

Shareholders' equity

As at 30 September 2011, the Group's shareholders' equity, including net income for the period, came to 57,554 million euro compared to the 53,533 million euro at the end of the previous year. The change in shareholders' equity is mainly due to the capital increase completed in June and the reduction in Valuation reserves.

Valuation reserves

	Valuation reserves as at 31.12.2010	Change in the period	Valuation reserves as at 30.09.2011	(millions of euro) % breakdown
Financial assets available for sale	-662	-1,289	-1,951	68.9
Property and equipment	-	-	-	-
Cash flow hedges	-494	-381	-875	31.0
Legally-required revaluations	343	-	343	-12.1
Other	-241	-103	-344	12.2
Valuation reserves	-1,054	-1,773	-2,827	100.0

The Group's share of valuation reserves increased their negative balance, reaching -2,827 million euro as at 30 September 2011 compared to -1,054 million euro at the end of 2010. The change during the period is attributable to the decrease in value of financial assets available for sale (-1,289 million euro), most markedly debt securities, cash flow hedges (-381 million euro) and other reserves (-103 million euro). Conversely, legally-required revaluations remained stable.

Regulatory capital

Regulatory capital and related capital ratios as at 30 September 2011 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.

It is noted that, following obtainment of authorisation from the Supervisory Authority, the Intesa Sanpaolo Group calculates capital requirements for credit risk and counterparty risk, respectively, according to the IRB approach for the Retail Mortgage segment (Residential mortgages to private individuals) on a scope consisting of the Parent Company and the main network banks, effective 30 June 2010, and according to the advanced internal rating-based approach (AIRB) in regards to the regulatory trading portfolio "Exposures to corporates" for the Parent Company, network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito, effective 31 December 2010.

In addition, in early 2010 the Intesa Sanpaolo Group received authorisation to use the internal AMA to determine capital requirements for operational risks on an initial scope which comprises the main Group companies, effective from reporting as at 31 December 2009.

It is noted that, effective from 31 December 2010, the new methods for determining regulatory capital, as a result of ratification of the CRD II Directive, call for the exclusion of the nominal value of preference shares issued by the Group.

	30.09.2011	31.12.2010
Regulatory capital and capital ratios		
Regulatory capital		
Tier 1 capital	37,336	31,175
<i>of which: instruments not included in Core Tier 1 ratio (*)</i>	4,510	5,016
Tier 2 capital	13,332	16,348
Minus items to be deducted (**)	-3,199	-3,721
REGULATORY CAPITAL	47,469	43,802
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	47,469	43,802
Risk-weighted assets		
Credit and counterparty risks	278,169	289,172
Market risks	13,503	15,385
Operational risks	27,255	27,175
Other risks (***)	3,129	426
RISK-WEIGHTED ASSETS	322,056	332,158
Capital ratios %		
Core Tier 1 ratio	10.2	7.9
Tier 1 ratio	11.6	9.4
Total capital ratio	14.7	13.2

(*) This caption includes preferred shares and, as of 31 December 2010, savings shares and preference ordinary shares.

(**) 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 continue to be deducted from total capital.

(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

As at 30 September 2011, total regulatory capital came to 47,469 million euro, compared to risk-weighted assets of 322,056 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. With regard to the calculation method for weighted assets, as at 31 March 2011 this included an integration of approximately 8 billion euro for the floor set by the Supervisory Authority in reference to calculation of the requirements according to internal methods. As these methods reported lower riskiness of assets – reflected in the drop in credit and counterparty risk-weighted assets – the requirements were supplemented, taking as reference 90% of the same figure calculated with a view to Basel 1 (floor), as provided for by the Supervisory Authority. Taking into consideration that the Supervisory Authority issued an order authorising a reduction in the aforementioned floor from 90% to 85%, the calculations as at 30 June and 30 September were prepared according to the new parameters. The decrease in risk-weighted assets in the second quarter is thus mainly due to ordinary business activities, to the ongoing optimisation processes and to disposal of the assets referred to below. The increase in risk-weighted assets in the third quarter is mainly due to the acquisition of Banca Monte Parma.

Regulatory capital takes into account ordinary operations and an estimate of the dividends to be paid on 2011 net income, the amount of which has been determined on a conventional basis as three-quarters of the 2010 dividend, referring to all shares currently in issue and therefore including the new shares issued (994 million euro of the theoretical dividend 2011 totalling 1,325 million euro).

The Total capital ratio stood at 14.7%, while the Group's Tier 1 ratio was 11.6%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 10.2%.