

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 18.54% 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 18.72%. 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. These figures must be integrated with the non-binding requirement of 2.5%, as capital conservation reserves, reaching a total requirement of 10.5%), which indicates a high level of capitalisation. At 31 December 2016, 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 € 101.8 million, absorbing 36.58% of total own funds;
- the weighted value at risk associated with market risk, generated by the portfolio of securities for trading, amounted to € 1.2 million, absorbing 0.43% of total own funds;
- the operating risk came to € 14.5 million, absorbing 5.21% of the same aggregate.

As a consequence, total capital absorption due to lending and financial intermediation amounts to € 118.9 million, or 42.74% of total own funds, with excess capital of € 159.3 million with respect to the standard binding requirements, while also considering the capital conservation reserve, excess capital comes to € 122.2 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 2.1% to the total minimum capital ratio requirement (with intermediate additions of +1.2% to the CET 1 ratio and +1.6% to the Tier 1 ratio). After this recalculation, excess capital nonetheless remains at € 128.1 million, with reference to the binding ratios, while if the remaining non-binding requirement is considered, the figures remains unchanged at € 122.2 million. The values shown place the Bank in a very comfortable situation, considering that the Total Capital Ratio is over eight percent higher than that held binding (10.1%), inclusive of the effects of the SREP, with the excess amount also confirmed with regard to the total requirement (10.5%).

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) performed by the Bank of Italy for 2017, despite a different modulation of capital requirements, determines an additional capital requirement on the total capital ratio of 1.12% (2016: 2.1%), which together with the conservation reserve of 1.25% (2016: 2.5%) makes up a total requirement of 10.37% (2016: 10.5%).

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
A. RISK ASSETS				
A.1 Credit and counterparty risk	2,319,245	2,219,890	1,272,385	1,233,005
1. Standardised methodology	2,319,245	2,219,890	1,272,385	1,233,005
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			101,791	98,563
B.2 Credit measurement adjustment risk				
B.3 Adjustment risk				
B.4 Market risk			2,645	3,243
1. Standard methodology			2,645	3,243
2. Internal models				
3. Concentration risk				
B.5 Operating risk			14,512	14,624
1. Basic method			14,512	14,624
2. Standardised method				
3. Advanced method				
B.6 Other calculation elements				
B.7 Total prudential requirements			118,948	116,430
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			1,486,850	1,455,375
C.2 CET 1 / Risk-weighted assets (CET1 capital ratio)			18.54%	18.81%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			18.54%	18.81%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			18.72%	19.12%