

Shareholders' equity

As at 31 March 2009 the Group's shareholders' equity, including net income for the period, totalled 49,514 million euro compared to the 48,954 million euro at 31 December 2008. The change in shareholders' equity is mainly due to the negative trend in valuation reserves. No changes in share capital occurred in the quarter.

Valuation reserves

As at 31 March 2009, valuation reserves recorded a 493 million euro decrease compared to the start of the year, mainly attributable to the reduction in financial assets available for sale and in cash flow hedges.

(in millions of euro)

	Valuation reserves as at 31.12.2008	Change in the period	Valuation reserves as at 31.03.2009	% breakdown
Financial assets available for sale	-1,287	-174	-1,461	76.7
Property and equipment	-	-	-	-
Cash flow hedges	-413	-145	-558	29.3
Legally-required revaluations	343	-	343	-18.0
Other	-55	-174	-229	12.0
Valuation reserves	-1,412	-493	-1,905	100.0

Regulatory capital

Regulatory capital and related capital ratios as at 31 March 2009 were determined by applying the instructions issued by the Bank of Italy in accordance with the new Basel II provisions.

It should be noted that, subsequent to the authorisation by the Supervisory authority and with effect from 31 December 2008, the Intesa Sanpaolo Group has adopted the Foundation Internal Rating Based approach (FIRB) for calculating credit risk capital requirements with regard to regulatory portfolio Credit

exposures towards businesses (Corporate). The initial scope of application of the FIRB approach includes the Parent Company, the network banks (with the exception of Carifirenze and Casse del Centro) and the main specialised lending companies.

	(in millions of euro)	
Regulatory capital and capital ratios	31.03.2009	31.12.2008
Regulatory capital		
Tier 1 capital	27,196	27,074
<i>of which: preferred shares</i>	3,000	2,998
Tier 2 capital	15,038	14,748
Minus items to be deducted	-2,791	-2,774
REGULATORY CAPITAL	39,443	39,048
Tier 3 subordinated loans	276	30
TOTAL REGULATORY CAPITAL	39,719	39,078
Risk-weighted assets		
Credit and counterparty risks	331,482	335,556
Market risks	17,493	18,046
Operational risks	29,243	29,080
Other risks	457	390
RISK-WEIGHTED ASSETS	378,676	383,072
Capital ratios %		
Core Tier 1 ratio	6.4	6.3
Tier 1 ratio	7.2	7.1
Total capital ratio	10.5	10.2

In compliance with the provisions of the Bank of Italy Circular 263/2006, in the calculation of capital ratios, elements to be deducted from total regulatory capital have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contributions deriving from the insurance business that refer to contracts which arose prior to 20 July 2006, and as such continue to be deducted from total capital.

As at 31 March 2009, regulatory capital amounted to 39,443 million euro and total capital, including Tier 3 subordinated loans, was 39,719 million euro.

The regulatory capital includes 100% of the net income for the period, i.e. 1,075 million euro.

After only three months in a year forecast to be difficult, it seems premature to envisage a potential allocation of net income for the period, though the intention to return to a distribution of cash dividends on ordinary shares, as regards the 2009 economic result, is confirmed.

As at the same date, the Core Tier 1 ratio was 6.4%, up 10 bp on 31 December 2008, with the Tier 1 ratio and Total Capital ratio standing at 7.2% and 10.5%, respectively.

The increase in the Core Tier 1 ratio is due to the reduction in risk-weighted assets, while a modest increase was recorded in Regulatory Capital. In particular, the credit risk and counterparty risk requirement decreased (-325 million euro), whereas other requirements remained essentially stable.