

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 18.81% for the three indicators, as capital is solely represented by primary elements. These figures are much higher than the regulatory established limits (specifically 4.5% for CET 1, 6% for Tier 1 and 8% for the total capital ratio. Also considering the non-binding requirement of 2.50%, as capital conservation reserves a total requirement of 10.50% is reached, again showing the high level of capitalisation. At 31 December 2020, 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 million, absorbing 37.12% of total own funds;
- the weighted value at risk associated with market risk, generated by the portfolio of securities for trading, amounted to € 1.4 million, absorbing 0.49% of total own funds;
- the operating risk came to € 14.5 million, absorbing 4.90% of the same aggregate.

As a consequence, total capital absorption due to lending and financial intermediation amounts to € 126.1 million, or 42.53% of total own funds, with excess capital of € 170.4 million with respect to the standard binding requirements, while also considering the capital conservation reserve, excess capital comes to € 130.9 million.

Excess capital must also be considered after applying the additional binding requirements determined after the supervisory review and evaluation (SREP) carried out by the Bank of Italy, which ended with an addition of 0.90% to the total minimum capital ratio requirement (with intermediate additions of +0.50% to the CET 1 ratio and +0.70% to the Tier 1 ratio). After this recalculation, excess capital nonetheless remains at € 119.5 million, with reference to the binding ratios, while if the remaining non-binding requirement is considered, the figures remains unchanged at € 170.4 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 (8.90%), including the effects of the SREP, with the excess amount also confirmed in regards to the total requirement (11.40%).

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) amount calculated by Bank of Italy for 2021 is unchanged with respect to 2020.

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. RISK ASSETS				
A. 1 Credit and counterparty risk	3,246,884	2,657,072	1,375,843	1,294,878
1. Standardised methodology	3,212,900	2,651,212	1,371,767	1,289,018
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisations	33,984	5,860	4,076	5,860
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			110,067	103,590
B.2 Credit measurement adjustment risk			21	
B.3 Adjustment risk				
B.4 Market risk			1,475	2,283
1. Standard methodology			1,475	2,283
2. Internal models				
3. Concentration risk				
B.5 Operating risk			14,534	13,974
1. Basic method			14,534	13,974
2. Standardised method				
3. Advanced method				
B.6 Other calculation elements				
B.7 Total prudential requirements			126,097	119,847
C. RISK ASSETS AND REGULATORY RATIOS				
C. 1 Risk-weighted assets			1,576,213	1,498,088
C.2 CET 1 / Risk-weighted assets (CET1 capital ratio)			18.81%	19.51%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			18.81%	19.51%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			18.81%	19.51%