

Shareholders' equity

As at 31 March 2010, the Group's shareholders' equity, including net income for the period, came to 53,354 million euro compared to the 52,681 million euro at the end of the previous year. The change in shareholders' equity is primarily due to the performance of reserves, which include the net income earned in 2009 but not yet distributed. No changes in share capital occurred in the first quarter of the year.

Valuation reserves

As at 31 March 2010, valuation reserves recorded a negative balance of 339 million euro. The change during the period, up 91 million euro from the negative balance of 430 million euro at the end of 2009, is attributable to the increase in the value of other reserves (+150 million euro) and financial assets available for sale (+72 million), in particular debt securities. Conversely, cash flow hedges decreased (-131 million euro), while legally-required revaluations remained unchanged.

(millions of euro)

| | Valuation reserves as at 31.12.2009 | Change in the period | Valuation reserves as at 31.03.2010 | % breakdown |
|-------------------------------------|-------------------------------------|----------------------|-------------------------------------|--------------|
| Financial assets available for sale | -135 | 72 | -63 | 18.6 |
| Property and equipment | - | - | - | - |
| Cash flow hedges | -451 | -131 | -582 | 171.7 |
| Legally-required revaluations | 343 | - | 343 | -101.2 |
| Other | -187 | 150 | -37 | 10.9 |
| Valuation reserves | -430 | 91 | -339 | 100.0 |

Regulatory capital

(millions of euro)

| Regulatory capital and capital ratios | 31.03.2010 | 31.12.2009 |
|---------------------------------------|----------------|----------------|
| Regulatory capital | | |
| Tier 1 capital | 30,591 | 30,205 |
| <i>of which: preferred shares</i> | 4,499 | 4,499 |
| Tier 2 capital | 15,389 | 15,472 |
| Minus items to be deducted | -2,994 | -2,923 |
| REGULATORY CAPITAL | 42,986 | 42,754 |
| Tier 3 subordinated loans | - | - |
| TOTAL REGULATORY CAPITAL | 42,986 | 42,754 |
| Risk-weighted assets | | |
| Credit and counterparty risks | 314,727 | 316,258 |
| Market risks | 18,025 | 16,804 |
| Operational risks | 28,113 | 28,113 |
| Other risks | 472 | 473 |
| RISK-WEIGHTED ASSETS | 361,337 | 361,648 |
| Capital ratios % | | |
| Core Tier 1 ratio | 7.2 | 7.1 |
| Tier 1 ratio | 8.5 | 8.4 |
| Total capital ratio | 11.9 | 11.8 |

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.

At the end of the first quarter of 2010, total regulatory capital - which takes into account the distribution of dividends in 2010 – came to 42,986 million euro, compared to risk-weighted assets of 361,337 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

All capital ratios improved compared to 31 December 2009. The Total capital ratio stood at 11.9%, while the Group's Tier 1 ratio was 8.5%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.2%.

Lastly, the increase in regulatory capital, which was achieved due to ordinary operations alone, accounts for an estimate of the dividends to be paid on the 2010 net income, which by convention have been determined to be one-fourth of the dividends distributed on the 2009 net income (258 million of the total 1,033 million euro).