Shareholders' equity

As at 30 September 2015, the Group's shareholders' equity, including net income for the period, came to 47,583 million euro compared to the 44,683 million euro at the end of the previous year.
The change in shareholders' equity was essentially due to the increase in net income accruing in 2015 and the decrease in the negative balance of valuation reserves.
In the first nine months, share capital rose from 8,725 million euro to 8,730 million euro due to the finalisation of the mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into the Parent Company.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2014	Change in the period	Valuation reserves as at 30.09.2015	
				% breakdown
Financial assets available for sale	840	-148	692	-58.5
of which: Insurance Companies	*617*	*-22*	*595*	*-50.3*
Property and equipment	-	-	-	-
Cash flow hedges	-1,362	167	-1,195	101.0
Legally-required revaluations	350	-2	348	-29.4
Other	-1,450	422	-1,028	86.9
Valuation reserves	**-1,622**	**439**	**-1,183**	**100.0**

As at 30 September 2015, the negative balance of the Group's valuation reserves came to -1,183 million euro, improving compared to the negative value at the end of December 2014 (-1,622 million euro).
Performance for the period was positively affected by other reserves (+422 million euro) and cash flow hedge reserves (+167 million euro), and negatively affected by reserves for financial assets available for sale (-148 million euro).

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	**30.09.2015**	**31.12.2014**
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,848	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	2,321	1,700
TIER 1 CAPITAL	**40,169**	**38,247**
Tier 2 capital net of regulatory adjustments	8,581	8,043
TOTAL OWN FUNDS	**48,750**	**46,290**
Risk-weighted assets		
Credit and counterparty risks	245,456	231,394
Market and settlement risk	14,919	16,476
Operational risks	20,376	21,157
Other specific risks [a]	1,017	763
RISK-WEIGHTED ASSETS	**281,768**	**269,790**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.4%	13.5%
Tier 1 capital ratio	14.3%	14.2%
Total capital ratio	17.3%	17.2%

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

Own funds, risk weighted assets and the capital ratios at 30 September 2015 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 no. 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 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 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 2015 take account of the adjustments envisaged by the transitional provisions for 2015.
As at 30 September 2015, total Own Funds came to 48,750 million euro, against risk-weighted assets of 281,768 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The increase in RWA related to credit risk compared to 31 December 2014 may be attributed, in part, to the impact of the European Commission Decision, which, when published in the specific list, specified the nations for which a regime equivalent to the one prevailing in the European Union for the weighting of exposure to central banks and government bodies is applicable as

of 1 January 2015, thereby eliminating the possibility to apply the previously preferential weighting indistinctly for each foreign nation.
With regard to Additional Tier 1 (AT1), it should also be recalled that last September Intesa Sanpaolo issued an Additional Tier 1 capital instrument in the amount of 1 billion dollars. The Additional Tier 1 instrument presents characteristics in line with CRD IV, is perpetual and may be redeemed in advance by the issuer ten years from the issue date and on each coupon payment date thereafter. The coupon, payable semi-annually in arrears on 17 March and 17 September of each year, is equal to 7.7% per annum. If the early redemption option is not exercised on 17 September 2025, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date).
As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations.
The total capital ratio stood at 17.3%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (tier 1 ratio) was 14.3%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 13.4%.
It should be noted that Common Equity Tier 1 capital takes account of net income for the period ended 30 September 2015, in that the regulatory requirements for its inclusion have been met (pursuant to article 26(2) of the CRR), and thus also of the related pro-rata dividend, calculated as three-fourths of the dividend that the 2014-2017 Business Plan envisages to be distributed in 2016 (totalling 2 billion euro).
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its Own Funds. The effect on Common Equity Tier 1 capital as at 30 September 2015 was 3 basis points positive.

Reconciliation of shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	30.09.2015	31.12.2014
Group Shareholders' equity	47,583	44,683
Minority interests	623	549
Shareholders' equity as per the Balance Sheet	**48,206**	**45,232**
Presumed pro-rata dividend for Intesa Sanpaolo shareholders per the Business Plan	-1,500	-
Shareholders' equity following presumed distribution to shareholders	**46,706**	**45,232**
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	-884	-
- Minority interests eligible for inclusion in AT1	-9	-6
- Minority interests eligible for inclusion in T2	-6	-5
- Ineligible minority interests on full phase-in	-573	-492
- Ineligible net income for the period	-	-1,251
- Treasury shares included under regulatory adjustments	53	63
- Other ineligible components on full phase-in	-3	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**44,799**	**43,067**
Regulatory adjustments (including transitional adjustments)	**-6,951**	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**37,848**	**36,547**

[a] Net income for 2014 and the related dividend have not been included in Common equity tier 1 capital, as the conditions envisaged in Art. 26, paragraph 2 of Regulation (EU) No 575 of 26 June 2013 (CRR) have not been met for their inclusion.