

PRESS RELEASE

ABI: Basel 2 strengthened dialogue with companies

Italian banks are safe from crisis

Mr. Zadra said, "We are in line with Europe. Basel 2 has created the conditions for a cultural revolution with regard to dialogue between banks and companies. We are safe from the international crisis also owing to the plans for liquidity risk mitigation; solidity of key groups is high, and credit expansion is strong".

Risk control, capital management, and relationships with companies; these are the issues at the heart of the two-day "Basel 2, when the facts are put to the test" convention organized by ABI. Today and tomorrow, the new rules on Capital Adequacy, which fully entered into force on the 1 January 2008, and will cause changes for both banks and companies, will be in the spotlight. The sustained trend of bank loans in February (+ 10.9%), in line with the previous month (+ 11%) shows that Italian companies are safe from the international liquidity crisis. During the convention, the need to strengthen prudent supervision, and to achieve greater cooperation among Supervisory Authorities by virtue of an increasingly more international and integrated dimension of financial markets, was thoroughly discussed.

Particular attention was given to the Second Pillar of the regulations, relative to issues linked to the definition of an internal plan on bank capital with a view to the assessment of risks – among which are credit and liquidity – also in case of potential market "stresses". A number of open issues on the other Pillars were also discussed, with particular reference to calculating the minimum level of assets required by regulators for credit risk and operational risk. Furthermore, the effects of Basel 2 on the relationship between banks and companies were examined. The role of banks in support of other productive sectors is essential, especially in a cyclic stage of the economy that is certainly not favourable.

Mr. Zadra concluded saying, "With reference to liquidity, one of the risks to evaluate in the Second Pillar, the Italian banking industry showed a situation of greater stability. Basel 2 is an important occasion for boosting competitiveness of our Country. Companies will have to change their approach with banks. We can define this as a new model for access to credit that relies on quality and transparency".

Basel 2 is a good opportunity for both banks and companies. For banks, since it is able to combine the supervisory objectives to preserve the stability of the banking system with the management procedures for establishing and allocating economic capital. For companies, Basel 2 can contribute to encourage a more careful management of the financial aspects of their activities, and at the same time, create the conditions for a culture of "disclosure", in order to provide banks with transparent information on their financial situation, and thus receive an assessment as objective and timely as possible.

With regard to the Second Pillar, and in particular to the Internal Capital Adequacy Assessment Process, the survey conducted by ABI and PWC Advisory immediately following release of the

final Provisions on the ICAAP (as early as March 2007) showed the awareness of institutions with regard to achieving an efficient and effective management of risks and of capital, consistently with the planning of their activities and with the future predicted scenarios. Banks in recent months have worked towards further expanding the range of considered risks, and structuring and documenting in an even more timely way their own process for internal assessment of Capital Adequacy requirements. Their first ICAAP report must be submitted to the Bank of Italy in autumn.

To meet the needs of companies, the ABI implemented a number of initiatives; among them is the White Book, which will be issued in June 2008, and whose goal is to provide an operative guide for the banking sector with regard to implementing the Second Pillar, a guide intended for the SME sector, as well as a training programme for banks on Pillar 2, which will begin in the month of June and will focus on the main aspects of the ICAAP, characterized by high levels of multifunctionality (ex. planning, risk management, audits).

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