



Tagging Info

Fitch Downgrades Iccrea Holding to 'A-'; Outlook Stable Ratings

10 Aug 2011 7:24 AM (EDT)

Fitch Ratings-London/Milan-10 August 2011: Fitch Ratings has downgraded Iccrea Holding SpA (Iccrea Holding) and its two main subsidiary banks, ICCREA Banca S.p.A. (ICCREA Banca) and Banca Agrileasing (Agrileasing) Long-term Issuer Default Ratings (IDR) to 'A-' from 'A'. The Outlook is Stable. The agency has also downgraded the entities' Short-term IDRs to 'F2' from 'F1' and Viability Ratings to 'a-' from 'a'. A full list of rating actions is at the end of this comment.

The downgrade reflects the group's weakened asset quality and pressure on profitability in a difficult operating environment. The ratings of the members of the Iccrea group are based on the group's role as the biggest of the three central institutions of the Italian mutual banking sector of the Banche di Credito Cooperativo (BCC). Iccrea Holding is the holding company controlling ICCREA Banca, which concentrates on providing finance and treasury services to the members of the BCC sector, and Agrileasing, the BCC sector's main corporate bank. Iccrea Holding's Support Rating reflects Fitch's view that there is a high probability of support from the authorities for the group, given its role within the BCC sector.

Despite resilient operating revenue generation, ICCREA Holding's operating performance was modest in 2010, and high loan impairment charges resulted in the group generating an operating return on equity of only 3.7% for the year. Asset quality deteriorated sharply in 2009 and 2010, reflecting the weak domestic economy, and gross impaired loans more than doubled in 2009 and 2010, accounting for a high 10.5% of the group's end-2010 gross loans.

The Iccrea group receives the bulk of its funding from the interbank market, predominantly from banks in the BCC sector, which have traditionally placed excess liquidity with ICCREA Banca. To diversify funding sources and to lengthen maturities of funding to match the maturities of assets in Agrileasing's loan book, ICCREA Banca has a EUR3bn EMTN programme in place, under which it issued EUR1bn senior debt in H210 and H111. ICCREA Holding's liquidity has tightened as deposits from the BCC have fallen but remains sound and benefits from a high amount of securities that are eligible for refinancing transactions with the European Central Bank.

ICCREAH's core Tier 1 ratio stood at 7.03% at end-2010, which Fitch considers only just adequate given the high level of net impaired loans. ICCREAH's shareholders have agreed to increase EUR300m fresh capital, which should strengthen the group's consolidated Tier 1 ratio to about 9.5% by end-2011, which Fitch considers adequate.

The rating actions are as follows:

Iccrea Holding S.p.A.

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

Short-term IDR: downgraded to 'F2' from 'F1'

Viability Rating: downgraded to 'a-' from 'a'

Individual Rating: affirmed at 'B/C'

Support Rating: affirmed at '2'

Support Rating Floor: affirmed at 'BBB+'

Iccrea Banca S.p.A.

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

Short-term IDR: downgraded to 'F2' from 'F1'

Viability Rating: downgraded to 'a-' from 'a'

Individual Rating: affirmed at 'B/C'

Support Rating: affirmed at '1'

EUR3bn EMTN Programme: downgraded to 'A-'/F2' from 'A'/F1'

Senior unsecured debt: downgraded to 'A-' from 'A'

Banca Agrileasing

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

Short-term IDR: downgraded to 'F2' from 'F1'

Viability Rating: downgraded to 'a-' from 'a'
Individual Rating: affirmed at 'B/C'
Support Rating: affirmed at '1'
Senior unsecured debt and EMTN Programme: downgraded to 'A-' from 'A'
Subordinated notes (ISIN XS0222800152 and XS0287519663): downgraded to 'BBB+' from 'A-'
Subordinated upper Tier 2 notes (ISIN XS0295539984): downgraded to 'BBB' from 'BBB+'

Contact:

Primary Analyst
Christian Scarafia
Senior Director
+39 02 87 90 87 212
Fitch Italia S.p.A.
V.lo Santa Maria alla Porta, 1
20123 Milan

Secondary Analyst
Francesca Vasciminno
Director
+39 02 87 90 87 225

Committee Chairperson
James Longsdon
Managing Director
+44 20 3530 1076

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

Additional information is available on www.fitchratings.com

Applicable criteria, 'Global Financial Institutions Rating Criteria' dated 16 August 2011, 'Rating Hybrid Securities' dated 28 July 2011 and 'Short-Term Ratings Criteria for Corporate Finance' dated 2 November 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria
Short-Term Ratings Criteria for Corporate Finance
Rating Hybrid Securities

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

Copyright © 2011 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries.