



## Fitch Places AMCO SpA on Rating Watch Positive

Fitch Ratings - Milan - 12 December 2019:

Fitch Ratings has placed Asset Management Company (AMCO) SpA's (formerly known as Società per la Gestione di Attività - SGA SpA) Long- and Short-Term Issuer Default Ratings (IDRs) of 'BBB-' and 'F3' on Rating Watch Positive. This follows recent announcements by AMCO of an EUR1 billion equity increase, contributed in cash by the sole shareholder, The Ministry of Finance, and of its involvement in the government-sponsored, but privately-funded, recapitalisation and de-risking plan of Carige Bank (CCC/RWP).

### RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
AMCO - Asset Management Company S.p.A.	LT IDR BBB-  Rating Watch On	BBB- 
	ST IDR F3  Rating Watch On	F3
senior unsecured	LT BBB-  Rating Watch On	BBB-
senior unsecured	ST F3  Rating Watch On	F3

### Key Rating Drivers

The completion of the two announced transactions may lead to a reassessment of the 'status, control and ownership' rating factor to 'very strong' from 'strong'. This in turn would lead to a 45 overall score under Fitch's Government-Related Entity (GRE) Criteria, up from 40 and to equalising AMCO's rating with Italy's sovereign 'BBB' rating, which is on Negative Outlook.

The equity increase makes shareholder support more tangible also by raising the share of AMCO's state-guaranteed debt versus total unsubordinated debt as computed by Fitch. The agency consolidates on AMCO's balance sheet the non-performing loans (NPLs) of the bad Veneto banks taken over and managed by AMCO in separate accounts. Under Fitch assumptions the share of AMCO's state-guaranteed debt is now expected to hover around 30% in 2023-2024 as the equity increase replaces non-guaranteed borrowing. This compares with the current 25% share, a level that Fitch views as a potential trigger for a lower assessment of the support factor and hence a reassessment of the strength of linkage with the government.

In addition to the purchase of Carige Bank's EUR2.8 billion NPLs the plan includes an AMCO guarantee on Carige Bank's EUR1.2 billion performing loans at risk of future reclassification as NPLs. Fitch views such measures as AMCO acting in lieu of the government rather than that of a pure market distressed-debt servicer, and in so doing is facilitating the clean-up of Carige Bank's balance sheet and the bank's recapitalisation (see

"Fitch's Revises Rating Watch on Carige to Positive on Capital Increase Approval" dated 27 September 2019) at market conditions. In the case of the rescue of the two Veneto banks in late 2017, the guarantee of up to EUR4 billion for unlikely-to-pay loans at risk of being reclassified as non-performing loans was in fact granted by the Italian government itself.

## **Derivation Summary**

Our current 'BBB-' rating results in a score of 40 under our GRE top-down rating approach, leading to a one-notch differential with Italy's 'BBB' IDR. This is irrespective of AMCO's 'b' standalone credit profile, which is not a rating driver. AMCO's Negative Outlook mirrors that of Italy.

## **Key Assumptions**

Equity increase will replace borrowing for the same amount in Fitch's scenario.

## **RATING SENSITIVITIES**

Fitch expects to resolve the RWP over the next three to six months. The completion of the two announced transactions will likely lead to a re-assessment of the 'status, ownership and control' to 'very strong' from 'strong', raising the overall support assessment score to 45 under our GRE Criteria. This would result in a rating upgrade and equalisation with Italy's IDR.

## **Public Ratings with Credit Linkage to other ratings**

AMCO's IDRs and Outlook will likely move in tandem with those of Italy in light of the rating linkage with the national government.

## **ESG Considerations**

AMCO's Environmental, Social and Governance issues are of minimal relevance to the rating.

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## **Applicable Criteria**

Rating Criteria for International Local and Regional Governments (pub. 13 Sep 2019)  
Government-Related Entities Rating Criteria (pub. 13 Nov 2019)

## **Additional Disclosures**

Solicitation Status  
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