

FITCH RATINGS - DECISIONE SUI RATING ASSEGNATI

Sondrio, 24 marzo 2017 - Fitch Ratings ha posto sotto osservazione con implicazioni negative il Long-Term Issuer Default Rating (IDR) "BB" e il Viability Rating (VR) bb assegnati a Creval.

Allegato comunicato stampa Fitch Ratings.

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FITCH PLACES CREDITO VALTELLINESE ON RWN

Fitch Ratings-London-23 March 2017: Fitch Ratings has placed Credito Valtellinese's (Creval) 'BB' Long-Term Issuer Default Rating (IDR) and 'bb' Viability Rating (VR) on Rating Watch Negative (RWN). The bank's other ratings are unaffected by this rating action.

The rating action reflects Fitch's view that some sensitivities we identified as possible negative rating drivers are likely to have been triggered. These include our preliminary assessment of the bank's operating performance, which the bank's latest full-year financial results show has deteriorated considerably over the last 12 months, potentially putting pressure on the bank's capitalisation.

KEY RATING DRIVERS

IDR, VR AND SENIOR DEBT

The RWN primarily reflects the pressure we have observed on Creval's capitalisation following the sale of impaired loans during 2016. The bank has been more active than other mid-sized banks in Italy in disposing portfolios of impaired loans (about EUR580m sold in 2016), but the prices achieved show that there is still a material gap between these prices and current impairment coverage ratios. The bank still has a large outstanding amount of impaired loans on its balance sheet (26.5% of gross loans at end-2016), which it intends to reduce in the medium term.

Creval plans to sell additional impaired loans in 2017/2018. We believe that the impact of future sales is potentially negative for the bank's capital if the transactions occur at current market prices, generating losses in addition to those reported in 2016. In Fitch's opinion, the bank's internal capital generation is weak as the underlying profitability from its traditional commercial business, which is sensitive to the negative operating environment in Italy and the low interest rate environment, remains under pressure.

The bank is undertaking a simplification programme, which aims to improve its currently weak operating efficiency.

RATING SENSITIVITIES

IDR, VR AND SENIOR DEBT

Fitch expects to resolve the RWN in the next three months once we assess the impact of the bank's strategy and how it plans to address the impact of this strategy on its capital base.

We expect to downgrade its VR, Long-Term IDR and debt ratings if capitalisation is materially reduced from current levels as a result of additional sales but no tangible plan is made on how to build up capital again relatively speedily. We also expect that the ratings would be downgraded if the planned reduction in impaired loans does not materialise or if underlying profitability does not stabilise.

We would affirm the ratings and remove them from RWN if the bank makes positive progress on capitalisation, profitability and asset quality. A steady reduction in the proportion of impaired loans net of reserves to Fitch Core Capital would be evidence that this is taking place.

The rating actions are as follows:

Long-Term IDR: 'BB' placed on RWN

Short-Term IDR: 'B' unaffected

Viability Rating: 'bb' placed on RWN

Support Rating: '5' unaffected
Support Rating Floor: 'No Floor' unaffected
Senior unsecured notes and EMTN Long-Term Rating: 'BB' placed on RWN
Senior unsecured notes and EMTN Short-Term Rating: 'B' unaffected

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Applicable Criteria

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

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