

Shareholders' equity

As at 30 June 2009 the Group's shareholders' equity, including net income for the period, totalled 50,742 million euro compared to 48,954 million euro as at 31 December 2008. The change in shareholders' equity is mainly attributable to the trend in reserves, which is linked to the decision to use net income to strengthen the Group's shareholders' equity rather than for the distribution of cash dividends, except for distribution to savings shares – pursuant to the Articles of Association – of dividends equal to 5% of their nominal value, for a total of 24 million euro. No changes in share capital occurred in the first half of the year.

Valuation reserves

	Valuation reserves as at 31.12.2008	Change in the period	Valuation reserves as at 30.06.2009	
			(% breakdown)	
Financial assets available for sale	-1,287	516	-771	74.1
Property and equipment	-	-	-	-
Cash flow hedges	-413	-34	-447	42.9
Legally-required revaluations	343	-	343	-32.9
Other	-55	-111	-166	15.9
Valuation reserves	-1,412	371	-1,041	100.0

As at 30 June 2009, valuation reserves recorded a negative balance of 1,041 million euro. The change in the period, up 371 million euro from the beginning of the year, is attributable to the rise in the value of financial assets available for sale, in particular debt securities. Conversely, decreases were recorded by other reserves (-111 million euro) and cash flow hedges (-34 million euro), while legally-required revaluations remained unchanged.

Regulatory capital

	(in millions of euro)	
Regulatory capital and capital ratios	30.06.2009	31.12.2008
Regulatory capital		
Tier 1 capital	28,442	27,074
<i>of which: preferred shares</i>	3,000	2,998
Tier 2 capital	14,843	14,748
Minus items to be deducted	-2,827	-2,774
REGULATORY CAPITAL	40,458	39,048
Tier 3 subordinated loans	30	30
TOTAL REGULATORY CAPITAL	40,488	39,078
Risk-weighted assets		
Credit and counterparty risks	325,395	335,556
Market risks	14,702	18,046
Operational risks	29,243	29,080
Other risks	400	390
RISK-WEIGHTED ASSETS	369,740	383,072
Capital ratios %		
Core Tier 1 ratio	6.9	6.3
Tier 1 ratio	7.7	7.1
Total capital ratio	11.0	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 30 June 2009, regulatory capital amounted to 40,458 million euro and total capital, including Tier 3 subordinated loans, to 40,488 million euro, against risk-weighted assets of 369,740 million euro, mostly deriving from credit and counterparty risks and, to a lesser extent, from market and operational risks.

Please note that regulatory capital includes 100% of the net income for the period, amounting to 1,588 million euro, since – given the persisting volatility of the economy - it seems premature to envisage a potential allocation of net income for the period, though the intention to resume distribution of cash dividends also on ordinary shares already from year-end 2009, is confirmed.

The Total capital ratio therefore stood at 11.0%, while the Group's Tier 1 ratio was 7.7%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 6.9%.