

2.2 Capital adequacy

A. Qualitative information

Capital ratios, represented by the ratio between Common Equity Tier 1 (CET1) and risk-weighted assets (CET 1 capital ratio), between Tier 1 assets and risk-weighted assets (Tier 1 capital ratio) and between all own funds and risk-weighted assets (Total capital ratio) were recognised as 17.59% for the first and second indicators, since class 1 capital is the sole item found in Tier 1 assets, while the third ratio came to 17.68%. These ratios indicate a high level of capitalisation, with figures much higher than the regulatory established limits (specifically 4.5% for CET 1, 6% for Tier 1 and 8% for the total capital ratio). This also applies with regard to the total requirement of 9.25%, including the non-binding requirement of 1.25% for the capital conservation reserve.

At 31 December 2017, existing risk assets showed the following capital absorption, determined using the methods dictated by the supervisory authorities:

- the weighted value at risk associated with credit risk amounted to € 110.7 million, absorbing 39.16% of total own funds;
- the weighted value at risk associated with market risk, generated by the portfolio of securities for trading, amounted to € 2.4 million, absorbing 0.86% of total own funds;
- the operating risk came to € 13.8 million, absorbing 4.89% of the same aggregate.

As a consequence, total capital absorption due to lending and financial intermediation amounts to € 128 million, or 45.28% of total own funds, with excess capital of € 154.6 million with respect to the standard binding requirements, while also considering the capital conservation reserve, excess capital comes to € 134.6 million.

Excess capital must also be considered after applying the additional second pillar requirements determined after the supervisory review and evaluation (SREP) carried out by the Bank of Italy, which ended with an addition of 0.5% to the total minimum capital ratio requirement (with intermediate additions of +0.28% to the CET 1 ratio and +0.38% to the Tier 1 ratio). After this recalculation, excess capital nonetheless remains at € 146.7 million, with reference to the binding ratios, while if the remaining non-binding requirement is considered, the figures remains unchanged at € 154.6 million.

The values shown place the Bank in very comfortable situation, considering that the Total Capital Ratio is over nine percent higher than that held binding (8.50%), including the effects of the SREP, with the excess amount also confirmed in regard to the total requirement (9.75%).

In order to ensure that binding requirements are complied with even in the case of the economic context deteriorating, the Bank of Italy further stipulates that Total capital ratio must be maintained at 10.37%. Taking this additional requirement into consideration, the Bank is still at a level that is well above seven percent. The amount of free capital is able to guarantee a wide basis for developing the company's core business, while keeping adequate room to respect capital ratio requirements.

The new supervisory review and evaluation process (SREP) calculated by the Bank of Italy for 2018, with a different formulation for the capital conservation reserve of 1.875% compared to 1.25% the previous year, results in a Total capital ratio of 12.461%, which also includes the add-on needed to ensure compliance with binding requirements even in the case of the economic context deteriorating.

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
A. RISK ASSETS				
A.1 Credit and counterparty risk	2,481,952	2,319,245	1,383,699	1,272,385
1. Standardised methodology	2,481,952	2,319,245	1,383,699	1,272,385
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			110,696	101,791
B.2 Credit measurement adjustment risk				
B.3 Adjustment risk				
B.4 Market risk			3,453	2,645
1. Standard methodology			3,453	2,645
2. Internal models				
3. Concentration risk				
B.5 Operating risk			13,828	14,512
1. Basic method			13,828	14,512
2. Standardised method				
3. Advanced method				
B.6 Other calculation elements				
B.7 Total prudential requirements			127,977	118,948
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			1,599,713	1,486,850
C.2 CET 1 / Risk-weighted assets (CET1 capital ratio)			17.59%	18.54%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			17.59%	18.54%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			17.67%	18.72%