Banca Agricola Popolare di Sicilia S.C.p.A.

Rating report

Issuer

BBB-

Outlook

Stable

Lead Analyst

Alessandro Boratti, CFA

+39 02 3054 4983

a.boratti@scoperatings.com

Related publications

Scope assigns to Banca Agricola Popolare di Sicilia a first-time issuer rating of BBB- with Stable Outlook, December 2024

more research →

Table of content

Summary and Outlook

Banca Agricola Popolare di Sicilia (BAPS)'s issuer rating of **BBB**- reflects the following assessments:

Business model assessment: Focused (High). BAPS is an Italian cooperative bank with an established franchise in Sicily – a large, insular region of Italy. Revenues are mainly derived from lending activities to households, self-employed professionals, while market penetration of non-banking financial services is comparatively low. The acquisition of local peer Banca Popolare Sant'Angelo (BPSA) adds scale to the bank's activities and broadens its geographic reach in the region.

Operating environment assessment: Supportive (Low). Italy has a large and diversified economy but is constrained by high debt levels and limited fiscal flexibility. Being part of the European banking union, the regulatory and supervisory environment is supportive for the financial stability of banks. The assessment also considers the high fragmentation and low efficiency of the Italian banking system.

Long-term sustainability assessment (ESG factor): **Developing**. BAPS is developing capabilities to assess ESG risks, particularly climate-related, in its loan portfolio. At the same time, the bank recognizes the need to invest in its digital offering and is committed to enhancing the customer experience and improve cost efficiency through IT investments.

Earnings and risk exposures assessment: Neutral. 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. However, its average profitability remains low by national and international standards, primarily due to limited cross selling of fee generating products and a high cost/income ratio. Asset quality is supported by the high proportion of loans that are either secured or guaranteed (around 80%). The bank's gross NPL ratio has been steadily declining, and now stands at 4%.

Financial viability assessment: Comfortable. The bank maintains a strong capital position that management is keen to preserve. BAPS benefits from a large and granular deposit base, which represents 80% of total funding. Liquidity ratios remain well above requirements despite the repayment of the ECB's TLTRO III.

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

The upside scenario(s) for the rating and Outlook:

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

The downside scenario(s) for the rating and Outlook:

- A material worsening of asset quality and profitability metrics could be negative for the earnings capacity and risk exposures assessment.
- 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.

Table 1: Rating drivers

<table>
<tr><th colspan="2">Rating drivers</th><th colspan="30">Assessment</th></tr>
<tr><td rowspan="7">STEP 1</td><td>Operating environment</td><td colspan="6">Very constraining</td><td colspan="6">Constraining</td><td colspan="6">Moderately supportive</td><td colspan="6">Supportive</td><td colspan="6">Very supportive</td></tr>
<tr><td>Low/High</td><td colspan="15">Low</td><td colspan="15">High</td></tr>
<tr><td>Business model</td><td colspan="6">Narrow</td><td colspan="6">Focused</td><td colspan="6">Consistent</td><td colspan="6">Resilient</td><td colspan="6">Very resilient</td></tr>
<tr><td>Low/High</td><td colspan="15">Low</td><td colspan="15">High</td></tr>
<tr><td>Initial mapping</td><td colspan="30">bb+</td></tr>
<tr><td>Long-term sustainability</td><td colspan="6">Lagging</td><td colspan="6">Constrained</td><td colspan="6">Developing</td><td colspan="6">Advanced</td><td colspan="6">Best in class</td></tr>
<tr><td>Adjusted anchor</td><td colspan="30">bb+</td></tr>
<tr><td rowspan="4">STEP 2</td><td>Earnings capacity & risk exposures</td><td colspan="6">Very constraining</td><td colspan="6">Constraining</td><td colspan="6">Neutral</td><td colspan="6">Supportive</td><td colspan="6">Very supportive</td></tr>
<tr><td>Financial viability management</td><td colspan="5">At risk</td><td colspan="5">Stretched</td><td colspan="5">Limited</td><td colspan="5">Adequate</td><td colspan="5">Comfortable</td><td colspan="5">Ample</td></tr>
<tr><td>Additional factors</td><td colspan="6">Significant downside factor</td><td colspan="6">Material downside factor</td><td colspan="6">Neutral</td><td colspan="6">Material upside factor</td><td colspan="6">Significant upside factor</td></tr>
<tr><td>Standalone rating</td><td colspan="30">bbb-</td></tr>
<tr><td>STEP 3</td><td>External support</td><td colspan="30">Not applicable</td></tr>
<tr><td colspan="2">Issuer rating</td><td colspan="30">BBB-</td></tr>
</table>

Table 2: Credit ratings

		Credit rating	Outlook
Issuer	**Banca Agricola Popolare di Sicilia SCpA**		
	Issuer rating	BBB-	Stable
	Short-term debt rating	S-2	Stable

1. Business model

'Resilient – high' business model assessment

Established in 1889 in Ragusa, Banca Agricola Popolare di Sicilia (BAPS) is a cooperative bank operating in Sicily, Italy's fifth most populous region. As of YE 2023, the bank had EUR 5.4bn in total assets. Although its share of the national lending market is marginal, the bank is a top five player in the region by number of branches after the recent acquisition of Banca Popolare Sant'angelo (BPSA).

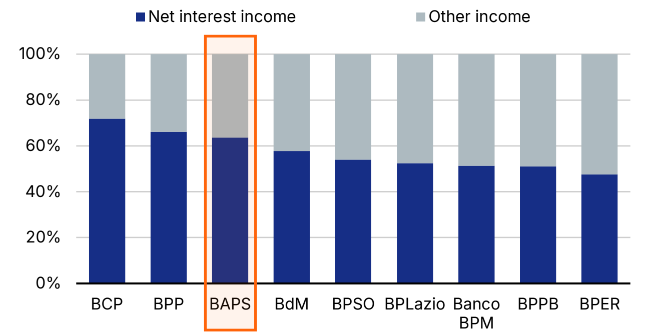
BAPS offers a range of banking products and services primarily to households, self-employed entrepreneurs, and small companies. Thanks to partnerships with several specialised companies, it distributes, among others, wealth management, insurance, and consumer credit products. Net interest income accounts for a relatively high proportion of revenue, reflecting the bank's focus on lending and its lower penetration in non-banking financial services (Figure 1).

Local footprint is a strength

The regional footprint exposes the bank to idiosyncratic events affecting the local economy. At the same time, its deep-rooted franchise and extensive knowledge of its customers are important strengths that have enabled it to weather past crises and a prolonged period of ultra-low interest rates. In addition, BAPS benefits from a stable deposit base thanks to long-standing client relationships.

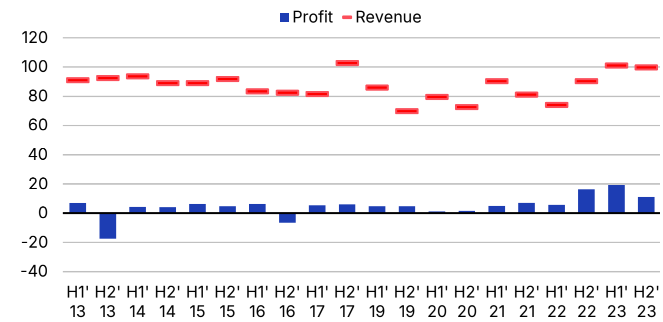
Since 2021, the bank's performance has improved on the back of favourable monetary conditions and a cleaner balance sheet (Figure 2).

Figure 1: Revenue profile – peer comparison[1]



Source: SNL, Scope Ratings
Note: Three-year averages based on 2021-2023

Figure 2: Record of half year results (EUR m)



Source: SNL, Scope Ratings
Note: 2018 data NA

In November 2024, the bank acquired its local peer BPSA, a struggling cooperative lender with a balance sheet of just over EUR 1 bn. The transaction took the form of a merger by incorporation through a share swap of four shares in BAPS for one share in BPSA.

BPSA acquisition brings benefits

Our business model assessment incorporates the impact of the BPSA transaction. The bank strengthens its presence in the provinces of Catania and Palermo, while expanding in Agrigento and Caltanissetta. BAPS expects to save on fixed expenses, cost to serve (lending) and funding costs as it gradually replaces BPSA's time deposits with current accounts. The two banks have common partners in several different business areas, which should reduce integration costs. They also outsource their IT operations to the same provider, CSE[2], which should facilitate the technical integration process.

[1] Italian cooperative banks, including former ones. BPSO: Banca Popolare di Sondrio, BPP: Banca Popolare Pugliese, BCP: Banca di Credito Popolare, BPPB: Banca Popolare di Puglia e Basilicata, BdM: ex Banca Popolare di Bari.
[2] 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.

2. Operating environment

Box A: Focus on BAPS's main operating environment: Italy

Economic assessment

- Italy is the world's eighth largest economy and the EU's third largest economy after Germany and France. It is the second largest manufacturer in the EU, with a significant trade surplus that has increased over the past decade.
- The economy is diversified, although one of its defining traits is the prevalence of small and micro enterprises, which are often family-owned. This is mirrored in banks' loan books, where SME loans often account for the lion's share.
- As of YE 2023, the country's real GDP per capita was in line with the EU average. However, wealth is concentrated in the north, while southern regions are behind in many social and economic aspects, such as growth, employment, infrastructure development and education.
- The country has been suffering from low GDP growth, low growth potential, an ageing population and a lack of investment and structural reform.
- Scope expects growth to converge towards the long-term potential of 1%. There is, however, upside potential from an efficient implementation of public investments and reforms related to Next Generation EU funds (Italy will receive EUR 191.5bn by 2026).
- The government debt-to-GDP ratio is the second highest in Europe. High indebtedness, in the context of the rigid European fiscal framework, has constrained the government's ability to deploy countercyclical measures in past recessions. However, this was not the case during the Covid-related crisis.
- Italy is renowned for its chronic political instability (the country has had 68 governments in 77 years). Political turmoil can weigh on investor confidence and influence the spread between 10-year Italian bond yields and their German equivalent, with repercussions for banks' funding costs.

Key economic indicators	2021	2022	2023	2024E	2025F
Real GDP growth, %	8.3	4.1	5.0	0.8	1.0
Inflation (HICP), % change	1.9	8.7	5.9	1.2	1.9
Unemployment rate, %	9.5	8.1	7.7	7.2	7.0
Policy rate, %	-0.5	2.0	4.0	3.5	3.0
Public debt, % of GDP	147	141	137	139	141
General government balance, % of GDP	-8.7	-8.6	-7.4	-4.7	-3.9

Source: Scope Ratings

Soundness of the banking sector

- Less significantly important banks are supervised by the Bank of Italy under the Single Supervisory Mechanism. Banking regulations in the country are largely aligned to the most recently agreed international standards, as set by the Basel Committee.
- The Italian banking system is highly fragmented, with a handful of banks competing at the national level beside regional and cooperative banks. Physical branches are still the predominant distribution channel, albeit declining at rapid pace.
- Over the past decade, Intesa has absorbed weaker competitors and overtaken competitors such as UniCredit to become Italy's largest bank. In 2020, Intesa acquired UBI, cementing its market leadership.
- Consolidation is ongoing among medium-sized former popolari banks, with BPER emerging as an active consolidator. French group Crédit Agricole has also been expanding, acquiring Creval and showing interest in further inorganic growth.
- The sector has long been characterised by low margins, high provisions (due to non-performing loans in the wake of the Global Financial Crisis) and weak profitability. However, after cleaning up their balance sheets, banks are now enjoying a period of increased profitability, driven by widening interest margins and low credit costs.
- Customer deposits are the main source of funding for the system, while reliance on wholesale issuance has greatly diminished since the Global Financial Crisis. During the Covid pandemic, Italian banks widely used the ECB's targeted longer-term refinancing operations (TLTRO III).

Banking system indicators	2019	2020	2021	2022	2023
ROAA, %	0.4	0.1	0.4	0.6	0.9
ROAE, %	5.9	1.6	6.1	9.0	13.1
Net interest margin, %	1.4	1.3	1.2	1.5	2.0
CET1 ratio, %	14.2	15.5	16.7	16.8	16.9
Problem loans/gross customer loans, %	6.3	4.4	3.4	2.6	2.5
Loan-to-deposit ratio, %	120.1	113.2	108.7	106.6	105.8

Source: SNL, Scope Ratings
Note: The loan/deposit ratio includes debt securities at amortised cost as loans.

3. Long-term sustainability (ESG-D)

'Developing' long-term sustainability assessment

BAPS is committed to improving the customer experience and maximising efficiency through digital investments. As a cooperative and local player, BAPS values customer proximity and a physical presence in its territory. Combining new digital channels with physical branches (i.e., an omnichannel offering) is a strategic priority in the coming years. However, given its size, the bank is unlikely to have the same resources to compete with large players and newcomers in terms of digitisation. Over time, this could become a competitive challenge as basic banking products become commoditised.

Digitalisation

Like several other Italian cooperative banks, BAPS outsources its core IT banking system to an external provider, CSE. This allows the bank to focus on its core business while managing IT processes efficiently and in a more cost-effective manner. Over the past three years, BAPS has also worked to increase the resilience of its operations, for example by migrating most of its 'critical' processes to the cloud.

Governance

BAPS is incorporated as a cooperative bank. Its share capital is held by more than 20,000 members, each of whom is limited by law to a maximum holding of 1%. Each member has only one vote, regardless of the number of shares held. This system is designed to maintain the cooperative nature and the independence of the institution. It is also intended to allow for extensive debate, although the granularity of the shareholding structure can lead to limited oversight of management. BAPS's good post-crisis track record, and the absence of misconduct indicate sound risk governance.

Environment

BAPS is under increasing regulatory pressure to integrate sustainability and environmental considerations throughout its organisation, from governance to lending. 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.

We believe that in the long term, the ability to measure and price climate risks in credit underwriting will be key for a bank located in Sicily, which is one of the geographical areas in Europe most exposed to climate change risks (e.g. desertification). Progress in this area is still at an early stage.

Social

As a "banca popolare", BAPS has strong ties with its territory and the local community. The loyalty of its customer base is one of the bank's key strengths.

The bank is committed to obtaining the "Gender Equality Certification". Still, we note the imbalance between the number of male and female middle managers (95 vs. 209) and senior managers (1 vs. 9).

Figure 3: Long-term sustainability overview table[3]

Source: Scope Ratings

[3] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

4. Earnings capacity and risk exposures

'Neutral earnings capacity and risks exposures' assessment

From 2013 to 2020, the bank's profitability was impacted by ultra-low policy rates and high loan losses, with the return on average equity being barely positive. However, while several Italian banks suffered heavy losses and required capital injections and/or regulatory intervention, BAPS was able to weather the Italian asset quality crisis on its own. We believe this reflects the bank's conservative approach to credit risk and deep knowledge of its customer base. It also reflects the high proportion of loans that are either collateralised or covered by guarantees.

Spread widening supported earnings rebound

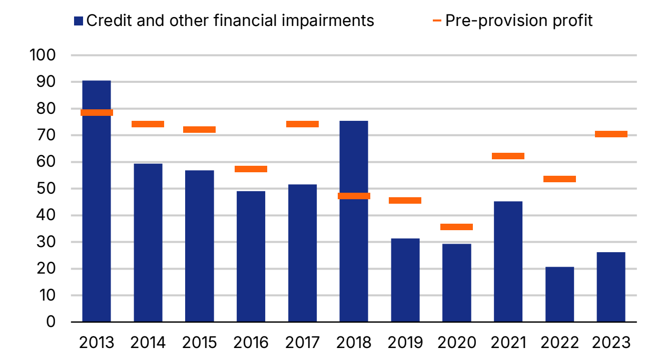
Since 2022, profitability has increased due to wider spreads in a higher interest rate environment. And with a much cleaner balance sheet, the bank's cost of risk has fallen below 100 bps (92 bps in 2023). In 2023, higher personnel costs due to the new labour contract[4] and redundancy plan partly offset the growth in net interest income.

Medium/long term profitability is lower than larger peers

BAPS's earnings capacity over the cycle compares well with that of cooperative groups in southern Italy. However, it lags behind larger groups, both national and international, for two main reasons: (i) the higher dependence on net interest income combined with the low penetration in wealth management services reduces the potential for revenue growth as interest rates normalise; (ii) the high cost/income ratio compared with larger groups reflects inefficiencies in costs to lend and internal processes. Branch density, as measured by customer loans/branches, is relatively high, while digital capabilities lag those of larger Italian (and international) groups.

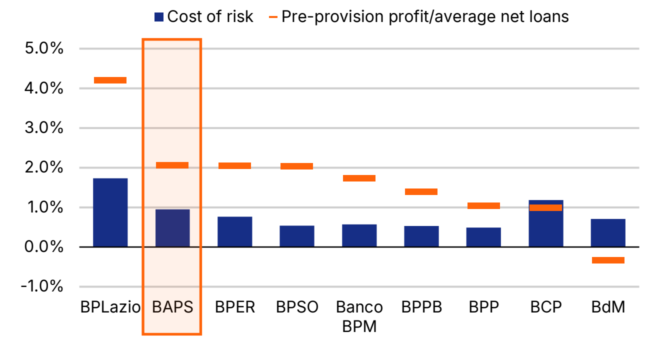
Management expects earnings to grow in the coming years despite the reduction in policy rates. To achieve this objective, it will be crucial for the bank to continue improving its cost efficiency, which should be aided by the synergies from the merger. At the same time, we expect the bank to restore an adequate level of profitability[5] to BPSA's operations, leveraging on its strong franchise to attract deposits and reduce reliance on costly time deposits.

Figure 4: Pre-provision income and provisions (EUR m)



Source: SNL, Scope Ratings
Note: above figures may differ from reported financials due to reclassification

Figure 5: Peer comparison



Source: SNL, Scope Ratings
Note: Three-year averages based on 2020-H1 2024.

Like for most Italian cooperative banks, BAPS's loan portfolio is focused on retail customers, with micro and small businesses accounting for the majority of the remainder. Reflecting the characteristics of the Sicilian economy, BAPS has greater exposure to the agricultural and trade sectors, while manufacturing is less prominent than for larger Italian peers.

Highly collateralised/guaranteed loan book

Asset quality is supported by the high proportion of loans that are either secured or guaranteed. About half of the bank's loan book is secured by real estate, while another quarter benefits from

[4] The agreement with the unions entails the voluntary departure of 62 employees in 2024-25 (8% of the total), partially compensated by the recruitment of 31 new resources, 50% of whom are under 30 years old.
[5] BPSA comes from difficult years characterised by liquidity outflow and losses.

either government or European Investment Fund[6] guarantees. Moreover, around half of retail loans are backed by salaries/pensions (5% of the total). We estimate that only 20% of BAPS's loan book was unsecured as of June 2024.

In the aftermath of the Global Financial Crisis and the Euro sovereign debt crisis, BAPS's NPLs reached nearly EUR 1bn, with a gross NPL ratio of 28.5% in 2015. But since 2017, the bank has been steadily derisking its balance sheet through both disposals and recoveries in a more supportive operating environment.

The gross NPL ratio should continue to decline

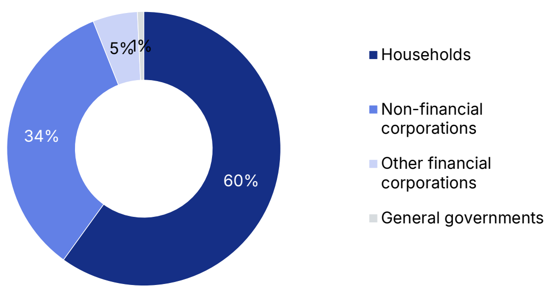
The bank's headline asset quality metrics are now solid and compare well with those of national peers (Figure 7). By 2026, management is targeting a gross NPL ratio 3.3% driven by a significant reduction in unlikely to pay loans.

The merger is expected to have a minimal impact on asset quality. Although BPSA had a higher gross NPL ratio (6.8% at YE 2023), BAPS intends to de-risk the merged loan portfolio. The merger may trigger the migration of some of BPSA's loans to Stage 2/3 due to reclassification, but at limited cost to BAPS.

Ongoing focus on strengthening credit risk management

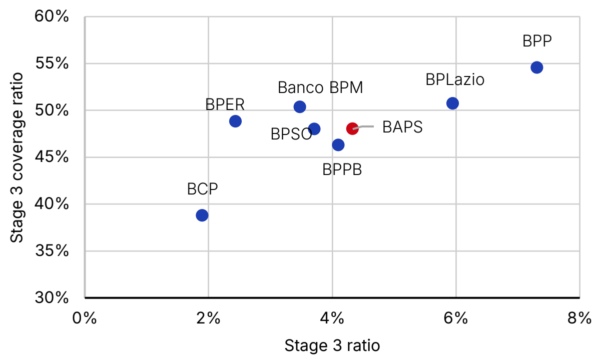
Since 2019, the bank's credit policies have been in line with the EBA's guidelines on loan origination and monitoring. Over the past three years, the bank has invested resources and efforts to improve credit risk management. Among other things, we highlight the strengthening of the pre-approval process for credit underwriting, better monitoring through the implementation of CSE's Credit Monitor solution, and the adoption of a new policy for the valuation of real estate used as collateral.

Figure 6: Loan book composition



Source: Company data, Scope Ratings
Note: EUR 3bn as of YE 2023

Figure 7: Asset quality - peer comparison (YE 2023)



Source: SNL, Scope Ratings

Securities account for around one-third of BAPS's balance sheet. Italian government bonds (EUR 1.4bn as of YE 2023) represent 70% of securities and are equivalent to about 295% of Tier 1 capital, a high level. The portfolio of Italian BTPs increased by 55% in 2022, following the bank's decision to invest extra liquidity in Italian sovereign bonds at a time of rising interest rates.

We currently do not consider the credit exposure to sovereign risk as a constraint for the assessment of BAPS's earnings capacity and risk exposures, given the Italian sovereign rating of BBB+ is two notches above the bank's issuer rating.

[6] The European Investment Fund has been working with BAPS since 2020, when it pledged EUR 98.5 m in guarantees, to which more than 540 companies have had access. In October 2024, the relationship was strengthened with a new agreement totalling EUR 60m to support projects related to environmental sustainability, innovation and education in Sicily.

5. Financial viability management

BAPS has the strongest capital position among its peers. In particular, the bank has maintained a CET1 ratio above 20% over the past decade, despite asset quality issues and weak profitability. In our view, the strong capital position reflects a mix of factors: (i) management's prudent approach to solvency metrics, (ii) low organic loan growth opportunities in Sicily and (iii) the high share of collateralised/guaranteed loans, which reduces the average risk weight.

'Comfortable' financial viability management assessment

BAPS is subject to a minimum total capital requirement of 11.7%, which consists of the Pillar 1 requirement of 8%, the Pillar 2 requirement of 1.2% and the capital conservation buffer of 2.5%. As of June 2024, the bank's capital was comprised entirely of CET1 capital and the buffer to the minimum requirement was 9.7%.

Healthy buffers over minimum capital requirements

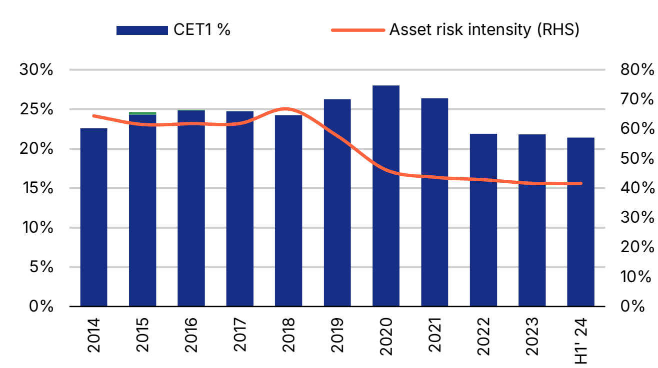
In the past five years, BAPS has paid an average ordinary dividend of c.60%. The bank can also distribute extraordinary dividends, as was the case in 2022, when the bank launched the 'Lympha' project to strengthen its relationship with shareholders. The project included the payment of EUR 30m in extraordinary dividends over three years.

We expect the bank to maintain its current capital position over the medium term, in line with management's prudent targets. The merger will have an immaterial impact on the bank's capital position and no significant headwinds are expected from the implementation of CRR 3.

Prudent approach to capital management

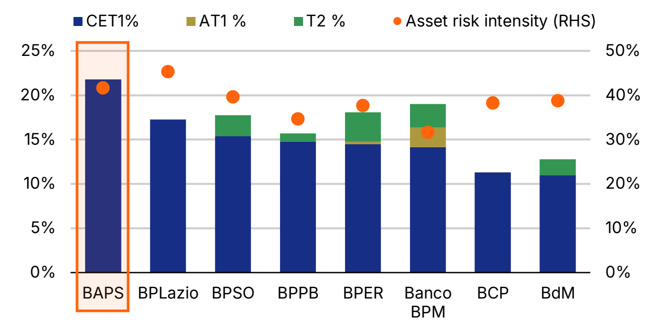
Since January 2024, the bank has been subject to an MREL requirement of 9.2% of the total risk exposure amount (and 3% of leverage exposure), which is less restrictive than the total capital requirement. Therefore, the bank has no need to issue non-preferred senior debt for MREL purposes.

Figure 8: Capital profile



Source: Company data, Scope Ratings

Figure 9: Capital profile – peer comparison (YE 2023)



Source: SNL, Scope Ratings

Like other Italian cooperative banks, BAPS's funding is primarily from highly granular, stable customer deposits. As of H1 2024, current accounts and sight deposits accounted for more than 80% of the bank's total funding, a higher proportion than for its peers.

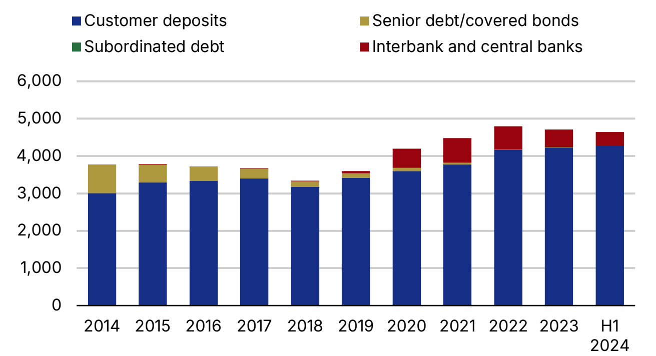
Contrary to the national trend, the bank did not experience deposit outflows when interest rates rose sharply between 2022 and 2023. As a result, BAPS has made little use of more volatile, and costly, time deposits.

The bank uses the ECB's main refinancing operation facility to diversify its funding profile, in addition to the remaining TLTRO III tranche. As of June 2024, the ECB line made up around 7% of total funding. During and after the Covid pandemic, the bank had drawn up to EUR 610m in TLTRO III (13 % of funding).

As of H1 2024, the use of wholesale funding outside of the interbank market is limited to repurchase agreements (around 6% of funding). This makes BAPS's funding profile relatively insensitive to market developments and investor sentiment. However, if necessary, the bank could securitise performing loans to obtain additional funding.

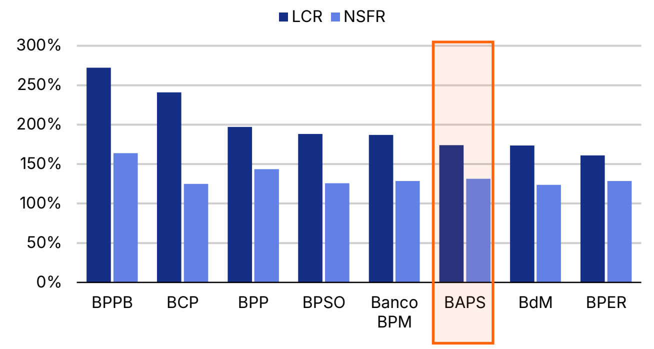
BAPS's liquidity metrics remain at reassuring levels, despite the ongoing repayment of the ECB's TLTRO III. They are broadly in line with its peers (Figure 11). Compared to a requirement of 100%, the bank targets a liquidity coverage ratio of at least 150%, and a net stable funding ratio of 130%. Over the past two years, the bank has maintained a stock of highly liquid assets in excess of EUR 1bn.

Figure 10: Funding breakdown (EUR m)



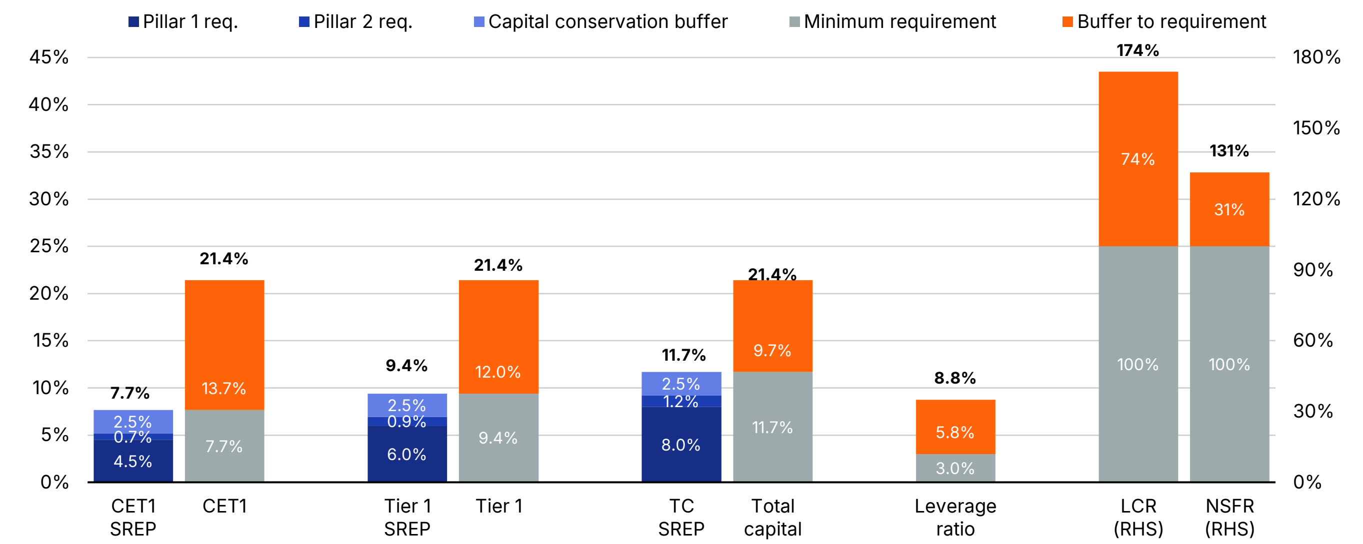
Source: SNL, Scope Ratings
Note: customer deposits include repos

Figure 11: Liquidity profile – peer comparison (YE 2023)



Source: SNL, Scope Ratings

Figure 12: Overview of distance to requirements as of June 2024*



Source: Company data, Scope Ratings
*Leverage ratio, LCR, and NSFR data as of YE 2023

Appendix 1. Selected financial information – Banca Agricola Popolare di Sicilia SCpA

	2020	2021	2022	2023	H1 2024
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	526	803	480	347	489
Total securities	670	624	689	754	656
of which, derivatives	0	0	1	0	NA
Net loans to customers	3,476	3,544	3,945	3,976	3,847
Other assets	209	209	290	281	NA
Total assets	**4,881**	**5,180**	**5,423**	**5,377**	**5,310**
Liabilities					
Interbank liabilities	513	660	623	473	360
Senior debt	84	50	10	8	2
Derivatives	0	0	0	0	0
Deposits from customers	3,597	3,773	4,161	4,228	4,279
Subordinated debt	0	0	0	0	0
Other liabilities	130	140	132	152	154
Total liabilities	**4,324**	**4,622**	**4,926**	**4,861**	**4,795**
Ordinary equity	557	557	497	516	514
Equity hybrids	0	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	**4,881**	**5,180**	**5,423**	**5,377**	**5,310**
Core tier 1/ common equity tier 1 capital	*631*	*597*	*509*	*488*	*NA*
Income statement summary (EUR m)					
Net interest income	93	94	108	141	68
Net fee & commission income	47	49	50	50	25
Net trading income	-5	10	-12	-1	-1
Other income	17	18	19	11	10
Operating income	**152**	**171**	**164**	**200**	**102**
Operating expenses	116	109	111	130	62
Pre-provision income	**36**	**62**	**54**	**70**	**40**
Credit and other financial impairments	29	45	21	26	11
Other impairments	0	0	0	0	0
Non-recurring income	NA	NA	NA	0	0
Non-recurring expense	NA	NA	NA	0	0
Pre-tax profit	**6**	**17**	**33**	**44**	**29**
Income from discontinued operations	0	0	0	0	0
Income tax expense	3	5	11	14	9
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**3**	**12**	**22**	**30**	**20**

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

Appendix 2. Selected financial information – Banca Agricola Popolare di Sicilia SCpA

	2020	2021	2022	2023	H1 2024
Funding and liquidity					
Net loans/ deposits (%)	96%	93%	95%	94%	90%
Liquidity coverage ratio (%)	NA	NA	NA	174%	NA
Net stable funding ratio (%)	154%	145%	141%	131%	NA
Asset mix, quality and growth					
Net loans/ assets (%)	71.2%	68.4%	73.1%	73.9%	72.5%
Problem loans/ gross customer loans (%)	7.6%	6.0%	4.1%	3.1%	NA
Loan loss reserves/ problem loans (%)	52.4%	53.4%	61.1%	64.2%	67.0%
Net loan growth (%)	3.7%	1.9%	11.9%	0.8%	-6.5%
Problem loans/ tangible equity & reserves (%)	39.4%	32.7%	28.1%	21.4%	NA
Asset growth (%)	13.8%	6.1%	4.7%	-0.8%	-2.5%
Earnings and profitability					
Net interest margin (%)	2.1%	2.0%	2.1%	2.8%	2.7%
Net interest income/ average RWAs (%)	3.9%	4.1%	4.8%	6.1%	NA
Net interest income/ operating income (%)	61.2%	55.0%	65.8%	70.2%	66.5%
Net fees & commissions/ operating income (%)	30.9%	28.7%	30.2%	24.7%	24.6%
Cost/ income ratio (%)	76.6%	63.6%	67.3%	64.9%	60.4%
Operating expenses/ average RWAs (%)	4.9%	4.8%	4.9%	5.7%	NA
Pre-impairment operating profit/ average RWAs (%)	1.5%	2.7%	2.4%	3.1%	NA
Impairment on financial assets / pre-impairment income (%)	82.3%	72.6%	38.5%	37.2%	28.3%
Loan loss provision/ average gross loans (%)	0.8%	1.2%	0.5%	0.6%	NA
Pre-tax profit/ average RWAs (%)	0.3%	0.7%	1.4%	1.9%	NA
Return on average assets (%)	0.1%	0.2%	0.4%	0.6%	0.7%
Return on average RWAs (%)	0.1%	0.5%	1.0%	1.3%	NA
Return on average equity (%)	0.5%	2.2%	4.2%	5.9%	7.8%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	24.0%	24.4%	21.2%	21.8%	21.4%
Common equity tier 1 ratio (%, transitional)	28.0%	26.4%	21.9%	21.8%	21.4%
Tier 1 capital ratio (%, transitional)	28.0%	26.4%	21.9%	21.8%	21.4%
Total capital ratio (%, transitional)	28.0%	26.4%	21.9%	21.8%	21.4%
Leverage ratio (%)	11.4%	12.9%	9.1%	8.8%	NA
Asset risk intensity (RWAs/ total assets, %)	46.2%	43.7%	42.8%	41.6%	NA
Market indicators					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures. Net loans include securities at amortised cost.

Lead Analyst

Alessandro Boratti, CFA
+39 02 3054 4983
a.boratti@scoperatings.com

Team Leader

Marco Troiano, CFA
+ +39 02 3054 4993
m.troiano@scoperatings.com

Related research

UniCredit flexes robust financial position to pursue growth in Italy and Europe, November 2024
Italian Bank Quarterly: strengthening business models amid less favourable earnings outlook, November 2024
Government divestment of bank stakes could revitalise European bank M&A, October 2024
European bank capital quarterly: Basel 3 implementation imminent, refinements likely, October 2024
Full depositor preference a step towards EDIS?, August 2024
European banks in Russia: exceptional factors drive profits amid pressure to exit, August 2024

Applied methodologies

Financial Institutions Rating Methodology, February 2024

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
scoperatings.com