

Rating Action: Moody's takes action on 12 Italian financial institutions

23 Oct 2018

Rating actions follow the downgrade of Italy's sovereign rating to Baa3, stable outlook

Paris, October 23, 2018 -- Moody's Investors Service ("Moody's") today took rating actions on 12 Italian financial institutions. The rating agency downgraded the long-term deposit ratings and/or the Counterparty Risk Ratings (CRRs) of eight banks, the long-term issuer and/or senior unsecured debt ratings of three institutions, and the long-term Counterparty Risk Assessments (CRAs) of seven banks. Furthermore, Moody's revised the outlooks on the long-term deposit and senior unsecured debt ratings of UniCredit S.p.A. (UniCredit), and on the long-term issuer rating of FCA Bank S.p.A. (FCA Bank) to stable from positive. Finally, Moody's affirmed the standalone baseline credit assessments (BCAs) of Banca IMI S.p.A. (Banca IMI) at baa3 and of Credit Agricole Cariparma S.p.A. (CA Cariparma) at ba1.

Today's rating action concludes the review for downgrade initiated on 30 May 2018 (please refer to Moody's press release, "Moody's reviews Italian banks for downgrade" at https://www.moodys.com/research/--PR_384255), and was prompted by the rating agency's downgrade of the Government of Italy's bond rating to Baa3 with stable outlook from Baa2, ratings under review for downgrade. For further information on the sovereign rating action, please refer to Moody's press release dated 19 October 2018 ("Moody's downgrades Italy's ratings to Baa3, stable outlook" at https://www.moodys.com/research/--PR_390302).

Today's actions affect ratings of the following groups: UniCredit, Intesa Sanpaolo S.p.A. (Intesa Sanpaolo), Banca IMI, Cassa Depositi e Prestiti S.p.A. (CDP), Mediobanca S.p.A. (Mediobanca), CA Cariparma, FCA Bank, Banca Nazionale Del Lavoro S.p.A. (BNL), Credito Emiliano S.p.A. (Credem), Cassa Centrale Raiffeisen S.p.A. (Raiffeisen), Invitalia S.p.A. (Invitalia) and Banca del Mezzogiorno - MCC S.p.A. (Banca del Mezzogiorno).

The full list of the affected ratings can be found at the end of this press release.

RATINGS RATIONALE

-- ITALY'S MACRO PROFILE REMAINS MODERATE+

Moody's maintained its Macro Profile for Italy at Moderate+. While the operating environment for banks is negatively affected by the increased susceptibility to political event risk in the country, credit conditions have moderately improved following a material reduction in the level of problem loans in the Italian banking system over the last two years. Moody's now expects problem loans to fall below 11% of gross loans by the end of 2018, and to decline further in 2019, compared to a peak of over 18% in 2015. As a result, the agency reduced its negative adjustment to the macro profile in respect of credit conditions to one notch from two. At the same time, Moody's maintained its one-notch negative adjustment to the macro profile in respect of funding conditions, reflecting a challenging wholesale funding environment and the banks' continued high reliance on European Central Bank funding.

-- DOWNGRADE OF THE LONG-TERM DEPOSIT RATINGS AND COUNTERPARTY RISK RATINGS

In accordance with Moody's Banks methodology, deposit ratings and CRRs are typically constrained to two notches above the sovereign bond rating, reflecting the agency's view that the expected loss of rated bank instruments is unlikely to be significantly below that of the sovereign's own debt.

Moody's therefore downgraded the long-term deposit ratings of Intesa Sanpaolo, Banca IMI, Mediobanca, and FCA Bank to Baa1 (stable outlook) from A3 ratings under review; of CA Cariparma to Baa1 (negative outlook) from A3 ratings under review; and of Raiffeisen to Baa1 ratings under review from A3 ratings under review. CA Cariparma's long-term deposit rating now has a negative outlook, reflecting the trend of reducing bail-in-able retail bonds, which would protect depositors in a resolution scenario. Raiffeisen's long-term ratings remain on review for downgrade to reflect the forthcoming consolidation of Italy's networks of mutual banks.

Moody's also downgraded the long-term deposit rating of Credem to Baa3 (stable outlook) from Baa2

(negative outlook), affirmed its long-term CRR of Baa1, and affirmed its subordinated debt rating at Ba1. The downgrade of the long-term deposit rating was prompted by higher loss-given-failure due to the decrease in the bank's stock of bail-in-able debt.

Moody's downgraded the CRRs of BNL, Intesa Sanpaolo, Banca IMI, Mediobanca, FCA Bank, and Raiffeisen to Baa1 from A3. The actions were prompted by the downgrade of the Italy's government bond rating.

-- REVISION OF OUTLOOKS ON UNICREDIT AND FCA BANK

The revision of the outlooks to stable from positive on UniCredit's Baa1 long-term deposit and senior unsecured debt ratings, and on FCA Bank's Baa1 long-term issuer rating, reflects the stable outlook on Italy's Baa3 government bond rating. In accordance with Moody's Banks methodology, long-term ratings are constrained to two notches above the sovereign bond rating. Despite the potential for improvements in the banks' adjusted BCAs, UniCredit's and FCA Bank's long-term deposit and senior debt/issuer ratings would not be upgraded given the new Italian sovereign debt rating.

-- DOWNGRADE OF THE DEBT AND/OR ISSUER RATINGS OF CASSA DEPOSITI E PRESTITI, INVITALIA, AND BANCA DEL MEZZOGIORNO

The issuer and senior unsecured debt ratings of CDP and Invitalia are based on Moody's assumptions of very high dependence and high support from the Italian government. The downgrade of Italy's sovereign debt rating to Baa3 stable from Baa2 ratings under review indicates a lower capacity of the government to support CDP and Invitalia. Moody's reflected this in a downgrade of the issuer and senior debt ratings of CDP and Invitalia to Baa3 stable from Baa2 ratings under review. The short-term issuer and commercial paper ratings of CDP were also downgraded to Prime-3 from Prime-2 in line with the downgrade of the institution's long-term ratings.

Similarly, the downgrade of Banca del Mezzogiorno's long-term issuer rating to Ba1 stable from Baa3 ratings under review reflects the diminished capacity of the Italian government to support the bank. This results in the elimination of the previous one-notch uplift to Banca del Mezzogiorno's long-term issuer rating from government support.

-- AFFIRMATIONS FOR BANCA IMI AND CA CARIPARMA

Moody's also affirmed Banca IMI's baa3 standalone BCA, reflecting the high integration of the bank with its parent Intesa Sanpaolo, and the group's plans to merge the two banks. A large portion of Banca IMI's balance sheet and net interest income derives from links to Intesa Sanpaolo, with which Banca IMI shares most of its clients and management structure. As such, Banca IMI's BCA can no longer be reliably distinguished from that of Intesa Sanpaolo.

The rating agency also affirmed the ba1 standalone BCA and baa2 adjusted BCA of CA Cariparma, reflecting the stability of the bank's financials, as well as Moody's assessment of a very high probability of support from its parent Credit Agricole S.A.

--- DOWNGRADE OR CONFIRMATION OF COUNTERPARTY RISK ASSESSMENTS

According to Moody's methodology, CR Assessments do not typically exceed by more than one notch the rating of the sovereign in which the bank is domiciled, or by more than two notches if the adjusted BCA is already above the sovereign rating.

The downgrade of Italy's sovereign rating has therefore triggered the downgrade of the long-term CR Assessments of UniCredit, Intesa Sanpaolo, Banca IMI, Mediobanca, Credem, FCA Bank, and Raiffeisen to Baa2(cr) from Baa1(cr), and the confirmation of the long-term CR Assessments of BNL and CA Cariparma at Baa1(cr), because their adjusted BCA is currently at Baa2, above Italy's sovereign debt rating.

-- WHAT COULD MOVE THE RATINGS UP/DOWN

The ratings affected by the two-notch constraint above Italy's Baa3 sovereign rating could be upgraded or downgraded following an upgrade or downgrade of Italy's sovereign rating, which we consider unlikely in the short-to-medium term given the stable outlook on Italy's sovereign rating.

The ratings could also be downgraded following a deterioration of the affected entities' baseline credit assessments driven, for example, by worsening asset quality, losses, or reduced capitalisation. The ratings could also be downgraded following higher loss-given-failure, driven by a material decrease in the banks' stock

of bail-in-able debt, for example.

LIST OF AFFECTED RATINGS

Issuer: Credit Agricole Cariparma S.p.A.

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

...Long-term Bank Deposits, downgraded to Baa1 Negative from A3 Rating under Review

..Confirmation:

...Long-term Counterparty Risk Assessment, confirmed at Baa1(cr)

..Affirmations:

...Baseline Credit Assessment, affirmed ba1

...Adjusted Baseline Credit Assessment, affirmed baa2

..Outlook Action:

...Outlook changed to Negative from Rating under Review

Issuer: UniCredit S.p.A.

..Downgrade:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

..Affirmations:

...Long-term Bank Deposits, affirmed Baa1, outlook changed to Stable from Positive

...Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

...Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable from Positive

Issuer: UniCredit Int'l Bank (Luxembourg) S.A.

..Affirmations:

...Backed Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

...Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable from Positive

Issuer: UniCredit S.p.A., London Branch

..Downgrade:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

..No Outlook assigned

Issuer: UniCredit S.p.A., New York Branch

..Downgrade:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

..Affirmation:

...Long-term Bank Deposits, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable from Positive

Issuer: UniCredit Bank Ireland p.l.c.

..Affirmations:

...Backed Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

...Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

...Outlook changed to Stable from Positive

Issuer: Intesa Sanpaolo S.p.A.

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

...Long-term Bank Deposits, downgraded to Baa1 Stable from A3 Rating under Review

..Outlook Action:

...Outlook changed to Stable from Rating under Review

Issuer: Intesa Sanpaolo S.p.A., Hong Kong Branch

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

..No Outlook assigned

Issuer: Intesa Sanpaolo S.p.A., London Branch

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

..No Outlook assigned

Issuer: Intesa Sanpaolo S.p.A., New York Branch

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

...Long-term Bank Deposits, downgraded to Baa1 Stable from A3 Rating under Review

..Outlook Action:

...Outlook changed to Stable from Rating under Review

Issuer: Banca IMI S.p.A.

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

...Long-term Bank Deposits, downgraded to Baa1 Stable from A3 Rating under Review

..Affirmation:

...Baseline Credit Assessment, affirmed baa3

..Outlook Action:

...Outlook changed to Stable from Rating under Review

Issuer: Mediobanca S.p.A.

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

...Long-term Bank Deposits, downgraded to Baa1 Stable from A3 Rating under Review

..Outlook Action:

...Outlook changed to Stable from Rating under Review

Issuer: Banca Nazionale Del Lavoro S.p.A.

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

..Confirmation:

...Long-term Counterparty Risk Assessment, confirmed at Baa1(cr)

..Outlook remains unchanged at Negative

Issuer: Credito Emiliano S.p.A.

..Downgrades:

...Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

...Long-term Bank Deposits, downgraded to Baa3 Stable from Baa2 Negative

...Short-term Bank Deposits, downgraded to P-3 from P-2

..Affirmations:

...Short-Term Counterparty Risk Assessment, affirmed P-2(cr)

...Long-term Counterparty Risk Ratings, affirmed Baa1

...Short-term Counterparty Risk Ratings, affirmed P-2

...Subordinate Regular Bond/Debenture, affirmed Ba1

..Outlook changed to Stable from Negative

Issuer: FCA Bank S.p.A.

..Downgrades:

....Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

....Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

....Long-term Bank Deposits, downgraded to Baa1 Stable from A3 Rating under Review

..Affirmation:

....Long-term Issuer Rating, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: FCA Bank S.p.A., Irish Branch

..Downgrades:

....Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

....Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

..Affirmations:

....Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

....Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: FCA CAPITAL IRELAND P.L.C.

..Affirmations:

....Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

..No Outlook assigned

Issuer: FCA Capital Suisse SA

..Affirmations:

....Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: Cassa Centrale Raiffeisen S.p.A.

..Downgrades and placed on Review for further Downgrade:

....Long-term Counterparty Risk Assessment, downgraded to Baa2(cr) from Baa1(cr)

....Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

....Long-term Bank Deposits, downgraded to Baa1 Rating under Review from A3 Rating under Review

..Placed on Review for Downgrade:

...Short-term Counterparty Risk Assessment, currently P-2(cr)

..Outlook remains unchanged at Rating under Review

Issuer: Cassa Depositi e Prestiti S.p.A.

..Downgrades:

...Short-term Issuer Rating, downgraded to P-3 from P-2

...Long-term Issuer Rating, downgraded to Baa3 Stable from Baa2 Rating under Review

...Commercial Paper, downgraded to P-3 from P-2

...Senior Unsecured Medium-Term Note Program, downgraded to (P)Baa3 from (P)Baa2

...Senior Unsecured Regular Bond/Debenture, downgraded to Baa3 Stable from Baa2 Rating under Review

..Outlook Action:

...Outlook changed to Stable from Rating under Review

Issuer: Invitalia S.p.A.

..Downgrades:

...Long-term Issuer Rating, downgraded to Baa3 Stable from Baa2 Rating under Review

...Senior Unsecured Regular Bond/Debenture, downgraded to Baa3 Stable from Baa2 Rating under Review

..Outlook Action:

...Outlook changed to Stable from Rating under Review

Issuer: Banca del Mezzogiorno - MCC S.p.A.

..Downgrades:

...Long-term Issuer Ratings, downgraded to Ba1 Stable from Baa3 Rating under Review

..Outlook Action:

...Outlook changed to Stable from Rating under Review

PRINCIPAL METHODOLOGIES

The principal methodology used in rating Credit Agricole Cariparma S.p.A., UniCredit S.p.A., UniCredit Int'l Bank (Luxembourg) S.A., UniCredit S.p.A., London Branch, UniCredit S.p.A., New York Branch, UniCredit Bank Ireland p.l.c., Intesa Sanpaolo S.p.A., Intesa Sanpaolo S.p.A., Hong Kong Branch, Intesa Sanpaolo S.p.A., London Branch, Intesa Sanpaolo S.p.A., New York Branch, Banca IMI S.p.A., Mediobanca S.p.A., Banca Nazionale Del Lavoro S.p.A., Credito Emiliano S.p.A., FCA Bank S.p.A., FCA Bank S.p.A., Irish Branch, FCA CAPITAL IRELAND P.L.C., FCA Capital Suisse SA, Cassa Centrale Raiffeisen S.p.A. and Banca del Mezzogiorno - MCC S.p.A. was Banks published in August 2018. The principal methodology used in rating Cassa Depositi e Prestiti S.p.A. and Invitalia S.p.A. was Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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