

**DBRS CONFERMA  
IL RATING DI CREDITO VALTELLINESE A BBB (LOW),  
L'OUTLOOK RIMANE NEGATIVO**

**Sondrio, 18 giugno 2015** – L'agenzia DBRS Ratings Limited (DBRS) ha confermato in data odierna i *Long-Term Debt & Deposit and Issuer rating* del Credito Valtellinese a BBB (low), analogamente al rating R-2 (low) *Short-Term Debt & Deposit rating*. Il trend sui rating rimane Negativo. DBRS ha altresì confermato il *Bank's Intrinsic Assessment* a BBB (low) e il *support designation* a SA-3.

Il testo completo del comunicato stampa DBRS è allegato.

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## **DBRS Confirms Creval Ratings at BBB (low), Negative Trend**

**Industry: Fin.Svc.--Banks & Trusts**

DBRS Ratings Limited (DBRS) has today confirmed the BBB (low) Senior Long-Term Debt and Deposits ratings of Credito Valtellinese S.c. (Creval or the Bank), as well as the R-2 (low) Short-Term Debt & Deposits rating. The trend on the ratings remains Negative. DBRS also maintained the Bank's Intrinsic Assessment at BBB (low) and support designation at SA-3.

The confirmation of the ratings takes into account the Bank's stable customer franchise in its home province of Sondrio, its solid funding and liquidity profile, as well as improving capitalisation. Concurrently, the ratings reflect the ongoing asset quality deterioration and the mounting levels of non-performing loans (NPLs) which are keeping credit costs high. Weak asset quality is also the main factor underscoring the Negative Trend, and further asset quality deterioration could lead to downward rating pressure. However, DBRS notes that the Bank is taking a number of measures to improve NPL management and consequently progress towards improving credit dynamics could support a future change in the Trend to Stable.

As part of the Bank's updated business plan, Creval is increasing its focus on managing NPLs. Over the last two quarters, the Bank has set-up a non-core unit and entered a number of strategic agreements in order to reduce the cost of credit by improving recovery rates and working towards future NPL reduction. Separately, Creval entered an exclusive agreement to sell its 20% stake in Istituto Centrale delle Banche Popolari S.p.A. which is expected to generate a meaningful capital gain and follows on from the EUR 400 million capital increase the Bank completed in 2014. The combination of improved NPL management and capital strengthening could contribute to a stronger balance sheet with lower credit costs over the medium term.

High cost of credit contributed to the Bank's sizeable loss in 2014, when Creval reported a loss of EUR 325 million, incorporating the incremental provisions from the ECB Asset Quality Review (AQR). There was some improvement in 1Q15, as the Bank returned to profit and benefited from improved funding costs and lower provisions. The cost of credit reduced to 145 bps in 1Q15 from 341 bps in 4Q 2014 (or 165 bps net of AQR impact) and 205 bps in 1Q 2014. However, DBRS expects Creval's cost of risk to remain elevated for some time.

Overall, asset quality continued to deteriorate in 1Q15, although at slower pace. Creval's gross



impaired ratio increased to 25% of total gross loans from 24% at YE 2014 which compares unfavourably with the average of the peer group, reflecting the Bank's higher exposure to the troubled SME sector. The Bank's risk profile also reflects Creval's large holdings of sovereign securities (EUR 7.6 billion corresponding to 26% of the bank's total assets at YE 2014) which pose material risks for the Bank, should sovereign yields rise.

DBRS views the Bank's funding and liquidity management as satisfactory. A solid retail deposit base and de-leveraging have helped the Bank to manage its liquidity position during periods of stress. As of May 2015, the bank's liquidity buffer amounted to EUR 4.1 billion (or 14% of Creval's total assets) which provides a buffer over future bond redemptions for 2015-2017. In addition, Creval reported a Basel III liquidity coverage ratio (LCR) of 153% and Net Stable Funding Ratio (NSFR) of 135% which are well above future minimum requirements.

#### Notes:

All figures are in EUR unless otherwise noted.

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (June 2014). Other applicable methodologies include the DBRS Criteria: Support Assessments for Banks and Banking Organisations (March 2015) and DBRS Criteria: Rating Bank Capital Securities – Subordinated, Hybrid, Preferred & Contingent Capital Securities (February 2015). These can be found at: <http://www.dbrs.com/about/methodologies>

The sources of information used for this rating include SNL Financial. DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive Trend are resolved within a twelve month period. DBRS's outlooks and ratings are under regular surveillance.

For further information on DBRS historic default rates published by the European Securities and Markets Administration ("ESMA") in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

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For additional information on this rating, please refer to the linking document located at:  
<http://www.dbrs.com/research/236983/banks-and-banking-organisations-linking-document.pdf>

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Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Credito Valtellinese S.c. (Gruppo Bancario Credito Valtellinese)	Senior Long-Term Debt and Deposits	Confirmed	BBB (low)	Neg	Jun 18, 2015
Credito Valtellinese S.c. (Gruppo Bancario Credito Valtellinese)	Short-Term Debt and Deposits	Confirmed	R-2 (low)	Neg	Jun 18, 2015

For more information on this credit or on this industry, visit [www.dbrs.com](http://www.dbrs.com) or contact us at [info@dbrs.com](mailto:info@dbrs.com).

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