| Informazione Regolamentata n. 0105-47-2017 | Data/Ora Ricezione 22 Giugno 2017 18:16:49 | MTA |
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| Societa' | : | CREDITO VALTELLINESE |
| Identificativo Informazione Regolamentata | : | 91182 |
| Nome utilizzatore | : | CRVALTELN02 - COLOMBO |
| Tipologia | : | REGEM |
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| Oggetto | : | Fitch ratings riduce il rating di Creval a BB-, Outlook negativo |

*Testo del comunicato*

Vedi allegato.

GRUPPO BANCARIO Credito Valtellinese

COMUNICATO STAMPA

# FITCH RATINGS RIDUCE IL RATING DI CREVAL A BB-, OUTLOOK NEGATIVO

**Sondrio, 22 giugno 2017 -** Fitch Ratings ha ridotto il rating a lungo termine (Long Term Issuer Default Rating - IDR) del Credito Valtellinese a 'BB-' da 'BB', analogamente al *Viability Rating* (VR) a 'bb-' da 'bb', già posti sotto osservazione con implicazioni negative lo scorso 24 marzo. L'*outlook* è *negative*.

La lista completa delle *rating actions* è disponibile nel comunicato stampa di Fitch Ratings allegato.

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# FITCH DOWNGRADES CREVAL TO 'BB-'; OFF RWN; OUTLOOK NEGATIVE

Fitch Ratings-Milan/London-22 June 2017: Fitch Ratings has downgraded Credito Valtellinese's (Creval) Long-Term Issuer Default Rating (IDR) to 'BB-' from 'BB' and Viability Rating (VR) to 'bb-' from 'bb' and removed them from Rating Watch Negative (RWN). The Outlook is Negative. A full list of rating actions is available at the end of this rating action commentary.

KEY RATING DRIVERS
IDRS, VR AND SENIOR DEBT
The downgrade reflects Fitch's view that unreserved impaired loans are putting pressure on capitalisation and that internal capitalisation has weakened as Creval's operating performance has deteriorated. The Negative Outlook reflects execution risks around Creval's strategic plan in a weak operating environment. Creval's strategy aims to address the bank's key weaknesses in asset quality, through non-performing loan (NPL) reductions, cost efficiency and to recover an adequate and sustainable internal capital generation from its core activities.

Although the bank's fully loaded CET1 and total capital ratios at 11.1% and 12.2% at end-1Q17 are above minimum regulatory requirements, Fitch views capitalisation as not commensurate with the risk arising from the bank's large stock of impaired loans. Unreserved impaired loans accounted for about 170% of its Fitch Core Capital (FCC) at end-1Q17. We expect capital to remain under pressure from high levels of unreserved impaired loans even after the bank's planned reduction in NPLs. We also see the risk that the capital management initiatives envisaged in Creval's strategic plan might not be sufficient to relieve pressure on capital levels if the bank achieves the planned impaired loan disposals (around gross EUR1.8 billion by end-2018) and at current market prices. Additionally, internal capital generation from core activities remains weak.

Creval's operating profitability suffers from a less diversified business model that leaves the bank more vulnerable to interest rate and economic cycles. Creval's profitability is under pressure from the low interest rate environment and modest new lending. The need to reduce its large stock of impaired loans might leave it vulnerable to possible increases in provisioning to achieve the planned NPL sales. The bank's recent wholesale debt issuance has demonstrated that the cost for the bank to access the wholesale markets has increased, which might have an impact on its net interest income in the future if wholesale funding issuance attract more expensive rates.

Asset quality is weak but has been stabilising in recent quarters, reflecting tighter credit standards and risk controls and an improved approach to address its large portfolio of impaired loans by more efficient workout and larger disposals than other medium sized banks in Italy. Creval has sold about EUR610 million impaired loans since end-2015, which together with a reduced inflow of new impaired loans and higher recoveries resulted in a reduction in the stock of impaired loans by almost 3% at end-1Q17. Nonetheless, impaired loans remain high at 26% of gross loans. The disposal of around EUR1.5 billion gross loans through a planned securitisation in 2H17 will reduce the ratio to close to 20%, which still remains above the domestic industry average. Net impaired loans will continue to represent well above 100% of FCC following the transaction.

Creval targets an 18.4% gross problem loan ratio, including past due exposures, by end-2018. Fitch believes this could be achieved, but we see execution risk if the operating environment deteriorates further.

Our assessment of funding and liquidity reflects our view that while these are generally stable, risk has heightened regarding access to funding, particularly from wholesale sources and in periods of market stress might be less certain for Creval than for stronger peers. Funding sources are currently adequately diversified. Creval's overall liquidity is underpinned by access to central bank facilities and commensurate with the bank's ratings, with liquidity coverage and net stable funding ratio above 100%.

SUPPORT RATING AND SUPPORT RATING FLOOR
The bank's Support Rating (SR) and Support Rating Floor (SRF) reflect our view that following the introduction of Bank Recovery and Resolution Directive, the likelihood of Creval being supported, in case of need, by the Italian authorities has reduced substantially. We therefore no longer rely on the possibility of such support in our ratings.

SUBORDINATED DEBT AND OTHER HYBRID SECURITIES
Creval's subordinated debt is rated one notch below the bank's VR, comprising one notch for loss severity relative to senior unsecured creditors and zero notches for incremental non-performance risk relative to the VR.

RATING SENSITIVITIES
IDRS, VR AND SENIOR DEBT
The Negative Outlook reflects our view that the bank's VR, Long-Term IDR and debt ratings would be downgraded if capitalisation declines from current levels as a result of losses caused by sales of impaired loans if the bank fails to build up capital. The ratings would also be downgraded if the bank fails to achieve the planned reduction in impaired loans or if underlying profitability does not improve.

Fitch could revise the Outlook to Stable if the bank makes progress in disposing impaired loans while maintaining adequate capitalisation, manifested in a steady reduction in unreserved impaired loans as a share of FCC. A Stable Outlook would also require a recovery in operating profitability to sustainable levels.

SUPPORT RATING AND SUPPORT RATING FLOOR
An upgrade of the SR and upward revision of the SRF would be contingent on a positive change in the sovereign's propensity to support Creval. While not impossible, this is highly unlikely, in Fitch's view.

SUBORDINATED DEBT AND OTHER HYBRID SECURITIES
The rating of the notes is sensitive to a change in the bank's VR. The rating is also sensitive to a change in the notes' notching, which could arise if Fitch changes its assessment of their loss severity or their non-performance relative to the risk captured in the VR.

The rating actions are as follows:

Long-Term IDR: downgraded to 'BB-' from 'BB', removed from RWN; Outlook Negative
Short-Term IDR: affirmed at 'B'
Viability Rating: downgraded to 'bb-' from 'bb', removed from RWN
Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'
EMTN Long-term rating: downgraded to 'BB-' from 'BB', removed from RWN
EMTN Short-Term Rating: affirmed at 'B'
Subordinated notes: downgraded to 'B+' from 'BB-', removed from RWN

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Additional information is available on www.fitchratings.com

Applicable Criteria
Global Bank Rating Criteria (pub. 25 Nov 2016)
https://www.fitchratings.com/site/re/891051

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