

# Banca Akros S.p.A.

## Key Rating Drivers

**Shareholder Support Drives Ratings:** Banca Akros S.p.A.'s Issuer Default Ratings (IDRs) and Shareholder Support Rating (SSR) are equalised with the IDRs of its parent Banco BPM S.p.A. (BBPM; BBB-/Stable/F3). The equalisation reflects Fitch Ratings' view of a high probability of support from BBPM if needed. Akros is the corporate and investment bank of BBPM, undertaking capital markets, brokerage and corporate finance (including advisory) activities.

**High Integration:** Akros' performance being supported by synergies and strong integration into the parent, and a wide range of shared risk-management and operational practices are key rating considerations.

**Shareholder Ability to Support:** BBPM has a strong ability to provide support if needed. Akros' limited size relative to the overall group is unlikely to represent a constraint.

**Important to Parent's Strategy:** Fitch views Akros' importance to BBPM's strategy as a provider of specialised financial services, in particular to the group's mid-market corporate clientele, and also to the parent. The bank has a long record of contributing to the group's financial and business objectives, as shown by its adequate profitability. Akros represented about 3% of 1H22 group operating income and 4% of end-1H22 total assets.

**No Viability Rating Assigned:** Fitch does not assign a Viability Rating to Akros as its high integration with the parent results in a non-distinctive standalone franchise, despite its brand recognition.

## Ratings

### Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3
Derivative Counterparty Rating	BBB-(dcr)

Shareholder Support Rating	bbb-
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### Sovereign Risk

Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB
Country Ceiling	AA

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

## Applicable Criteria

[Bank Rating Criteria \(September 2022\)](#)

## Related Research

[Fitch Rates Banca Akros S.p.A. 'BBB-/Stable \(September 2022\)](#)

[Fitch Rates Banco BPM S.p.A. 'BBB-/Stable \(April 2022\)](#)

## Analysts

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## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Akros' IDR's would be downgraded if BBPM's IDR's are downgraded. They would also be downgraded if its strategic importance to BBPM is reduced, which is not Fitch's base case.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Akros' IDR's would be upgraded if BBPM's IDR's are upgraded.

## Other Debt and Issuer Ratings

Akros' Derivative Counterparty Rating (DCR) is at the same level as the Long-Term IDR because in Italy derivative counterparties have no preferential legal status over other senior obligations in a resolution.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Akros' DCR would be downgraded if its Long-Term IDR is downgraded.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

It would be upgraded if its Long-Term IDR is upgraded.

## Company Summary and Key Qualitative Factors

### Business Profile

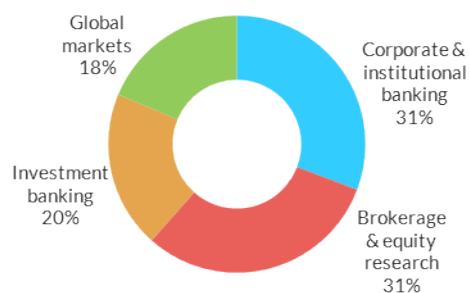
Akros has been part of Banca Popolare di Milano (one of BBPM's predecessor banks) since 1998. It grew organically and became well known domestically for its equity and debt capital markets activities. The bank benefits from brand recognition domestically and, in some segments, at European level. It is organised along five business areas – corporate & institutional banking, global markets, investment banking, brokerage and equity research.

The bank provides its services largely to BBPM's customer base, with a focus on medium-sized companies, financial institutions and professional investors, such as commercial banks, insurance companies, asset management companies, bank foundations, pension funds and family offices.

Akros has an experienced and credible senior management. Strategic planning and risk management are established within the BBPM group framework and governance; however, senior management retains some independence from the parent and ultimately holds decision-making powers.

### Operating Revenue by Business

1H22



Source: Fitch Ratings, Akros

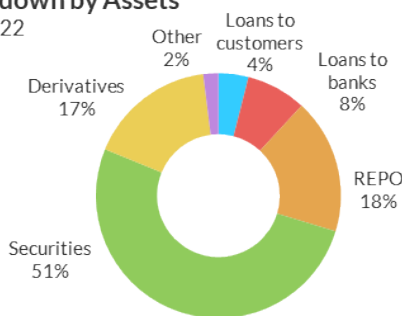
## Financial Profile

### Asset Quality

Given Akros' business profile and limited lending (less than 5% of total assets at end-1H22), its asset quality is driven by the composition of its securities investments both in the banking and trading portfolios, and by its derivative exposure. At end-1H22, trading securities accounted for about two-thirds of the bank's total assets, including EUR1.5 billion derivatives. Many of these financial instruments are held for market making or hedging purposes. At the same date, Italian sovereign risk was prevalent, followed by moderate exposure to domestic and international financial institutions. Durations in either exposure was contained.

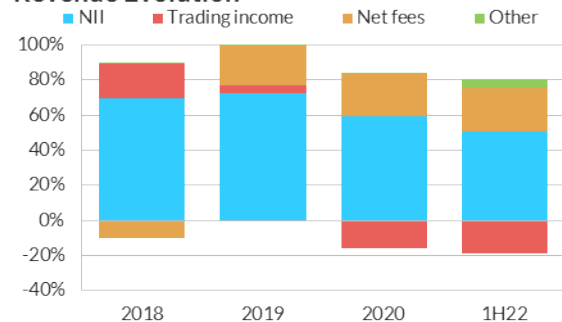
### Breakdown by Assets

End-1H22



Source: Fitch Ratings, Banca Akros

### Revenue Evolution



Source: Fitch Ratings, Akros

### Earnings and Profitability

Akros' profitability shows that earnings can be variable due to its business mix. Capital markets activities, which are more volatile by nature, accounted for about two-thirds of in 2021 and 1H22 total operating revenue, with brokerage being the main contributor at about 30%.

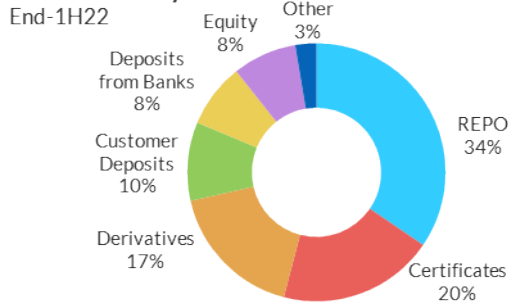
In 1H22, total operating income decreased compared to a year earlier mainly due to lower net interest income (NII), driven by fewer dividends, lower interest on debt securities, due to the smaller size of the portfolio, and reduced issuance of certificates distributed to institutional third parties. Fees and commissions were stable at 40% of total operating income despite falling in 1H22 compared to a year earlier. Commissions are largely from brokerage and investment banking activities. Contribution from gains on securities, which we consider more volatile revenue sources, continued to be negative in 1H22, suffering from volatile market conditions, while loan and securities impairment charges are not material due to the limited relevance of lending in the asset mix.

Cost/Income has been generally high at an average of about 80% over the past four years, reflecting the fairly heavy weight of administrative expenses (four-year average 53%) due to services provided by third parties, mainly activities outsourced to the parent bank. Although Akros' operating profit is volatile and small in absolute terms, low risk-weight asset density led to an average profitability above 1% over the past four years.

### Capital and Leverage

Akros' capitalisation is sound and the bank typically operates with capital levels that are well above minimum requirements and risk tolerance levels set in its risk appetite framework. The common equity Tier 1 (CET1) was 23.6% at end-1H22 (having been between 20% and 33% over the past four years) and the regulatory leverage ratio about 12%. The parent, which itself is operating with buffer of about 6% above its CET1 capital requirement, is committed to keeping its subsidiary well capitalised in consideration of its specialised businesses by way of sufficient dividend retention.

**Breakdown by Liabilities**



Source: Fitch Ratings, Banca Akros

**Funding and Liquidity**

Akros’ funding is largely short-term and institutional, which is coherent with its business model and risk appetite. At end-1H22, the largest funding sources were repos, accounting for about 50% of total funding, and capital-protected certificates (about 30%) which it structures on behalf of the parent for the latter’s clientele. Funds from customers and banks were just above 20%. Bank deposits are mainly from the parent, which are managed on a daily basis and at end-1H22 amounted to less than 10% of total funding.

Irrespective of the amount of direct parent funding, we believe that Akros’ ability to fund itself on the markets depends on it being part of the BBPM group and that its funding profile would not be as such if it was not part of the BBPM group.

## Financials

### Summary Financials

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
	6 months - interim (USDm)	6 months - interim (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
<b>Summary income statement</b>						
Net interest and dividend income	46	43.9	94.4	90.7	123.9	28.9
Net fees and commissions	23	21.7	39.0	29.2	-17.6	29.7
Other operating income	-12	-11.1	-23.1	5.6	36.0	-2.7
Total operating income	57	54.5	110.3	125.5	142.3	55.9
Operating costs	53	51.0	94.4	88.6	88.5	53.0
Pre-impairment operating profit	4	3.5	15.9	36.9	53.8	2.9
Loan and other impairment charges	0	-0.1	0.1	-0.1	-0.9	-1.0
Operating profit	4	3.6	15.8	37.0	54.7	3.9
Other non-operating items (net)	n.a.	n.a.	-1.4	-1.0	-0.4	-0.5
Tax	1	0.9	3.7	11.8	16.3	0.8
Net income	3	2.7	10.7	24.2	38.0	2.6
Other comprehensive income	-4	-3.6	4.5	0.8	5.6	-5.5
Fitch comprehensive income	-1	-0.9	15.2	25.0	43.6	-2.9
<b>Summary balance sheet</b>						
<b>Assets</b>						
Gross loans	328	315.8	365.8	571.1	489.0	670.2
- Of which impaired	n.a.	n.a.	0.5	0.4	0.4	1.3
Loan loss allowances	n.a.	n.a.	0.2	0.2	0.5	1.6
Net loans	328	315.8	365.6	570.9	488.5	668.6
Interbank	714	687.3	195.4	325.5	290.9	1,178.1
Derivatives	1,566	1,508.0	1,368.1	1,537.7	1,621.1	1,643.4
Other securities and earning assets	6,485	6,243.4	6,181.0	5,314.6	7,290.8	7,429.8
Total earning assets	9,093	8,754.5	8,110.1	7,748.7	9,691.3	10,919.9
Cash and due from banks	50	47.9	38.3	46.2	0.1	0.1
Other assets	130	125.4	93.3	110.9	112.5	238.4
Total assets	9,273	8,927.8	8,241.7	7,905.8	9,803.9	11,158.4
<b>Liabilities</b>						
Customer deposits	912	878.0	475.5	554.0	587.8	575.4
Interbank and other short-term funding	3,947	3,800.3	3,370.9	1,684.7	2,653.3	3,449.3
Trading liabilities and derivatives	3,531	3,399.2	3,609.1	4,783.1	5,698.2	6,213.5
Total funding and derivatives	8,390	8,077.5	7,455.5	7,021.8	8,939.3	10,238.2
Other liabilities	138	132.7	59.0	148.4	116.5	213.1
Total equity	745	717.6	727.2	735.6	748.1	707.1
Total liabilities and equity	9,273	8,927.8	8,241.7	7,905.8	9,803.9	11,158.4
Exchange rate		USD1 = EUR0.96274	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057

Source: Fitch Ratings, Fitch Solutions, Banca Akros

### Key Ratios

## Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
<b>Ratios (annualised as appropriate)</b>					
<b>Profitability</b>					
Operating profit/risk-weighted assets	0.3	0.5	1.3	2.9	0.2
Net interest income/average earning assets	1.1	1.2	1.0	1.2	0.6
Non-interest expense/gross revenue	95.0	86.4	70.6	62.2	94.8
Net income/average equity	0.8	1.5	3.3	5.2	0.7
<b>Asset quality</b>					
Impaired loans ratio	n.a.	0.1	0.1	0.1	0.2
Growth in gross loans	-13.7	-36.0	16.8	-27.0	309.4
Loan loss allowances/impaired loans	n.a.	40.0	50.0	125.0	123.1
Loan impairment charges/average gross loans	-0.1	0.0	0.0	0.0	-0.2
<b>Capitalisation</b>					
Common equity Tier 1 ratio	23.6	18.8	24.5	28.6	32.8
Tangible common equity/tangible assets	7.9	8.7	9.3	7.6	6.3
Basel leverage ratio	11.8	12.0	23.6	13.5	16.9
Net impaired loans/common equity Tier 1	n.a.	0.1	0.0	0.0	0.0
<b>Funding and liquidity</b>					
Gross loans/customer deposits	36.0	76.9	103.1	83.2	116.5
Customer deposits/total non-equity funding	13.5	7.8	10.6	9.0	7.7

Source: Fitch Ratings, Fitch Solutions, Akros

## Support Assessment

### Shareholder Support KDs

Parent IDR	BBB-
Total adjustments (notches)	
Shareholder Support	bbb-

### Shareholder Ability to Support

Shareholder	BBB- / Stable
Shareholder Regulation	Equalised
Relative Size	Equalised
Country Risks	Equalised

### Shareholder Propensity to Support

Role in Group	Equalised
Reputational Risk	2+ Notches
Integration	Equalised
Support Record	Equalised
Subsidiary Performance and Prospects	Equalised
Legal Commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.

■ Higher influence ■ Moderate influence ■ Lower influence

## High Probability of Support

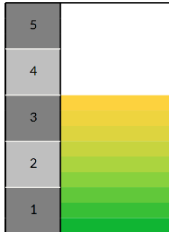
The equalisation of Akros' SSR and IDRs with BBPM's IDRs reflects Fitch's view of high probability of support from its parent if needed.

It acknowledges Akros' role as BBPM's investment banking and capital markets arm and an integral part of the group's activities. It also reflects the high level of management and operational integration as Akros and BBPM share their customer base and many non-commercial activities are outsourced to the parent (back office, IT, audit, compliance, risk management, HR, and accounting). Akros is wholly owned by BBPM.



## Environmental, Social and Governance Considerations

### Overall ESG

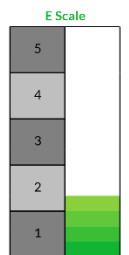


### How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

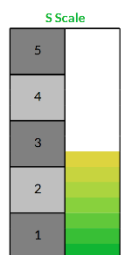
### Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
Exposure to Environmental Impacts	2		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality



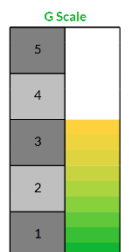
### Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
Exposure to Social Impacts	2		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile



### Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	3		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)



Unless otherwise stated the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG. Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

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