

Italy-Based FinecoBank S.p.A. Additional Tier 1 Notes Rated 'BB-'

July 8, 2019

DUBLIN (S&P Global Ratings) July 8, 2019--S&P Global Ratings said today that it assigned its 'BB-' long-term issue rating to the proposed €300 million perpetual Additional Tier 1 (AT1) capital notes to be issued by Italy-based FinecoBank (BBB/Negative/A-2).

We derive the hybrid rating for banks based in Italy by notching down from the bank's stand-alone credit profile (SACP). For Fineco's AT1 issue, we are applying four downward notches from the bank's SACP of 'bbb'.

We calculate this four-notch difference as follows:

- One notch to reflect subordination risk;
- Two additional notches to take into account the risk of nonpayment at the full discretion of the issuer and the hybrid's likely inclusion in Tier 1 regulatory capital; and
- One further notch because the instruments allow for full or partial temporary write-down.

We do not apply any additional notching because we do not consider the 5.125% mandatory conversion trigger as a going-concern trigger. Furthermore, Fineco has high regulatory capital ratios, with Common Equity Tier 1 likely to exceed 18% in 2019, in our view.

We will monitor more closely the evolution of Fineco's leverage ratio because we expect this will remain just above the 3% threshold set by the authorities. Given the bank's large earning buffers and relatively high amount of liquid assets on the balance sheet, we are not applying any further notches from the four abovementioned standard notches.

We intend to assign intermediate equity content to the notes, once the regulator approves them, for inclusion in the bank's regulatory Tier 1 capital. The instruments meet the conditions for intermediate equity content under our criteria because they are perpetual, with a call date that we expect to be five or more years from issuance. In addition, they do not contain a coupon step-up and have loss-absorption features on a going-concern basis due to the bank's flexibility to suspend the coupon at any time.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017

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- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Italy-Based FinecoBank S.p.a. Assigned 'BBB/A-2' Ratings; Outlook Negative, July 4, 2019

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