

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 21.21% for all three indicators, since the Tier 1 assets item 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 capital conservation reserve required by prudential regulations, which raised the required minimum to 10.50%.

At 31 December 2022, 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 € 71.3 million, absorbing 34.04% of total own funds;
- the operating risk came to € 7.7 million, absorbing 3.67% of the same aggregate.

As a consequence, total capital absorption due to lending and financial intermediation amounts to € 79 million, or 37.71% of total own funds, with excess capital of € 130.5 million with respect to the standard binding requirements, while also considering the capital conservation reserve, excess capital comes to € 105.8 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 in 2020 and still applicable at the date of these financial statements, which closed with a 0.90% add-on for the BPL Group to the total minimum capital ratio requirement (with intermediate add-ons of +0.50% to the CET 1 ratio and +0.70% to the Tier 1 ratio). After this recalculation, excess capital remains at € 119.2 million, with reference to the binding ratios, whereas if the total requirement is considered, the figure amounted to € 93.8 million (11.40%). The values shown place the Bank in very comfortable position, considering that the Total Capital Ratio is considerably higher than what is held as binding (8.90%, including the effects of the SREP), and the total requirement (11.40%), including the capital conservation reserve requirement. These requirements are applicable at these financial statements' reference date. It is noted that in January 2023, the Bank of Italy sent notification that new prudential evaluation proceedings were being undertaken, with the assumption of an increase in the total minimum capital ratio requirement of 11.60% (previously set at 11.40%). The process would require 90 days from the

Bank of Italy notification date, which would be on 15 March 2023. 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.

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
A. RISK ASSETS				
A.1 Credit and counterparty risk	2,429,106	2,223,935	891,791	968,764
1. Standardised methodology	2,401,512	2,187,666	891,688	954,668
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisations	27,594	36,269	103	14,096
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			71,341	77,501
B.2 Credit measurement adjustment risk				
B.3 Adjustment risk				
B.4 Market risk				
1. Standard methodology				
2. Internal models				
3. Concentration risk				
B.5 Operating risk			7,692	3,719
1. Basic method			7,692	3,719
2. Standardised method				
3. Advanced method				
B.6 Other calculation elements				
B.7 Total prudential requirements			79,033	81,220
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			987,913	1,015,250
C.2 CET 1/Risk-weighted assets (CET1 capital ratio)			21.21%	21.11%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			21.21%	21.11%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			21.21%	21.11%