

## CREDITO VALTELLINESE

### FITCH MODIFICA IL RATING DA A- A BBB + CON OUTLOOK STABILE

**Sondrio, 15 luglio 2011.** Si informa che in data odierna Fitch Ratings ha modificato il rating a lungo termine del Credito Valtellinese e delle controllate Credito Artigiano e Bancaperta da A- (con 'outlook' negativo) a BBB+ (con 'outlook' stabile).

Si allega il testo del comunicato stampa di Fitch.

Contatti societari Investor relations  
telefono 02 80637471  
Email: [investorrelations@creval.it](mailto:investorrelations@creval.it)

Media relations  
telefono 02 80637403  
Email: [mediarelations@creval.it](mailto:mediarelations@creval.it)



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## Fitch Downgrades Credito Valtellinese to 'BBB+'; Outlook Stable Ratings

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Fitch Ratings-Milan/London-15 July 2011: Fitch Ratings has downgraded Credito Valtellinese's (Creval) Long-term Issuer Default Rating (IDR) to 'BBB+' from 'A-'. The Outlook on the Long-term IDR is Stable. At the same time, the agency has affirmed the bank's Short-term IDR at 'F2' and Individual Rating at 'C'. The agency has also downgraded the Long-term IDR of Creval's subsidiaries, Bancaperta and Credito Artigiano, to 'BBB+' from 'A-' with a Stable Outlook and withdrawn Credito Artigiano's Individual Rating. A full list of rating actions is at the end of this commentary.

The downgrade of Creval's Long-term IDR reflects the bank's weak capitalisation in light of its high level of impaired loans and rapid lending expansion in recent years and continuing pressure on profitability.

With a Fitch core capital ratio of 6.23% at end-2010, Fitch considers Creval's capitalisation only just acceptable given the high level of impaired loans. At end-June 2011 Creval converted part of the EUR625m outstanding convertible bonds resulting in a EUR98.4m increase of its equity (equal to +50bp on its core capital ratio). However, the amount converted into equity was lower than initially expected by the bank given the currently low share price. As a result, in order to achieve its target core Tier 1 ratio of 7.3% at end-2014, it is considering alternative measures such as reducing planned lending growth as well as growth in credit risk weighted assets. Creval aims to reimburse EUR200m government hybrid instruments in 2012.

After a dip in operating profitability in 2009, operating profit grew by 5.5% in 2010 due to higher commissions and lower loan impairment charges. Overall profitability remained modest with an operating ROAE of 5.4%. Fitch expects Creval's operating profitability to remain under pressure as a result of higher funding costs for Italian banks and loan impairment charges remaining relatively high. The bank's plan to rationalise its group structure by merging some of its subsidiaries should help improve its cost efficiency.

Creval's risk exposure is mostly to credit risk in its lending book, which has expanded significantly in recent years, partly through acquisitions. However, the bank's loan book is diversified, with no particular concentrations to single industries or borrowers. Asset quality continued to deteriorate in 2010, with impaired loans reaching a quite high 7.5% of gross loans.

Creval's funding is adequately underpinned by its strong retail franchise. While Creval continued to access the institutional markets for its funding in H111, dependence on these funding sources is limited. Liquidity is adequate as the bank had about EUR1.3m of unencumbered assets eligible for ECB refinancing available at end-June 2011.

The IDRs of Bancaperta, the 100%-held group finance and treasury arm of the Creval group, and Credito Artigiano, its 69.8%-owned subsidiary acting as the group's distribution network in parts of Lombardy, Lazio, Tuscany and Emilia Romagna, are equalised with those of the parent to reflect their integration into the group and their strategic importance. Their Support Ratings reflect an extremely high probability of support from Creval in case of need. The withdrawal of Credito Artigiano's Individual rating reflects Fitch's view of the full integration into the group structure as the subsidiary acts as the distribution network, mainly in large towns in northern and central Italy. In order to simplify the group's structure, as set out in Creval's 2011-2014 business plan Banca Cattolica and Credito del Lazio will be merged into Credito Artigiano by end-2011.

### Creval

Long-term IDR: downgraded to 'BBB+' from 'A-'; Outlook Stable

Short term IDR: affirmed at 'F2'

Individual Rating: affirmed at 'C'

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB'

Senior debt: downgraded to 'BBB+' from 'A-'

### Bancaperta

Long-term IDR: downgraded to 'BBB+'; Outlook Stable

Short-term IDR: affirmed at 'F2'

Support Rating: downgraded to '2'

### Credito Artigiano

Long-term IDR: downgraded to 'BBB+'; Outlook Stable

Short-term IDR: affirmed at 'F2'

Individual Rating affirmed at 'C' and withdrawn

Support Rating: downgraded to '2'.

### Contact:

#### Primary Analyst

Francesca Vasciminno

Director

+39 02 879087 225

Fitch Italia S.P.A.V.lo S. Maria alla Porta, 1

Milan 20123

#### Committee Chairperson

Maria Jose Lockerbie

Managing Director

+44 20 35301083

Media Relations: Hannah Huntly, London, Tel: +44 20 3530 1153, Email: hannah.huntly@fitchratings.com.

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Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2010 and 'Short-Term Ratings Criteria for Corporate Finance', dated 2 November 2010, are available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

Global Financial Institutions Rating Criteria

Short-Term Ratings Criteria for Corporate Finance

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