



Rating Action: Moody's assigns Baa3 long-term deposit ratings to Banca Sella S.p.A.

02 Feb 2024

Outlook stable

Paris, February 02, 2024 -- Moody's Investors Service (Moody's) has today assigned first-time long-term (LT) and short-term (ST) bank deposit ratings of Baa3/Prime-3 to Banca Sella S.p.A. (Sella). The outlook assigned to these LT ratings is stable. Moody's has also assigned a Baseline Credit Assessment (BCA) and Adjusted BCA of ba2, LT and ST Counterparty Risk Assessments (CRA) of Baa2(cr)/Prime-2(cr), LT and ST Counterparty Risk Ratings (CRR) of Baa2/Prime-2.

Moody's has also withdrawn the ba2 BCA and Adjusted BCA of Banca Sella Holding S.p.A. (Sella Holding) for business reasons, and affirmed Sella Holding's LT and ST bank deposit ratings of Baa3/Prime-3, the LT and ST CRA of Baa2(cr)/Prime-2(cr), and the LT and ST CRR of Baa2/Prime-2. The outlook on the LT deposit ratings remains stable.

RATINGS RATIONALE

Sella is the operating bank of Sella group, accounting for around 80% of the group's assets. Out of the over 300 branches of the Sella group in Italy, 285 are of Sella and 26 branches belong to Banca Patrimoni Sella & C. S.p.A.

Moody's has assigned a ba2 BCA to Sella based on the consolidated financials of the group, and has withdrawn the ba2 BCA on Sella Holding, which is chartered as a bank. Since Sella accounts for the vast majority of assets held by Sella Holding, Moody's considers the two entities are not analytically distinguishable in an event of default.

The assigned ba2 BCA of Sella reflects the group's moderate stock of gross nonperforming loans (NPLs) accounting for around 3% of gross loans in September 2023, its sound retail funding and strong level of liquidity, but also its modest profitability and weak capitalization. The group's reported in the first nine months of 2023 a net income corresponding to a return on assets of 0.86%, and a Common Equity Tier 1 (CET1) ratio of 13.5% in September 2023. The assignment of the BCA also reflects the group's focus on small and medium-sized enterprises (SMEs) lending as well as its significant role in the domestic payment services.

The assigned Baa3 deposit ratings of Sella reflects the ba2 BCA, the very low loss given failure under our Advanced Loss Given Failure (LGF) analysis which is based on the consolidated financials. This results in two notches of uplift from the BCA, and Moody's assumption of a low probability of support resulting in no further uplift. The LT deposit ratings of Sella Holding have also been affirmed at Baa3 as they are aligned to the deposit ratings of Sella, the

deposits of both entities ranking pari passu in a resolution scenario.

WITHDRAWAL OF SELLA HOLDING'S BCA AND ADJUSTED BCA

Moody's has decided to withdraw the ratings for its own business reasons. Please refer to the Moody's Investors Service Policy for Withdrawal of Credit Ratings, available on its website, <https://ratings.moody's.com>.

ESG CONSIDERATIONS

The ratings and assessments assigned to Sella also incorporate Sella's environmental, social and governance (ESG) considerations, reflecting the limited credit impact of environment and social factors on the ratings to date and low governance risks.

RATING OUTLOOK

The outlook on Sella's LT deposits ratings is stable, reflecting Moody's view that the group's profitability in 2024 is likely to decline slightly, as rising cost of risk and fading margins will put pressure on income generation. Moody's also expects capital to remain broadly stable and wholesale funding to partly replace the full repayment of ECB Targeted Long-Term refinancing Operations (TLTROs) borrowing. The stable outlook on Sella's LT deposit ratings is also driven by the stable outlook on Italy's sovereign debt rating. The outlook on Sella Holding's LT deposit ratings is stable as it is aligned with the outlook of Sella.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Sella's deposit ratings could be upgraded following an upgrade of the BCA. An upgrade of the BCA would be driven by a significant improvement in asset quality or a material strengthening of its capital position. The deposit ratings could also be upgraded if the bank were to significantly increase its outstanding amount of senior unsecured or subordinated debt, or both. Sella Holding's deposit ratings would be upgraded if the deposit ratings of Sella are upgraded.

A downgrade of Sella's BCA of ba2 would likely lead to a downgrade of its deposit ratings. The BCA could be downgraded in case of a significant deterioration in the bank's asset quality, capital and profitability. The deposit ratings could also be downgraded if the bank's volume of deposit were to significantly reduce. Sella Holding's deposit ratings would be downgraded if the deposit ratings of Sella are downgraded.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moody's.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody's.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be

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At least one ESG consideration was material to the credit rating action(s) announced and described above.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moody.com/documents/PBC_1355824.

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