Italy's *less significant* banks: general overview and supervision

On 30 June 2016, Italy's *less significant institutions* (LSIs), directly supervised by the Bank of Italy within the framework of Europe's Single Supervisory Mechanism (SSM), numbered 462, of which 355 were mutual cooperative banks (*banche di credito cooperativo* or BCCs). LSIs in Italy comprise about 8,700 branches and 74,000 bank employees, while the entire Italian banking system consists of 29,000 branches and 292,000 bank employees; LSIs account for 18 per cent of the banking system's total assets. The average value of an LSI's total assets came to just over €1 billion, against an average of €165 billion for *significant institutions* (SIs).

On the same date, the Common Equity Tier 1 (CET1) ratio for LSIs averaged 15.5 per cent, about 4 percentage points more than in 2011 (the CET1 ratio for SIs was 11.7 per cent, representing an increase of 3 percentage points on 2011). Non-performing loans (net of value adjustments) as a share of total loans (NPL ratio) averaged 12.5 per cent (it was 10.5 per cent for SIs). The coverage ratio averaged 43.6 per cent (46.6 per cent for SIs); however, among LSIs there was greater recourse to guarantees. The increase in the coverage ratio recorded on average by LSIs in recent years was starkly higher than that for SIs. In the first half of 2016, the profitability of LSIs, net of extraordinary effects, was in line with that of SIs. The cost-income ratio was substantially similar for LSIs and SIs.

In short, Italian LSIs were found to have a higher level of capital adequacy than SIs; other 'vital parameters', such as the quality of credit and profitability, appeared largely similar for both types of institution; some misalignments were attributable to structural differences. However, the analysis suggests a broadly stable outlook for LSIs, similar to that for SIs.

A number of well-known weak points, such as poor profitability and the high proportion of non-performing loans, also emerged for both categories of bank, which must accordingly take the requisite corrective measures starting with cost containment and the pursuit of greater efficiency. These actions must be more concrete, rapid and incisive among banks whose 'bill of health' is significantly below the average. Supervisory activity in these cases is more intense. Some are nearing resolution, others are still open. With regard to BCCs, the recent reform of this banking sector is a fundamental step in remedying some of the limits of this category (first and foremost, the difficulty in increasing the share of equity).

1. An overview of Italy's less significant banks

On 30 June 2016 Italy's less significant institutions (LSIs), directly supervised by the Bank of Italy within the framework of Europe's single supervisory mechanism (SSM), numbered 462 (of which 57 banking groups and 405 stand-alone banks): 107 of these were established as joint-stock companies (SpAs) or cooperative banks (*popolari*), while 355 were mutual banks (BCCs) (Table 1 in the Appendix; LSIs other than BCCs, in descending order by total assets, are listed in Table 2). At the same date Italy's significant institutions (SIs) directly supervised by the European Central Bank comprised 14 banking groups.[1]

The universe of LSIs in Italy comprise approximately 8,700 branches and 74,000 bank employees, while the 14 banking groups included in the SI category have 18,000 branches and 190,000 bank employees. Moreover, the proportion of total system-wide bank assets attributable to LSIs came to 18 per cent while for SI groups this figure was 75 per cent (Table 1).[2] LSIs are relatively small by comparison with SIs: at the end of last year, the total balance sheet assets of an LSI averaged just over €1 billion (Table 1).

Of the LSIs other than BCCs, 15 had assets exceeding €5 billion; around 40 had assets under €500 million (Table 2). Around ten LSIs are not exposed to credit risks insofar as they are active in asset management,

[1] Each European bank is classified as an SI or LSI (and therefore subject to centralized supervision by the ECB or by the designated national authority) in accordance with a number of fixed criteria. The main one is size: banks with total assets of over €30 billion are included among the SIs.

[2] The remaining share (7 per cent) is attributable to Italian subsidiaries of SI groups of other countries in the SSM, which are accordingly not classified as either Italian SIs or LSIs for supervisory purposes.

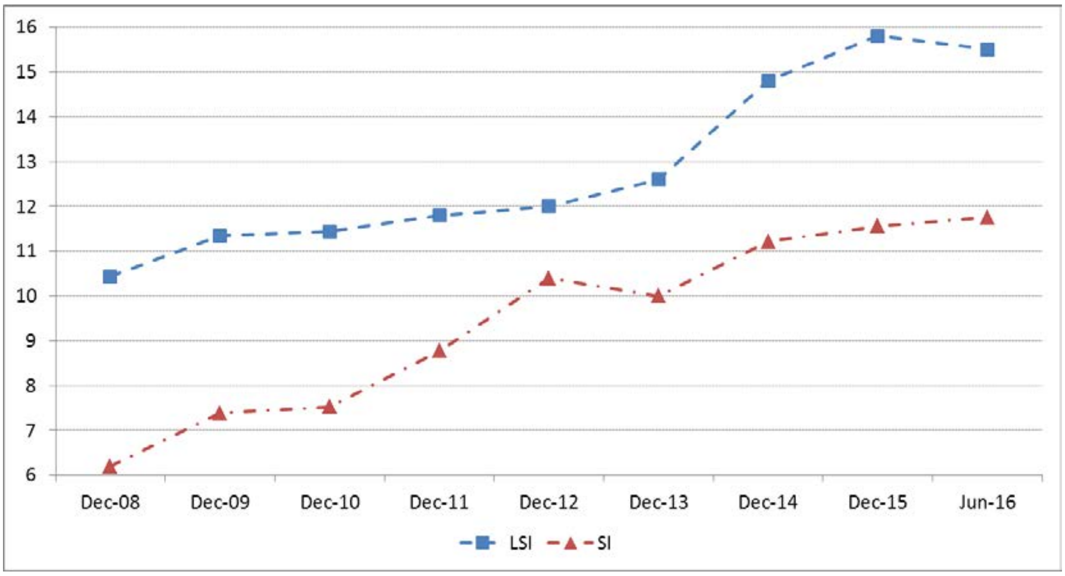
private banking, the payments system and e-money. Another ten are exposed to primarily operational risks, in view of the fact they are specialized in technical activities that are less exposed to redemption risk and/or given their broad portfolio diversification.

2. Capital adequacy, profitability and credit quality: a comparison of LSIs and SIs

Capital adequacy

Last June the CET1 ratio averaged 11.7 per cent for SIs and 15.5 per cent for LSIs (Table 3 in the Appendix). For both categories of bank the ratio rose significantly from the end of 2011, when it had been 8.8 per cent for SIs and 11.8 per cent for LSIs (Figure 1).

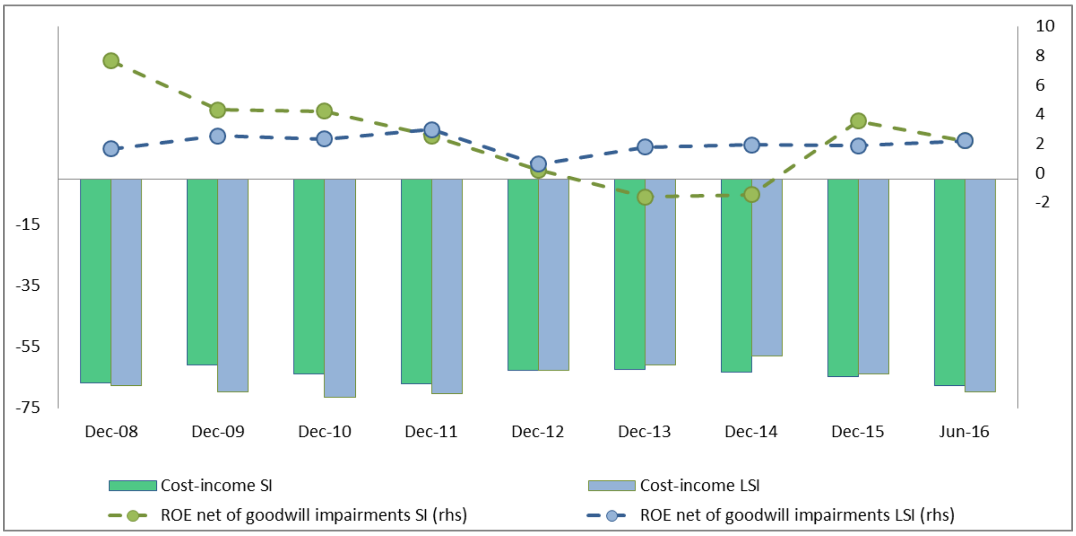
Figure 1 – Highest quality capital ratio (%)



Profitability

In the first six months of this year the return on equity (ROE) net of goodwill impairments (adjusted, therefore, for mostly extraordinary effects) averaged 2.2 per cent for both LSIs and SIs (Table 4 in the Appendix; Figure 2). The cost-income ratio was broadly similar, as was the contribution of net interest income to gross income (just under half).

Figure 2 – Profitability and efficiency (%; cost-income ratio with a negative sign)

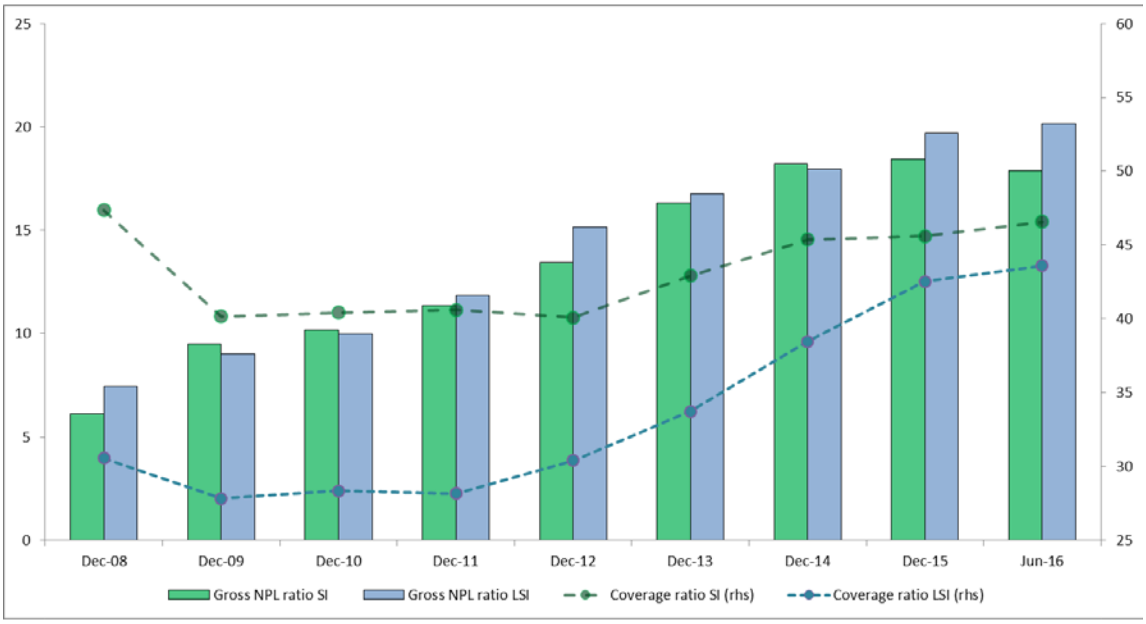


Credit quality

Last June the ratio of non-performing exposures (before value adjustments) to total loans for LSIs averaged 20.2 per cent (17.9 per cent for SIs; Table 5 in the Appendix). Net of value adjustments, the average proportion of these loans came to 12.5 and 10.5 per cent respectively.

The coverage ratio (the stock of provisions over gross non-performing loans) averaged 43.6 per cent, against 46.6 per cent for SIs. The slight difference is connected to the greater recourse of LSIs to guarantees (60 per cent of NPLs of LSIs were backed by real guarantees, against 51 per cent for SIs). Moreover, compared to the end of 2011, the coverage ratios of LSIs rose on average by 16 percentage points, while those of SIs rose by 6 percentage points (Figure 3).

Figure 3 – NPL and coverage ratios



3. Supervision of LSIs

Under the SSM rules the Bank of Italy is responsible for supervising LSIs, with the indirect oversight of the ECB.[3] As with SIs, this activity centres on the supervisory review and evaluation process (SREP), which applies to all LSIs, even the smallest of them. The SREP envisages a calendar of annual activities are based on risk-profile analysis, at the consolidated and individual bank levels, consistent with European guidelines. The process is supplemented by on-site inspections of individual banks performed by the Bank of Italy's staff. Through the SREP the Bank forms a judgment on all the primary aspects of a bank's operations (efficiency, organizational structure and governance, compliance), as well as on the risk profiles typical of banking activity (credit, market, operational, liquidity and interest rate risks). Off-site analysis is usually used to assess asset quality based on the statistical reports that each bank is required to submit to the supervisory authority. Such analysis informs and is supplemented by the on-site inspections. Specifically with regard to credit risk, easily the predominant type of exposure for Italian LSIs, inspections are based on the examination of a large sample of borrowers, involving the analysis of individual files, the related accounting and balance sheet data, 'behavioural' data obtained through the inspected bank's internal monitoring systems and the value of guarantees. This analysis is used to determine whether debtors have been classified based on their real riskiness and the adequacy of the relative value adjustments. The inspections contribute to the SREP process and are particularly important given the 'robustness' of the data acquired through 'intrusive' reviews of corporate processes. The criteria and procedures applied during these inspections are in line with those used in the on-site asset quality review of SIs performed in 2014

[3] The ECB plays a more active role in the supervision of LSIs classified as 'high priority', which includes banks that are relevant due to their size, interconnectedness and/or riskiness and may also comprise troubled banks.

(previously supervisory inspections, a practice introduced by the ECB with the launch of the SSM, were performed in only a few European countries, Italy included).[4]

The SREP cycle ends with the assignment of an overall score for each bank, encapsulating its assessment. Where problem areas are identified the Bank adopts the measures it deems appropriate, and requests that banks take corrective actions, either formally through intervention letters or informally through meetings with the appropriate corporate bodies.

The SREP is followed by the 'capital decision' i.e. that on the minimum capital requirement, given by the sum of the Pillar 1 requirements (mandatory minimums for all banks) and eventual Pillar 2 requirements, which take account of each bank's specific risks. Under this process in 2015 the Bank imposed minimum mandatory capital ratios for Italy's LSIs equal to on average, , 6.5, 8.6 and 11.4 per cent for the CET1, Tier 1 and Total Capital ratios respectively (compared with Pillar 1 regulatory minimums of 4.5, 6 and 8 per cent, respectively).[5]

In 2016 the SREP of LSIs other than BCCs resulted in wholly positive assessments in 60 per cent of the cases, while in 35 per cent of the cases, the intermediaries were placed on a 'watch list': these banks are subject to more intensive and stringent controls and intervention. The few remaining banks, whose situation was judged critical, were small in size (accounting for less than 3 per cent of the total assets of LSIs other than BCCs); for these, planning or turnaround actions are under way through recapitalization and restructuring operations, involving in some instances the contribution of the voluntary scheme of the Interbank Deposit Protection Fund, which focuses on identifying solutions for troubled banks.[6]

In 2015 the Bank of Italy sent more than 300 intervention letters to LSIs requiring that they take corrective action. Some 105 inspections were performed, of which 69 of BCCs and 36 of other banks. Over the last two years all the large LSIs and those in the most critical conditions underwent inspection. The increase in the coverage ratios for non-performing exposures shown in Figure 3 reflects in part the supervisory actions taken: particularly during economic downturns, inspections usually result in calls for increased value adjustments.

The Bank of Italy supplements its 'microprudential' analysis of individual banks with 'transversal' analysis to verify underlying economic and financial resilience, conducting simulations for the early detection of possible elements of fragility in the future. These analyses include simplified stress tests of individual risk profiles, taking account of the size and operational characteristics of each bank and quantifying the relative effects on capital (see Section 4).

Taken together all these supervisory phases and methodologies (off-site and on-site analysis, SREP, credit file review and stress tests) constitute a complete set of activities which, performed systematically on the LSIs, go far beyond the comprehensive assessments performed in 2014 on the SIs in terms of depth and frequency.

CHARACTERISTICS AND REFORM OF THE MUTUAL BANKING SYSTEM

Some components of the mutual banking system have recently encountered difficulties, mainly linked to their operating and business model: these banks' activities are generally conducted in circumscribed geographical areas, they tend to be small and specialized in retail banking. With the persistence of the economic-financial crisis, the cash flows of BCCs have gradually dried up, owing to the lower profitability of lending and the deterioration in the credit quality. At the same time, the rigidity of cost structures has not made it easy to recoup efficiency. In addition, the fragmentation of the system has not been conducive to rationalization and modernization measures, above all as regards distribution networks.

[4] The comprehensive assessment was performed upon the launch of the SSM in 2014. The exercise involved the largest European banks and essentially comprised an asset quality review and stress test.

[5] It is not currently easy to make comparisons with the LSIs of other European countries. For example, in Italy the capital decision applies to all LSIs, including very small BCCs. However, this practice has not yet been adopted by all SSM countries. Furthermore, all Italian LSIs comply with the International Financial Reporting Standards (IFRS), as do all SIs, while many European countries adopt national accounting standards for LSIs (local GAAP).

[6] The assessments were wholly positive for 73 per cent of BCCs; in 24 per cent of the cases banks were put on a 'watch list'; in the remaining 3 per cent of cases the situation was judged critical.

The capacity of BCCs to strengthen their capital is limited by the constraints inherent in their cooperative form, which impinge on their ability to access capital markets. These features make it difficult for individual mutual banks, where necessary, to increase their capital by the amount and at the speed required by the new regulatory and institutional framework. The reform of mutual banks aims to foster the sector's integration, promote capital strengthening and help smooth any difficulties stemming from the new EU regulatory environment and banking union; at the same time, the reform maintains the essentially mutualistic and localistic nature of this category of banks.

The reform introduces the mutual banking group, consisting of a parent company incorporated as a joint-stock company with net assets of at least €1 billion and mutual banks affiliated to it under a cohesion contract, as well as the other banking, financial and instrumental corporations controlled by the parent company.

The cohesion contract governs, in particular: the parent company's powers to direct and coordinate the BCCs belonging to the group, which must be proportional to their risk level; the joint and several guarantee of the obligations assumed by the parent company and the BCCs; and the requirements for admission to the group. The parent company may adopt corrective measures and impose sanctions, including removing and replacing the management boards of a BCC and expelling it from the group. As a rule, the majority of the share capital of the parent company is held by the BCCs in the group. The parent company can recapitalize BCCs in difficulty through 'financing shares', a special category of shares that are fully eligible for inclusion in the core equity capital (CET1) of the issuing BCC. In order to allow a large investment in relation to a BCC's capital and to ensure that the financial intervention includes sufficient rights of governance, intervention by the parent company is not restricted to the limits as to amount, location and voting rights usually applying to any cooperative shareholder of the BCC. To assist the capital strengthening of individual BCCs, the maximum share capital in a BCC that can be held by one shareholder has increased from €50,000 to €100,000 and the minimum number of shareholders of a BCC has gone up from 200 to 500.

Between July and September of this year, pursuant to the enactment of the reform law, the Bank of Italy published for consultation secondary legislation for the mutual banking groups being established. The rules for consultation envisage granting parent companies powers to direct and coordinate BCCs so as to ensure strategic and operational consistency, an integrated system of controls and compliance with the prudential rules at group level. For these purposes, the parent company shall issue binding provisions for the affiliated BCCs and verify their compliance through checks and interventions proportional to the riskiness of individual banks, measured according to predefined early warning indicators. At the same time, the cohesion contract must identify the parent company's obligation to preserve the BCCs' mutualistic spirit, stability, sound and prudent management, and to promote their competitiveness in the group, as well as the criteria for a balanced distribution of the costs and benefits associated with membership of the group.

The group's financial robustness shall be ensured by agreements with which the parent company and the BCCs guarantee their creditors jointly and severally and provide mutual support to maintain the liquidity and solvency of each group member. To ensure that the guarantee mechanisms function properly, the group must look to uniform business models that are consistent with cooperative principles; they must adopt organizational measures and group structures suited to curtailing the risks stemming from the activity of banks other than BCCs.

Finally, the secondary provisions regulate the procedure for setting up a group and identify the evaluation criteria that the Bank of Italy must adhere to in such a procedure, including during the transitional period provided for by the reform in which applications must be submitted by the applicant parent companies (this must be done within 18 months from the entry into force of the secondary implementing regulations). Membership of a mutual banking group is compulsory in order to obtain or keep authorization to operate as a BCC; rules were introduced allowing BCCs not wishing to be members of a group to opt out, provided that they complied with certain conditions and that the relative application was submitted by 14 June 2016.

4. Simplified stress tests

In the last two years simplified stress tests (simulations) have been carried out on a group of 44 LSIs with assets of more than €1.5 billion to assess their capital sensitivity in the face of stress, without directly involving the banks in question.

For the lending component, this year the test was based on the following scenario: a worsening of the danger rate (the rate of loan deterioration for all risk classes) with a consequent rise in anomalies; an increase of value adjustments (coverage) of non-performing exposures at peer group level; a reduction of the NPL ratio (NPLs over total loans) by selling them off at 'stressed' values. To measure the effect of stress related to market risk, we also estimated the impact on equity trading portfolios of a shift in the interest rate curve, applying appropriate haircuts to the book values. Although the methodology adopted is significantly different from that established by the European Banking Authority for SIs, it is estimated that this scenario will be consistent with a cumulated deviation of Italian GDP of about 6 percentage points compared with the expected trend for the three years 2016-2018.

The tests measured the possible need for banks to strengthen their capital relative to a CET1 ratio target defined on a bank by bank basis, derived from the ‘capital decision’. In seven cases capital shortfalls emerged for a total of €740 million, equal to 3.0 per cent of CET1 capital of the totality of LSIs other than BCCs.

The banks for which the tests identified potential shortfalls have long been and continue to be the subject of intensive supervision by the Bank of Italy, with measures including recapitalizations and/or corporate turnarounds (identification of new partners, backstops provided by participation in the voluntary Interbank Deposit Protection Fund, and consolidations).

Similar tests have not yet been extended to LSIs with assets of below €1.5 billion and to the BCCs mainly because the large number of these banks – all of which are in any event subject to wide-ranging inspections – makes it much more burdensome to conduct this type of analysis, which must of necessity be tailored to each individual bank. In view of the transition to a group arrangement under the reform of the sector, a more simplified version of the stress test for BCCs has recently been launched in conjunction with the ECB. The tests are adjusted to the particular size and operating characteristics of each bank. The first results, which are still being refined, highlight situations of potential pressure on capital, associated with the severity of the scenarios adopted in the test, for around forty small banks (accounting for 14 per cent of the total assets of the sector). This confirms the analyses previously published by the Bank of Italy. A good number of these cases are already being resolved by means of consolidations. Moreover, the reform of the sector will produce one or more large banking groups, which should result in significant economies of scale on various fronts. The Bank of Italy expects this to make a substantial contribution to the overall stability of the sector.

Annex – Tables

Table 1 – Structure of the Italian banking system (June 2016)

	LSIs	*of which: BCCs*	*of which: Other*	SIs	Total (1)
Number of intermediaries	462	355	107	14	486
groups	*57*	*11*	*46*	*14*	*78*
stand-alone banks	*405*	*344*	*61*	*0*	*408*
Number of branches in Italy	8,747	4,385	4,362	17,766	28,661
groups	*3,647*	*450*	*3,197*	*17,766*	*23,557*
stand-alone banks	*5,100*	*3,935*	*1,165*	*0*	*5,104*
Number of branches per intermediary	19	12	41	1,269	59
groups	*64*	*41*	*70*	*1,269*	*302*
stand-alone banks	*13*	*11*	*19*	*0*	*13*
Assets (bln)	558	236	323	2,304	3,091
Asset share (%)	18	8	10	75	100
Assets per intermediary (bln)	1.2	0.7	3.0	164.6	6.4
Total employees	90,290	30,826	59,464	334,407	455,947
of which: in banks in Italy	*74,309*	*30,777*	*43,532*	*191,660*	*291,780*

Source: Consolidated supervisory reports for banking groups, individual supervisory reports for the rest of the system. Provisional data.

(1) Includes data on the Italian subsidiaries of significant banks of SSM countries (not classified as either significant or less significant Italian institutions for supervisory purposes).

Table 2a – List of LSIs other than BCCs

(June 2016; millions of euros)

Group/Bank	Total assets
BANCA MEDIOLANUM S.P.A.	27,238
BANCA PICCOLO CREDITO VALTELLINESE SOCIETA COOPERATIVA (CREDITO VALTELLINESE)	27,166
FINSOE S.P.A.	17,983
BANCA POPOLARE DI BARI - SOCIETA' COOPERATIVA PER AZIONI	15,384
CASSA DI RISPARMIO DI ASTI S.P.A.	14,225
MAURIZIO SELLA SAA	13,307
BANCO DI DESIO E DELLA BRIANZA	12,499
BANCA POPOLARE DELL'ALTO ADIGE/VOLKBANK SUDTIROLER	9,589
ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE	8,828
CASSA RISPARMIO DI BOLZANO S.P.A.	8,516
BANCA GENERALI S.P.A.	7,620
CASSA DI RISPARMIO DI RAVENNA S.P.A.	7,423
IBL ISTITUTO BANCARIO DEL LAVORO SPA	5,636
BANCA POPOLARE DI PUGLIA E BASILICATA - SOCIETA' COOPERATIVA PER AZIONI	5,415
UBS (ITALIA) SOCIETA' PER AZIONI	5,349
CASSA SOVV. RISP. FRA PERSONALE B.ITALIA	4,966
LA SCOGLIERA S.P.A.	4,786
BANCA POPOLARE DI CIVIDALE SOCIETA' COOPERATIVA PER AZIONI	4,718
BANCA VALSABBINA SOCIETA' COOPERATIVA PER AZIONI	4,630
CENTRALE FINANZIARIA DEL NORD EST S.P.A.	4,561
BANCA AGRICOLA POPOLARE DI RAGUSA	4,514
ALLIANZ BANK FINANCIAL ADVISORS S.P.A.	4,261
CASSA DI RISPARMIO DI CESENA S.P.A.	4,020
BANCA CARIM - CASSA DI RISPARMIO DI RIMINI S.P.A.	3,905
BANCA POPOLARE PUGLIESE - SOCIETA' COOPERATIVA PER AZIONI	3,695
BANCA FARMAFACTORING SPA	3,671
BANCA DI PIACENZA - SOCIETA' COOPERATIVA PER AZIONI	3,640
GE CAPITAL SPA	3,571
CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE	3,552
CREDIT SUISSE (ITALY) S.P.A.	3,150
CASSA DI RISPARMIO DI SAN MINIATO S.P.A.	3,113
CASSA DI RISPARMIO DI CENTO S.P.A.	3,017
BANCA UBAE SPA	2,960
CASSA DI RISPARMIO DI VOLTERRA S.P.A.	2,867
ISTITUTO PER IL CREDITO SPORTIVO	2,826
HYPO ALPE ADRIA BANK ITALIA S.P.A.	2,735
BANCA DEL MEZZOGIORNO - MEDIOCREDITO CENTRALE S.P.A.	2,633
BANCA DI CREDITO POPOLARE SOCIETA' COOPERATIVA PER AZIONI	2,598
BANCA PASSADORE & C. S.P.A.	2,568
BANCA POPOLARE DEL LAZIO S.C. A R.L.	2,537
CASSA DI RISPARMIO DI FOSSANO S.P.A.	2,168
GRUPPO BANCA LEONARDO S.P.A.	2,108
BANCA ESPERIA S.P.A.	2,008
BANCA POPOLARE DEL CASSINATE SOCIETA' COOPERATIVA PER AZIONI	1,957
MEDIOCREDITO DEL FRIULI-VENEZIA GIULIA S.P.A.	1,912
CASSA DI RISPARMIO DI FERMO S.P.A.	1,886
BANCA DEL FUCINO	1,868
CONFIENZA PARTECIPAZIONI SPA	1,847
BANCA FINNAT EURAMERICA S.P.A.	1,819
AREPO BP SPA	1,771
BANCA SISTEMA S.P.A.	1,691
BANCA CASSA DI RISPARMIO DI SAVIGLIANO S.P.A.	1,398
BANCA POPOLARE VALCONCA	1,396
MEDIOCREDITO TRENTINO-ALTO ADIGE S.P.A.	1,389

Table 2b – List of LSIs other than BCCs

(June 2016; millions of euros)

Group/Bank	Total assets
BANCA POPOLARE ETICA - SOCIETA' COOPERATIVA PER AZIONI	1,331
BANCA POPOLARE SANT'ANGELO SOCIETA' COOPERATIVA PER AZIONI	1,190
SANFELICE 1893 BANCA POPOLARE SOC. COOP. P.A.	1,127
CASSA LOMBARDA	1,103
CASSA DI RISPARMIO DI SALUZZO S.P.A.	1,084
CREDITO DI ROMAGNA SPA	988
BANCA INTERPROVINCIALE S.P.A.	951
BANCA POPOLARE DI LAJATICO SOC.COOP. P.A.	923
BANCA POPOLARE DI FONDI - SOCIETA' COOPERATIVA	869
BANCA POPOLARE DEL FRUSINATE SOCIETA' COOPERATIVA PER AZIONI	851
BANCO DI CREDITO P.AZZOAGLIO	851
BANCA REALE SPA	798
BANCO DELLE TRE VENEZIE S.P.A.	693
INVEST BANCA SOCIETA' PER AZIONI	566
BANCA DELLA PROVINCIA DI MACERATA SPA	499
BANCA IFIGEST S.P.A.	486
PRIVATA HOLDING SRL	485
DOBANK SPA	450
BANCA POPOLARE DI CORTONA SOCIETA' COOPERATIVA PER AZIONI	433
BANCA POPOLARE DI SVILUPPO S.C.P.A. A.R.L.	426
BANCA CONSULIA SPA	414
CAPITAL SHUTTLE S.P.A.	405
BANCA ALBERTINI SYZ & C. SPA	327
BANCA GALILEO SPA	315
BANCA SANTA GIULIA S.P.A.	290
BANCA ITB S.P.A.	290
CREDITO LOMBARDO VENETO S.P.A.	267
BANCA A.G.C.I. S.P.A.	237
BANCA STABIESE	213
IMPREBANCA S.P.A.	196
BANCA CAPASSO ANTONIO	195
BANCA FINANZIARIA INTERNAZIONALE SPA	183
GRUPPO BANCARIO MEDITERRANEO HOLDING SPA	175
BANCA POPOLARE VESUVIANA SOCIETA' COOPERATIVA	175
EXTRABANCA S.P.A.	164
BANCA POPOLARE DELLE PROVINCE MOLISANE SOCIETA' COOPERATIVA A R.L. PER AZIONI	151
TAGES HOLDING SPA	143
BANCA DEL SUD S.P.A.	135
BANCA POPOLARE LECCHESE S.P.A.	127
BANCA POPOLARE DELL'ETNA SOCIETA' COOPERATIVA	122
PRADER BANK SPA	116
BANCA DI SCONTO E CONTI CORRENTI DI SANTA MARIA CAPUA VETERE	110
ALTO ADIGE BANCA S.P.A.	108
CREDITO SALERNITANO-BANCA POPOLARE DELLA PROVINCIA DI SALERNO-SOC.COOP. P.A.	107
BANCA SIMETICA S.P.A.	94
BANCA DI CREDITO PELORITANO S.P.A.	89
BANCA SVILUPPO ECONOMICO S.P.A.	84
BANCA POPOLARE DEL MEDITERRANEO SOCIETA' COOPERATIVA PER AZIONI	68
BANCA PROMOS SPA	66
BANCA EMILVENETA S.P.A.	63
BANCA SVILUPPO TUSCIA S.P.A.	39
BANCA DELLA NUOVA TERRA SPA	34
BANCA POPOLARE DELLE PROVINCE CALABRE SOCIETA' COOPERATIVA PER AZIONI	30

Source: Consolidated supervisory reports for banking groups, individual supervisory reports for the rest of the system. Provisional data.

Table 3 – Capital ratios

(June 2016; per cent)

	LSIs	SIs	Total (1)
Phased-in CET1 ratio	15.5	11.7	12.4
Fully loaded CET1 ratio	15.3	11.4	12.2
Phased-in Total capital ratio	16.6	15.1	15.3

	LSIs: *of which BCCs*	LSIs: *of which Other*
Phased-in CET1 ratio	16.3	14.9
Fully loaded CET1 ratio	16.7	14.4
Phased-in Total capital ratio	16.8	16.5

Source: Consolidated supervisory reports for banking groups, individual supervisory reports for the rest of the system. Provisional data.

(1) Includes data on the Italian subsidiaries of significant banks of SSM countries (not classified as either significant or less significant Italian institutions for supervisory purposes).

Table 4 – Profitability indicators

(H1 2016; billions of euro and per cent)

	LSIs			SIs			Total (1)		
	H1 2016	H1 2015	Change (%)	H1 2016	H1 2015	Change (%)	H1 2016	H1 2015	Change (%)
Net interest income	3.7	4.0	-8.2	14.9	15.5	-3.9	20.8	21.8	-4.6
Other income	4.3	5.7	-24.7	16.7	18.1	-8.0	22.5	25.4	-11.5
Gross income	7.9	9.7	-17.9	31.6	33.7	-6.1	43.3	47.2	-8.3
Operating costs	5.5	5.4	2.2	21.4	20.4	5.0	29.2	28.0	4.3
of which: staff expenses	2.8	2.8	-1.3	11.6	11.3	2.7	15.5	15.3	1.8
Operating income	2.4	4.2	-43.7	10.2	13.3	-23.2	14.0	19.2	-26.7
Loan loss provisions	1.7	2.4	-29.2	8.2	7.4	11.3	10.6	10.7	-1.0
Net income	0.7	1.5	-55.2	1.8	3.6	-49.8	3.0	5.6	-46.8
Indicators (per cent)									
ROE	2.2	5.2		2.2	4.5		2.5	4.7	
ROE net of goodwill impairments	2.2	5.2		2.2	4.9		2.5	5.0	
Cost / income ratio	69.9	56.1		67.8	60.6		67.6	59.4	
Net interest income / Gross income	46.0	41.2		47.3	46.1		48.1	46.2	
Loan loss provisions / Operating income	70.8	56.3		80.3	55.4		75.2	55.7	

	LSIs: *of which* BCCs			LSIs: *of which* Other		
	H1 2016	H1 2015	Change (%)	H1 2016	H1 2015	Change (%)
Net interest income	1.6	1.7	-5.4	2.0	2.3	-10.3
Other income	1.3	1.9	-31.7	3.0	3.8	-21.2
Gross income	2.9	3.6	-19.3	5.0	6.0	-17.1
Operating costs	2.0	2.0	2.7	3.5	3.5	1.9
of which: staff expenses	1.1	1.1	1.2	1.7	1.8	-2.8
Operating income	0.9	1.7	-45.0	1.5	2.6	-42.8
Loan loss provisions	0.9	1.3	-33.4	0.8	1.1	-23.9
Net income	-0.1	0.2	...	0.8	1.3	-43.2
Indicators (per cent)						
ROE	-0.5	1.4		4.6	8.2	
ROE net of goodwill impairments	-0.5	1.4		4.6	8.4	
Cost / income ratio	68.5	53.8		70.7	57.5	
Net interest income / Gross income	55.3	47.2		40.6	37.6	
Loan loss provisions / Operating income	95.5	78.9		55.4	41.6	

Source: Consolidated supervisory reports for banking groups, individual supervisory reports for the rest of the system. Provisional data.

(1) Includes data on the Italian subsidiaries of significant banks of SSM countries (not classified as either significant or less significant Italian institutions for supervisory purposes).

Table 5 – Credit quality indicators

(June 2016; billions of euros and per cent)

	LSIs					SIs					Total (1)				
	gross exposures (billion)	gross share (%)	net exposures (billion)	net share (%)	coverage ratio (%)	gross exposures (billion)	gross share (%)	net exposures (billion)	net share (%)	coverage ratio (%)	gross exposures (billion)	gross share (%)	net exposures (billion)	net share (%)	coverage ratio (%)
Customer loans	314.3	100.0	285.0	100.0	9.3	1,517.4	100.0	1,383.4	100.0	8.8	2,015.5	100.0	1,840.0	100.0	8.7
Performing	251.0	79.8	249.2	87.5	0.7	1,246.2	82.1	1,238.5	89.5	0.6	1,659.2	82.3	1,648.8	89.6	0.6
Non-performing:	63.4	20.2	35.7	12.5	43.6	271.2	17.9	144.9	10.5	46.6	356.3	17.7	191.1	10.4	46.4
bad loans	*37.0*	*11.8*	*15.7*	*5.5*	*57.6*	*163.2*	*10.8*	*67.2*	*4.9*	*58.8*	*213.9*	*10.6*	*87.8*	*4.8*	*59.0*
unlikely to pay (BI def.)	*22.9*	*7.4*	*16.9*	*6.0*	*26.3*	*100.9*	*6.6*	*72.2*	*5.2*	*28.5*	*131.2*	*6.5*	*94.1*	*5.1*	*28.3*
past due	*3.5*	*1.1*	*3.2*	*1.1*	*9.1*	*7.1*	*0.5*	*5.5*	*0.4*	*21.6*	*11.2*	*0.6*	*9.2*	*0.5*	*17.7*

	LSIs: *of which* BCCs					LSIs: *of which* Other				
	gross exposures (billion)	gross share (%)	net exposures (billion)	net share (%)	coverage ratio (%)	gross exposures (billion)	gross share (%)	net exposures (billion)	net share (%)	coverage ratio (%)
Customer loans	133.2	100.0	121.3	100.0	8.9	181.1	100.0	163.7	100.0	9.6
Performing	106.8	80.2	106.1	87.5	0.7	144.1	79.6	143.1	87.5	0.7
Non-performing:	26.4	19.8	15.2	12.5	42.3	37.0	20.4	20.5	12.5	44.5
bad loans	*14.6*	*11.0*	*6.4*	*5.3*	*56.1*	*22.4*	*12.4*	*9.3*	*5.7*	*58.6*
unlikely to pay (BI def.)	*10.4*	*7.8*	*7.5*	*6.2*	*27.6*	*12.5*	*7.1*	*9.4*	*5.9*	*25.2*
past due	*1.4*	*1.1*	*1.3*	*1.1*	*8.6*	*2.1*	*1.2*	*1.9*	*1.2*	*9.5*

Source: Consolidated supervisory reports for banking groups, individual supervisory reports for the rest of the system. Provisional data.

(1) Includes data on the Italian subsidiaries of significant banks of SSM countries (not classified as either significant or less significant Italian institutions for supervisory purposes).