the countries where the relevant credit exposures of the institutions are located.

CRD IV establishes the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer (CCyB) starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Italy with Bank of Italy circular no. 285, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the Bank of Italy decided to keep the countercyclical ratio (relating to the exposures towards Italian counterparties) for the fourth quarter of 2017 at 0%.

The relevant credit exposures include all the classes of exposure other than those under Article 112, letters from a) to f), of regulation (EU) no. 575/2013. The following portfolios are excluded: exposures to central administrations or central banks; exposures to regional administrations or local authorities; exposures to public-sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

In reference to 30 September 2017:

– the countercyclical capital ratios at individual country level were set, with the methods summarised above, generally equal to 0%, with the exception of the following countries: Sweden (2.00%), Norway (1.50%), Hong Kong (1.25%), Iceland (1.00%), Czech Republic (0.50%) and Slovakia (0.50%);
– at consolidated level, Intesa Sanpaolo's specific countercyclical ratio equals 0.02%.

Amount of the specific countercyclical capital buffer of the Intesa Sanpaolo Group

(millions of euro)

	30.09.2017	31.12.2016
Total risk exposure	291,306	283,918
Specific countercyclical ratio of the institution	0.020%	0.002%
Specific countercyclical capital buffer requirement of the institution	58	6

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

	30.09.2017			31.12.2016		
	Unweighted amounts	Weighted amounts	Requirements	Unweighted amounts	Weighted amounts	Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**621,542**	**250,366**	**20,030**	**571,335**	**242,312**	**19,385**
1. Standardised approach	284,340	112,414	8,994	270,507	114,333	9,146
2. Internal models (IRB)	3,411	7,100	568	2,842	6,622	530
3. Internal models - Advanced approach and retail exposures	326,953	127,321	10,186	288,863	117,034	9,363
4. Securitisations - banking book	6,838	3,531	282	9,123	4,323	346
A.2 Credit risk adjustment		**986**	**79**		**1,039**	**83**
A.3 Settlement risk		**1**	**-**		**1**	**-**
A.4 Market risk		**17,486**	**1,399**		**19,198**	**1,536**
1. Standardised approach		2,644	212		1,628	130
2. Internal models		14,842	1,187		17,570	1,406
A.5. Concentration risk		**-**	**-**		**-**	**-**
A.6 Operational risk		**21,231**	**1,698**		**19,545**	**1,563**
1. Basic indicator approach		3,488	279		489	39
2. Standardised approach		2,805	224		2,805	224
3. Advanced measurement approach		14,938	1,195		16,251	1,300
A.7 Other capital requirements		**-**	-		**-**	-
A.8 Other calculation elements [(a)]		**1,236**	**99**		**1,823**	**146**
A.9 Total capital requirements		**291,306**	**23,305**		**283,918**	**22,713**
B. CAPITAL RATIOS (%)						
B.1 Common Equity Tier 1 ratio			**13.0%**			**12.7%**
B.2 Tier 1 ratio			**14.9%**			**13.9%**
B.3 Total capital ratio			**17.6%**			**17.0%**

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

In the case of the standardised approach, “unweighted amounts” correspond – in accordance with regulatory provisions – to the exposure value, which takes into account prudential filters, risk mitigation techniques and credit conversion factors. In the case of the internal rating based approach, “unweighted amounts” correspond to “exposure at default” (EAD). For guarantees given and commitments to disburse funds, credit conversion factors are included when determining EAD.

As highlighted above, on 28 August 2017 the Group received authorisation from the ECB, starting with Supervisory reporting as at 30 September 2017, to use internal estimates of the credit conversion factor (CCF) to calculate EAD for the Corporate segment.
The credit conversion factor (CCF) is the percentage of the margin on a given credit line that will become an exposure over a given time horizon. When multiplied by the credit line's available undrawn margin, it generates exposure at default (EAD).
The estimation model is based on an analysis of drawdowns over the 12 months prior to the event of default and yields a grid specific to each type of business (international and domestic), portfolio (Corporate and Large Corporate), product macro-aggregate (On-Balance Sheet Portfolio and Medium-/Long-term Products), type of credit line (revocable and irrevocable), percent margin bracket on agreed amounts (thresholds of 15%, 30% and 55%), borrower's turnover (thresholds of 0.5 and 2 million euro) and business sector (industrial and non-industrial).
The EAD of credit products without margins has been determined by multiplying the drawdown by the "K-Factor" calculated as the ratio of drawn amounts at default to performing drawn amounts. The statistical analysis supported the choice of a K-Factor of 100% (exposure at default equivalent to drawdowns).

The tables below provide details of the Group’s different capital requirements as at 30 September 2017, with a comparison to the same figures as at 31 December 2016.

Capital requirement for Credit and Counterparty Risk

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

(millions of euro)

	Capital requirement	
	30.09.2017	**31.12.2016**
Credit risk	19,526	18,923
Counterparty risk	504	462
Total capital requirement for credit and counterparty risk	**20,030**	**19,385**

Counterparty risk is calculated on both the trading book and the banking book. The relative requirements are presented, for each regulatory portfolio, in the following tables.

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.09.2017	**31.12.2016**
Exposures to or secured by central governments and central banks	1,669	1,383
Exposures to or secured by regional governments or local authorities	37	214
Exposures to or secured by public sector organisations	60	254
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	388	1,314
Exposures to or secured by corporates	2,489	2,350
Retail exposures	1,790	1,440
Exposures secured by real estate property	460	133
Default exposures	312	378
High-risk exposures	141	12
Exposures in the form of covered bonds	10	13
Short-term exposures to corporates or to supervised institutions	-	-
Exposures to UCIs	142	181
Equity exposures	862	881
Other exposures	634	593
Total capital requirement for credit and counterparty risk (Standardised Approach)	**8,994**	**9,146**

Capital requirement for Credit and Counterparty Risk (IRB Approaches)

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.09.2017	31.12.2016
A. Exposures to or secured by supervised intermediaries, public and local authorities and other counterparties	**1,277**	**-**
B. Exposures to or secured by corporates (FIRB & AIRB Approach)	**7,903**	**8,318**
A.1) Specialised lending	657	739
A.2) Specialised lending - slotting criteria	75	76
A.3) SMEs	2,505	1,996
A.4) Other corporates	4,666	5,507
C. Retail exposures (IRB Approach)	**1,109**	**1,110**
B.1) Exposures secured by property: SMEs	60	61
B.2) Exposures secured by property: natural persons	856	857
B.3) Other retail exposures: SMEs	193	192
D. Equity exposures	**465**	**465**
C.1) Equity exposures (Simple risk weight approach)	84	319
- Private equity exposures in sufficiently diversified portfolios	-	1
- Exchange-traded equity exposures	-	61
- Other equity exposures	84	257
C.2) Equity exposures (PD/LGD approach)	229	-
C.3) Equity exposures (Exposures subject to fixed weighting factors)	152	146
Total capital requirement for credit and counterparty risk (IRB Approach)	**10,754**	**9,893**

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

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.09.2017	31.12.2016
A. Specialised lending - slotting criteria	**75**	**76**
A.1) Category 1 - 50% - 70% greater than or equal to 2.5 years	12	13
A.2) Category 2 - 70% less than 2.5 years - 90%	22	27
A.3) Category 3 - 115%	24	21
A.4) Category 4 - 250%	17	15
A.5) Category 5 - 0%	-	-
Total capital requirement for credit and counterparty risk (IRB Approach) - slotting criteria	**75**	**76**

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

(millions of euro)

	Capital requirement	
	30.09.2017	31.12.2016
Securitisations - Standardised Approach	228	283
Securitisations - IRB (Rating Based Approach - Supervisory formula approach)	54	63
Total capital requirement for credit and counterparty risk on securitisations	**282**	**346**

Capital requirement for Market Risk

(millions of euro)

	Capital requirement	
	30.09.2017	**31.12.2016**
Assets included in the regulatory trading book	**1,335**	**1,459**
Position risk [(a)]	1,335	1,459
Other assets	**64**	**77**
Foreign exchange risk	56	42
Commodity risk	8	35
Total capital requirement for market risk	**1,399**	**1,536**

(a) The caption includes capital requirements for exposures to securitisations for 50 million euro.

Capital requirement for Operational Risk

(millions of euro)

	Capital requirement	
	30.09.2017	**31.12.2016**
Basic indicator approach	279	39
Standardised approach	224	224
Advanced measurement approach	1,195	1,300
Total capital requirement for operational risk	**1,698**	**1,563**

Almost all the Group companies use the Advanced Measurement Approach (AMA) and – to a lesser extent – the Standardised Approach to determine capital requirements for operational risk. A small remaining number of companies use the Basic Indicator Approach (BIA).
The capital absorption resulting from this process amounts to 1,698 million euro as at 30 September 2017, up from 1,563 million euro as at 31 December 2016, above all due to the inclusion of the operational risks requirements of Veneto Banca, Banca Popolare di Vicenza, Banca Nuova, Banca Apulia and Veneto Banka Croazia.

Leverage Ratio

Qualitative and quantitative disclosure

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

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

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

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

Leverage ratio of the Intesa Sanpaolo Group

The disclosure of the Leverage ratio of the Intesa Sanpaolo Group as at 30 September 2017 is presented below, disclosed in accordance with the regulatory principles of the CRR, amended according to the Delegated Act and expressed in percent form.

The Leverage ratio is indicated according to the transitional provisions.

(millions of euro)

Capital and total exposure measure	**30.09.2017**	**31.12.2016**
Tier 1 capital	43,319	39,459
Leverage ratio total exposure measure	673,502	626,077
Leverage ratio	**6.4%**	**6.3%**

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

The Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 3 - Pillar 3 as at 30 September 2017" corresponds to the corporate records, books and accounts.

Milano, 7 November 2017

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

Attachment 1

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

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

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

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

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	XS1614415542
3	Governing law(s) of the instrument	English law, except subordination clauses
	REGULATORY TREATMENT	
4	Transitional CRR rules	Additional Tier 1 Capital
5	Post-transitional CRR rules	Additional Tier 1 Capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt security - Art. 52 CRR
8	Amount recognised in regulatory capital (€/mln)	750
9	Nominal amount of instrument: original amount in currency of issuance (mln)	750
	Nominal amount of instrument: original amount - currency of issuance	EUR
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	750
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16/05/2017
12	Perpetual or dated	Irredeemable
13	Original maturity date	Without maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	16/05/2024 (and on every interest payment date thereafter)
	Contingent call dates and redemption amount	Regulatory and Tax Event
16	Subsequent call dates, if applicable	Call date exercisable on every interest payment date after 16/05/2024
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6,25% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	Fully discretionary. Moreover, the Regulator can prevent payment of interest at any time.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncomulative or comulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of the nominal capital if the CET1 of lintesa Sanpaolo or of the Intesa Sanpaolo Group falls below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	In case the CET1 of ISP or of the Group is re-established above 5.125 pct, the issuer can decide to write-up the Nominal Capital within the limits of the Maximum Distributable Amount.
35	Position in subordination hierarchy in liquidation	Senior compared to Equity and subordinated compared to the instruments having lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

Common equity Tier 2 instruments (T2) - New issues

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier	IT0005279887
3	Governing law(s) of the instrument	Italian Law
	REGULATORY TREATMENT	
4	Transitional CRR rules	Tier 2 Capital
5	Post-transitional CRR rules	Tier 2 Capital
6	Eligible at: solo; consolidated; solo & consolidated	Solo & consolidated
7	Instrument type	Debt security - Art. 62 CRR
8	Amount recognised in regulatory capital (€/mln)	724
9	Nominal amount of instrument: original amount in currency of issuance (mln)	724
	Nominal amount of instrument: original amount - currency of issuance	Eur
	Nominal amount of instruments: conversion of original amount into euro (€/mln)	724
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities - Amortised cost
11	Original date of issuance	26/09/2017
12	Perpetual or dated	at maturity
13	Original maturity date	26/09/2024
14	Issuer call subject to prior supervisory approval	NO
15	Optional call date	N/A
	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 190 bps payable quarterly
19	Existence of a dividend stopper	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
	Fully discretionary, partially discretionary or mandatory (in terms of timing) - reasons for discretion	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	NO
22	Noncomulative or comulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	NO
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Senior compared to "Additional Tier 1" and subordinated compared to "Senior Unsecured" instruments
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	N/A = Not applicable	

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