



Intesa Sanpaolo Resolution Plan Section 1: Public Section

December 21, 2018

Section 1 – Public Section

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1. Public Section

1.I. Summary of Resolution Plan

On September 13, 2011, the Board of Governors of the Federal Reserve System (the “**FRB**”) and the Federal Deposit Insurance Corporation (the “**FDIC**”) jointly adopted a final rule pursuant to Section 165(d) of Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (FRB Regulation QQ, Part 381 of the FDIC Regulations) (the “**165(d) Rule**”) to implement resolution planning requirements for certain nonbank financial companies, bank holding companies and foreign banking organizations treated as bank holding companies.

The 165(d) Rule requires that a foreign banking organization treated as a bank holding company with operations in the United States and more than \$50 billion in total consolidated global assets submit to the FRB and the FDIC a plan for the rapid and orderly resolution of the covered company’s U.S. operations in the event of material distress or failure. Intesa Sanpaolo S.p.A. (on a consolidated basis, “**Intesa Sanpaolo**” and, on an unconsolidated basis, the “**Bank**”) had total consolidated global assets in excess of \$50 billion, is therefore deemed to be a “covered company” pursuant to the 165(d) Rule and is required

to file a resolution plan submission (the “**Resolution Plan**”) for its U.S. operations with the FRB and the FDIC.

As of December 31, 2017, Intesa Sanpaolo was one of the largest banking groups in Italy, and one of the largest banking groups in Europe. Intesa Sanpaolo has an international network specialized in providing support to corporate customers, in particular Europe, the Middle East, North Africa, and other areas where Italian businesses are most active, including the United States, Russia, China and India. As of December 31, 2017, it had 96,892 employees and 5,843 branches worldwide. The focus of Intesa Sanpaolo’s international activities, however, is on Italy and the rest of Europe.

Intesa Sanpaolo’s U.S. operations consist of activities of the Corporate and Investment Banking Division, together with funding activities.

Intesa Sanpaolo is providing the information required by the 165(d) Rule, including:

- A. The “material entities” (“**MEs**”) within Intesa Sanpaolo’s U.S. operations;
- B. The “core business lines” (“**CBLs**”) within Intesa Sanpaolo’s U.S. operations;
- C. Summary financial information regarding assets, liabilities, capital and major funding sources;
- D. Description of derivative and hedging activities;
- E. Memberships in material payment, clearing and settlement systems;
- F. Description of foreign operations;
- G. Material supervisory authorities;
- H. Principal officers;
- I. Corporate governance structure and processes related to resolution planning;
- J. Material management information systems; and
- K. Intesa Sanpaolo’s U.S. resolution strategy.

As described in more detail in Section I.K, the Resolution Plan demonstrates how the MEs and CBLs within Intesa Sanpaolo’s U.S. operations can be resolved in an orderly wind-down and liquidation under the applicable U.S. insolvency regimes. Intesa Sanpaolo has a limited footprint in the United States and has no critical operations (“**COs**”) whose failure or discontinuance would pose a threat to the financial stability of the United States.

1.I.A. Material Entities

The 165(d) Rule defines a ME as an entity that is significant to the activities of a CBL. As described in the following section, Intesa Sanpaolo identified its CBLs based on analysis of several factors. Using these CBLs as the foundation for its analysis of its legal entities, Intesa Sanpaolo identified two MEs.

Intesa Sanpaolo performed this analysis using key performance metrics to assess materiality. The MEs are:

- **Intesa Sanpaolo New York Branch (“ISPNY”)**, licensed by the New York State Department of Financial Services and approved by the FRB as a New York branch of a foreign bank. ISPNY accepts only wholesale deposits which are not insured by the FDIC.
- **Banca IMI Securities Corp. (“IMI Securities”)**, a registered broker-dealer under the Securities Exchange Act of 1934. IMI Securities is an indirect, wholly-owned subsidiary of the Bank.

Intesa Sanpaolo does not control any U.S. insured depository institution.

1.I.B. Core Business Lines

Under the 165(d) Rule, a business line is considered “core” if its failure would result in a material loss of revenue, profit or franchise value. On the basis of this definition, and applying a set of key performance metrics, Intesa Sanpaolo identified two CBLs, each of which is described in more detail below. Of these two CBLs, one—the Wholesale Bank CBL—operates through ISPNY. The second CBL—the Broker-Dealer CBL—operates through IMI Securities.

1.I.B.1. Wholesale Bank

The Wholesale Bank CBL has two sub-businesses: Corporate Banking and Treasury. It also provides U.S. dollar clearing services to the Bank and other Intesa Sanpaolo entities.

- The Corporate Banking sub-business provides financial support to multinational and Italian corporate clients in expanding their business, and conducts business activities with financial institutions. While Corporate Banking primarily focuses on commercial lending and trade and export finance solutions, other product and service offerings include U.S.-based investing, and the provision of financial management services to U.S. subsidiaries of Intesa Sanpaolo’s Italian customers.
- The Treasury sub-business is responsible for handling money market and foreign exchange (“FX”) activity in support of the funding needs of ISPNY as well as for managing the fixed income liquidity portfolio of ISPNY.

In compliance with the requirements of the Volcker Rule, all legacy positions previously associated with the Proprietary Trading sub-business, which invested in collateralized debt obligations (both in cash and synthetic formats) and credit derivatives, have been closed. It has therefore been removed from the list of sub-businesses in the Wholesale Bank CBL.

1.I.B.2. Broker-Dealer

The Broker-Dealer CBL consists of two main sub-businesses: Facilitation and Intermediation, and Capital Investments.

- The Facilitation and Intermediation sub-business provides market access and risk management solutions to Intesa Sanpaolo and its customers via the secondary trading markets in equity and debt securities. IMI Securities does not engage in underwriting activity and none of its lines of business engage in transactions with retail counterparties.
- The Capital Investments sub-business invests excess capital in U.S. government securities for capital management purposes and to enhance the liquidity position of IMI Securities.

1.I.C. Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

The consolidated balance sheet for Intesa Sanpaolo as of December 31, 2017 is presented below. Figures are in millions of Euros and have been prepared in accordance with International Financial Reporting Standards.

Exhibit 1-1: Intesa Sanpaolo Consolidated Balance Sheet as of December 31, 2017

Assets	In Millions (€)
Financial assets held for trading	39,518
<i>of which: Insurance Companies</i>	490
Financial assets designated at fair value through profit and loss ("P&L")	75,269
<i>of which: Insurance Companies</i>	74,715
Financial assets available for sale	142,341
<i>of which: Insurance Companies</i>	77,373
Investments held to maturity	1,174
Due from banks	72,462
Loans to customers	410,746
Investments in associates and companies subject to joint control	678
Property, equipment and intangible assets	14,419
Tax assets	16,887
Non-current assets held for sale and discontinued operations	627
Other assets	22,740
Total Assets	796,861
Liabilities and Shareholders' Equity	In Millions (€)
Due to banks	99,990
Due to customers and securities issued	417,682
<i>of which: Insurance Companies</i>	1,311
Financial liabilities held for trading	41,285
<i>of which: Insurance Companies</i>	67
Financial liabilities designated at fair value through P&L	68,169
<i>of which: Insurance Companies</i>	68,166
Tax liabilities	2,509
Liabilities associated with non-current assets held for sale and discontinued operations	264

Liabilities and Shareholders' Equity	In Millions (€)
Other liabilities	20,541
Technical reserves	82,926
Allowances for specific purpose	6,891
Share capital	8,732
Reserves	36,843
Valuation reserves	-789
Equity instruments	4,103
Minority interests	399
Net income (loss)	7,316
Total Liabilities and Shareholders' Equity	796,861

Intesa Sanpaolo's U.S. operations (on an unconsolidated basis) represent slightly less than 3% of Intesa Sanpaolo's total assets as of December 31, 2017.

1.I.C.1. Capital

Intesa Sanpaolo is responsible for the maintenance of regulatory and economic capital adequacy requirements in accordance with Italian regulations. The Intesa Sanpaolo capital management process ensures that risk-based capital considerations are factored into the planning of business objectives. This process enables Intesa Sanpaolo to ensure that it maintains appropriate levels of capital to operate within the agreed-upon risk limits and to meet minimum regulatory capital requirements.

Intesa Sanpaolo considers the management and allocation of capital resources to be an instrument for strategic leverage, as well as a way to ensure consistency across the operating plans of the business units. Once Intesa Sanpaolo's strategic profitability, capital soundness and liquidity objectives have been defined, capital and financial resources are allocated to the business units through a process that evaluates their growth potential, capacity to generate value and financial autonomy. The capital at risk considered is twofold:

- regulatory capital covering Pillar 1 risks;
- overall internal capital covering Pillar 2 risks, for ICAAP purposes.

As of December 31, 2017, Intesa Sanpaolo's total risk-based capital ratio stood at 17.9%, while the ratio of its tier 1 to its total risk-weighted assets (tier 1 ratio) was 15.2%. The Common Equity Tier 1 risk-based capital ratio stood at 13.3%.

1.I.C.2. Funding

Intesa Sanpaolo's liquidity management is integrated into a comprehensive, global and centralized funding and liquidity management approach for Intesa Sanpaolo, in accordance with its guidelines, and is largely governed by the Bank's Head Office. Intesa Sanpaolo's short- and medium-term funding is appropriately diversified in terms of investor groups, regions, products and currencies. ISPNY is primarily funded through intra-group and third-party deposits. IMI Securities invests in U.S. government securities to enhance its liquidity profile. In addition, IMI Securities has established lines of credit with the Bank and third-party lenders.

Intesa Sanpaolo’s comprehensive funding and liquidity management structure is managed through the use of various corporate bodies, internal governance structures and functions, from the level of Intesa Sanpaolo’s Board of Directors downwards.

For further information about Intesa Sanpaolo’s financial condition and results of operations at and for the year ended December 31, 2017, please refer to the 2017 Intesa Sanpaolo Group Report on Operations and Consolidated Financial Statements (“**Annual Report 2017**”).¹

1.I.D. Description of Derivative and Hedging Activities

Within Intesa Sanpaolo’s U.S. operations, derivatives are used to manage exposure to the risk of unfavorable interest rate movements (interest rate swaps) and unfavorable FX rate movements (FX forwards and FX swaps) affecting the balance sheet of ISPNY. Intesa Sanpaolo only engages in transactions using instruments that are permitted for banks under applicable banking and commodities law. When hedging risks in the investment book, Intesa Sanpaolo’s Treasury function adheres to Intesa Sanpaolo’s current hedging policy based on the applicable accounting standard, International Accounting Standard 39 (“**IAS 39**”). All assets and new specific hedge transactions are booked in designated portfolios.

In accordance with IAS 39, derivative instruments used for hedging purposes are only reported under trading assets or trading liabilities if they do not meet the conditions for the application of hedge accounting. Otherwise, they are shown as fair values from derivative hedging instruments.

1.I.E. Memberships in Material Payment, Clearing and Settlement Systems

Intesa Sanpaolo has memberships with financial market utilities (“**FMUs**”), including financial institutions, to facilitate the payment, clearing and settlement of transactions. The table below summarizes material FMU memberships.

Exhibit 1-2: Material Financial Market Utilities and Financial Institutions

Contracting Legal Entity	Material Financial Market Utilities and Financial Institutions
The Bank	Clearing House Interbank Payments System
The Bank	SWIFT
The Bank	Continuous Linked Settlement (CLS)
ISPNY	Fedwire
ISPNY	FedACH
ISPNY	Depository Trust Clearing Corporation (accessed through BNYM)
IMI Securities	The Bank of New York Mellon
IMI Securities	Depository Trust Clearing Corporation
IMI Securities	National Securities Clearing Corporation

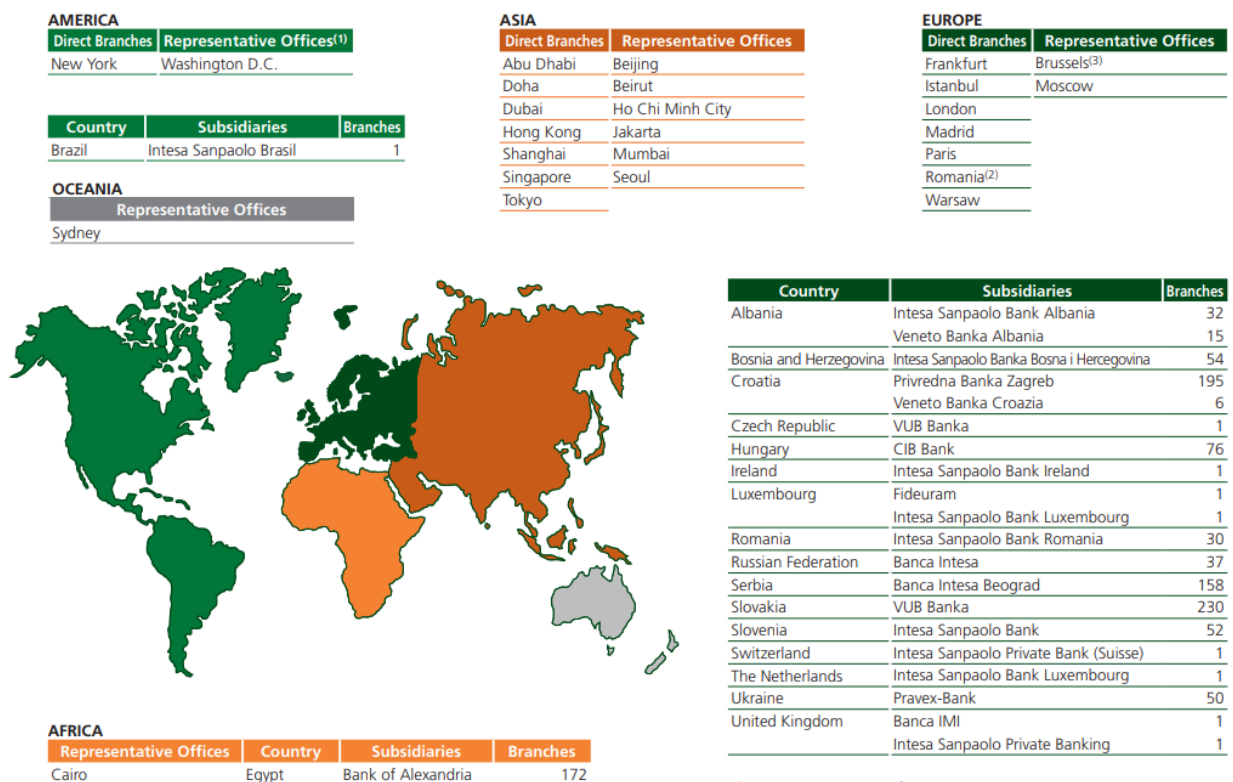
¹ Intesa Sanpaolo Annual Report 2017, available at <https://www.corporate.intesasanpaolo.com/wp-content/uploads/2014/10/ISP-Annual-Report-20171.pdf>.

Contracting Legal Entity	Material Financial Market Utilities and Financial Institutions
IMI Securities	Government Securities Division (“GSD”) of FICC (accessed through BONY)
IMI Securities	Clearstream

1.1.F. Foreign Operations

As described above, Intesa Sanpaolo is one of the largest banking groups in Italy and in Europe. Intesa Sanpaolo has an international network specialized in providing support to corporate customers, focusing primarily on Europe, the Middle East, North Africa, and in other areas where Italian businesses are most active, including the United States, Russia, China and India. Intesa Sanpaolo’s activities are divided into six business areas: the Banca dei Territori (Territorial Bank) Division, the Corporate and Investment Banking Division, the International Subsidiary Banks Division, the Private Banking Division, the Insurance Division, and the Asset Management Division.

Exhibit 1-3: Intesa Sanpaolo Structure



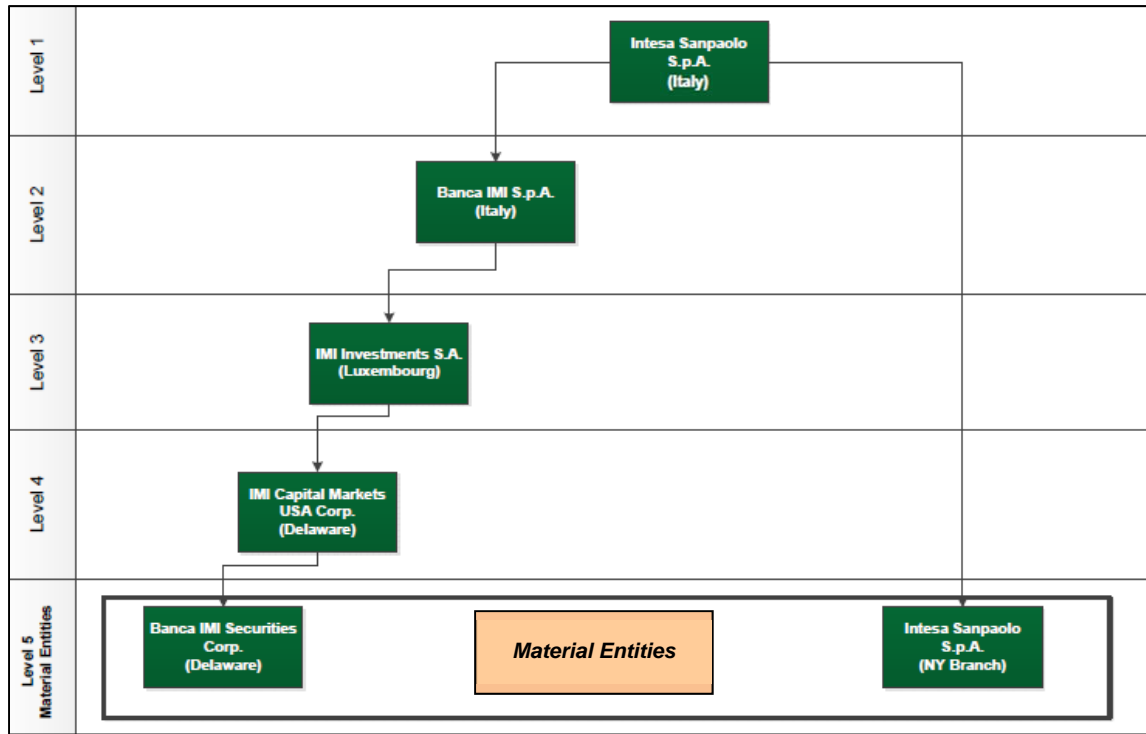
Figures as at 31 December 2017

(1) The Representative Office of Santiago ceased to operate on 17 January 2018

(2) 19 branches in Romania from the Aggregate Set of Veneto Banca

(3) International and Regulatory Affairs

Exhibit 1-4: 165(d) Resolution Plan Material Entities of Intesa Sanpaolo



For further information regarding Intesa Sanpaolo’s global operations, please refer to the Annual Report 2017.

1.1.G. Material Supervisory Authorities

Intesa Sanpaolo is regulated by the European Central Bank and the Bank of Italy on a consolidated basis and, within the United States, by the following supervisory authorities for Intesa Sanpaolo’s respective MEs:

Exhibit 1-5: Material Supervisory Authorities for ISPNY

Supervisory Authority	Jurisdiction
New York State Department of Financial Services	New York
Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York	United States; New York
National Futures Association	United States
Commodity Futures Trading Commission	United States

Exhibit 1-6: Material Supervisory Authorities for IMI Securities

Supervisory Authority	Jurisdiction
Financial Industry Regulatory Authority Inc.	United States
Securities and Exchange Commission	United States

1.I.H. Principal Officers

The table below lists the principal officers of Intesa Sanpaolo.

Name	Title
Gian Maria Gros-Pietro	Chairman of the Board of Directors
Carlo Messina	Managing Director and Chief Executive Officer
Davide Alfonsi	Chief Risk Officer
Stefano Barrese	Head, Banca dei Territori Division
Piero Boccassino	Chief Compliance Officer
Stefano Del Punta	Chief Financial Officer
Paolo Maria Vittorio Grandi	Chief Governance Officer
Alfonso Guido	Chief Cost Management Officer
Ignacio Jaquotot	Head, International Subsidiary Banks Division
Stefano Lucchini	Chief Institutional Affairs and External Communication Officer
Mauro Micillo	Head, Corporate and Investment Banking Division
Massimo Proverbio	Chief IT, Digital and Innovation Officer
Marco Elio Rottigni	Chief Lending Officer
Rosario Giacomo Strano	Chief Operating Officer
Claudio Testa	Chief Audit Officer

1.I.I. Resolution Planning Corporate Governance Structure and Processes

Intesa Sanpaolo fully supports the goals and objectives of the FRB and FDIC with respect to resolution planning and has adopted a robust corporate governance structure that includes, based in ISPNY, the establishment of a local U.S. Resolution Plan Advisory Committee (“**Advisory Committee**”) and a local U.S. Resolution Plan Working Group (“**Working Group**”), both of which include key officers of ISPNY and IMI Securities. The Advisory Committee is chaired by ISPNY’s General Manager, and the Working Group is chaired by ISPNY’s Head of Risk Management. The Advisory Committee provides overall project guidance, review and local approval of key milestones related to the preparation of the Resolution Plan. The Working Group is responsible for drafting and finalizing resolution planning documentation, as well as for preparing reports and status updates for the Advisory Committee. Both external and internal legal counsel provide guidance on regulatory requirements and developments.

The U.S. Resolution Plan is approved by the Intesa Sanpaolo Board of Directors (*Consiglio di Amministrazione*) following its review and vetting (i) at a local level by the Advisory Committee, and (ii) at the level of Intesa Sanpaolo's Head Office by the Chief Financial Officer Area relating to Planning Capital Management and Recovery Plan, which is responsible for the coordination and alignment of such activities across the Intesa Sanpaolo group.

The necessary processes to ensure the ongoing development and maintenance of the U.S. Resolution Plan have been incorporated into Intesa Sanpaolo's business-as-usual procedures, and the Advisory Committee and Working Group are staffed with full-time personnel.

1.I.J. Material Management Information Systems

Management Information Systems ("MIS") for Intesa Sanpaolo's U.S. Operations represents all key systems and their associated Intellectual Property and infrastructure, including data centers, used to report essential management information. To identify systems that are key on an ongoing basis for enterprise risk reporting, accounting, financial and regulatory reporting, Intesa Sanpaolo's U.S. Operations asked members of senior management at ISPNY and IMI Securities who are responsible for managing the enterprise risk reporting, accounting, financial and regulatory reporting to provide the list of key applications that produce such reports.

Intesa Sanpaolo relies on both internal and external systems in order to support its business operations. The types of MIS reports used are listed below:

- Risk reporting includes reports prepared to manage, monitor, control and analyze credit, market, operational and liquidity risks for Intesa Sanpaolo's MEs and CBLs.
- Accounting, financial and regulatory reporting includes internal actual and forecasted daily and monthly financial performance management reports and analyses provided to business heads and senior management of ISPNY and IMI Securities, as well as to provide regulators with requested and required information on a regular basis.

1.I.K. Description of Resolution Strategy

As described above, Intesa Sanpaolo has a limited footprint in the United States and has no COs whose failure or discontinuance would pose a threat to the financial stability of the United States. Intesa Sanpaolo does not control any U.S. insured depository institution. Intesa Sanpaolo has designated two MEs – ISPNY and IMI Securities.

For purposes of this Resolution Plan, Intesa Sanpaolo has adopted a "worst case" resolution strategy under which, even if Intesa Sanpaolo's resolution proceedings in Italy result in the continuation of Intesa Sanpaolo or the transfer of its business to another legal entity, its U.S. operations are not continued and each of its MEs is wound down pursuant to its applicable resolution regime.

- For ISPNY, a New York branch of a foreign bank, liquidation would proceed under the New York State Banking Law under the control of the Superintendent of the New York State Department of

Financial Services. In liquidating ISPNY, the Superintendent would also wind down the Wholesale Bank CBL associated with ISPNY.

- For IMI Securities, a broker-dealer, liquidation would proceed under the Securities Investor Protection Act of 1970 under the control of the Securities Investor Protection Corporation Trustee. In liquidating IMI Securities, the appointed trustee would also wind down the Broker-Dealer CBL associated with IMI Securities.

Because of the limited presence of Intesa Sanpaolo in the United States and the respective resolution regimes of each of its MEs, the discontinuation of these MEs would be expected to proceed in an orderly fashion and would not have an adverse effect on the financial stability of the United States. There have been no material changes to Intesa Sanpaolo's strategy for the rapid and orderly resolution of its U.S. operations since the previous submission of its Resolution Plan to the FRB and FDIC.