

COMUNICATO STAMPA

BAPS RICEVE IL PRIMO RATING UFFICIALE DALL'AGENZIA EUROPEA SCOPE RATINGS. ASSEGNATA LA VALUTAZIONE INVESTMENT GRADE BBB- CON OUTLOOK STABILE.

Ragusa, 12 dicembre 2024. Si informa che in data odierna l'agenzia di valutazione del credito Scope Ratings GmbH ("**Scope**") ha pubblicato il rating assegnato a Banca Agricola Popolare di Sicilia S.C.p.A. ("**BAPS**"). Il rating emittente si attesta a BBB- con outlook stabile.

Il rating assegnato a BAPS si inserisce nel percorso di crescita e di consolidamento intrapreso, riflette il radicato modello di business, la qualità degli attivi e le solide posizioni di capitale e di liquidità.

Saverio Continella, Amministratore Delegato, ha commentato: *"L'ottenimento del primo rating da parte di Scope rappresenta un risultato di grande rilievo per la nostra banca, ci distingue nel panorama bancario italiano e certifica la solidità dei nostri fondamentali economico-finanziari, la visione strategica che guida le nostre scelte e il nostro impegno costante verso la trasparenza e l'innovazione. Il rating ottenuto rafforza la fiducia degli stakeholder e rappresenta una leva importante per accedere a nuove opportunità, proseguendo il nostro percorso di crescita e di servizio al territorio"*.

Si allega il comunicato stampa pubblicato da Scope.

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Credit Rating Announcement

12 December 2024

Scope assigns to Banca Agricola Popolare di Sicilia a first-time issuer rating of BBB-/Stable

The rating reflects a well-established cooperative franchise, improved asset quality metrics and sound capital and funding positions.

Rating action

Scope Ratings GmbH (Scope) has assigned to Banca Agricola Popolare di Sicilia SCpA (BAPS, formerly known as Banca Agricola Popolare di Ragusa SCpA) a first-time issuer rating of BBB- and a short-term debt rating of S-2, both with a Stable Outlook.

The full list of rating actions and rated entities is at the end of this rating action release.

[Download the issuer report.](#)

Key rating drivers

Business model assessment: Focused (High). The issuer rating is anchored by the Focused (High) business model assessment. BAPS is an Italian cooperative bank with an established franchise in Sicily. The bank provides banking services primarily to households, self-employed professionals, and small companies. Revenues are mainly derived from lending activities, while market penetration of non-banking financial services is comparatively low. The acquisition of local peer Banca Popolare Sant'Angelo (BPSA), which was completed on 30 November, adds scale to the bank's activities and broadens its geographic reach in the region.

Scope considers BAPS's deep-rooted franchise and extensive knowledge of its customers as important strengths that have allowed the bank to weather past crises and a prolonged period of ultra-low interest rates.

Operating environment assessment: Supportive (Low). All the bank's operations are based in Italy (Supportive low). As the EU's third largest economy and second largest manufacturer, Italy has had a significant average trade surplus over the past decade. The GDP per capita is EUR 38k, in line with the EU average. Weak public finances, including high government debt of around 137% of GDP in 2024 and elevated annual funding needs, may constrain the government's ability to deploy countercyclical measures in downturns in the context of the rigid European fiscal framework. At the same time, structural challenges and an ageing and declining working population will continue to weigh on economic growth. Despite these challenges, the banking sector has been performing strongly, with high margins and low cost of risk driving high profitability in 2023 and 2024. Following a decade of balance sheet cleanup, NPLs are no longer a credit concern and appear well under control.

Scope arrives at an initial mapping of **bb+** based on a combined assessment of the issuer's operating environment and business model.

Long-term sustainability assessment (ESG factor): Developing. The assessment reflects Scope's view that the issuer is embracing changes to ensure the long-term sustainability of its business model. Progress made is tangible but does not warrant further credit differentiation.

BAPS is developing capabilities to assess ESG risks, particularly climate-related, in its loan portfolio. Since 2023, it has started to update its business processes and define roles and responsibilities related to ESG. At the same time, the bank has set limits/targets for ESG risk within the ICAAP framework.

Scope considers the bank's good post-crisis track record and the absence of misconduct as evidence of sound risk governance.

There is room for improvement in the area of digitalisation. The bank recognises this and is highly committed to improving the customer experience and maximising cost efficiency through IT investments. Combining digital channels with a physical presence through branches is a strategic priority in the coming years.

The long-term sustainability assessment leads to an adjusted rating anchor of **bb+**.

Earnings capacity and risk exposures assessment: Neutral. The assessment reflects Scope's view that the bank's earning capacity may be variable over economic cycles but is sufficient to cover expected losses. Asset quality is broadly in line with peers. Risks are unlikely to generate losses that would undermine the issuer's viability.

The bank's focus on Sicily, which has a lower GDP per capita and a higher unemployment rate than the Italian average, may negatively impact business growth and operating performance over time. Nevertheless, BAPS's ability to generate earnings through the cycle is supported by its strong local market position, in-depth knowledge of its customers and prudent lending practices, which have limited historical credit losses. Average profitability remains low by national and international standards, primarily due to a high reliance on lending income and a high cost/income ratio.

Scope expects the bank to maintain an adequate level of profitability due to efforts to improve cost efficiency and the synergies from the merger with BPSA. In the short-term, operating performance will be affected by integration costs, badwill and potentially higher credit costs.

Asset quality has improved materially over the past seven years thanks to both disposals and recoveries. As of June 2024, the group had a gross NPL ratio of 4%, not much higher than the national average and the bank's target for 2026. The bank's asset quality is supported by the high proportion of loans that are either secured or guaranteed (around 80%).

Since 2019, the bank has taken several measures to improve credit risk management and asset quality. These include strengthening the pre-approval process for loan underwriting, better monitoring through the implementation of CSE¹'s Credit Monitor solution, and the adoption of a new policy for the valuation of real estate used as collateral.

Financial viability management assessment: Comfortable (+1 notch). The assessment reflects Scope's view that the BAPS maintains a comfortable buffer to relevant regulatory requirements and should continue to do so. The bank's financial viability is largely resilient to tail-risk events.

BAPS is well capitalised. As of June 2024, the bank's capital was comprised entirely of CET1 capital and with a CET1 ratio of 21%, the minimum buffer to requirements was 970 bps. Management's prudent approach to solvency metrics and limited organic loan growth opportunities in Sicily support capital accumulation. Scope does not foresee any material change in the bank's capital ratios following the merger with BPSA.

BAPS's funding profile is underpinned by a highly granular and stable deposit base. The ECB's main refinancing operations facility and repos are two other important funding sources (about 20% of total). Liquidity ratios remain well above requirements despite the repayment of the ECB's TLTRO III.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

The **Stable Outlook** reflects Scope's view that the risks to the current rating are balanced.

The **upside scenario** for the rating and Outlook is:

1. Balanced growth in scale that increases the bank's geographic reach and diversification could lead to a more positive business model assessment.

The **downside scenarios** for the ratings and Outlook are (individually or collectively):

1. A material worsening of asset quality and profitability metrics could be negative for the earnings capacity and risk exposures assessment.
2. A material erosion in the bank's capital position, potentially due to significant losses or lower management targets, could lead to a lower financial viability management assessment.

Debt ratings

Short-term debt rating: S-2. BAPS's short-term credit rating is derived from the long-term issuer credit rating. The rating is consistent with Scope's long-term/short-term rating correspondence table. The choice of the highest possible short-term rating (S-2 given the issuer rating of BBB-) reflects the bank's solid liquidity profile and access to central bank funding (both LTRO and MRO).

Environmental, social and governance (ESG) factors

Please refer to the 'long-term sustainability assessment' under the 'key rating drivers' section above for the ESG analysis.

All rating actions and rated entities

Banca Agricola Popolare di Sicilia SCpA

Issuer rating: BBB-/Stable, new

Short-term debt rating: S-2/Stable, new

1. Consorzio Servizi Bancari (CSE) is an Italian IT company that provides comprehensive IT solutions tailored to the banking and financial sector for more than 50 years. The group serves more than 150 clients including banks, payment institutions and financial service providers.

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for these Credit Ratings and Outlooks, (Financial Institutions Rating Methodology, 6 February 2024) is available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://scoperatings.com/governance-and-policies/regulatory/eu-regulation>. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and Outlooks and the principal grounds on which the Credit Ratings and Outlooks are based. Following that review, the Credit Ratings and Outlooks were not amended before being issued.

Regulatory disclosures

These Credit Ratings and Outlooks are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and Outlooks are UK-endorsed.

Lead analyst: Alessandro Boratti, Senior Analyst

Person responsible for approval of the Credit Ratings: Pauline Lambert, Executive Director

The Credit Ratings/Outlooks were first released by Scope Ratings on 12 December 2024.

Potential conflicts

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About Scope Group

With more than 300 employees operating from offices in Berlin, Frankfurt, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG analysis and fund research. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. Scope Ratings is registered in accordance with the EU rating regulation and operating in the European Union with ECAI status. Scope Ratings is the only European rating agency accepted by the ECB for the Eurosystem Credit Assessment Framework (ECAAF). The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on www.scopegroup.com

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