

**FITCH TAKES RATING ACTION ON CREDITO VALTELLINESE
AND ITS SUBSIDIARY CREDITO ARTIGIANO
FROM (BBB+) TO (BBB)
WITH NEGATIVE OUTLOOKS**

Sondrio, 25 November 2011 – Fitch Ratings downgraded Credito Valtellinese and its subsidiary Credito Artigiano ratings in:

LONG TERM IDR from (BBB+) to (BBB); outlook negative

SHORT TERM IDR from F2 to F3.

Fitch Ratings press release follows.

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FITCH TAKES RATING ACTION ON ITALIAN MEDIUM-SIZED BANKS

Fitch Ratings-Milan/London-25 November 2011: Fitch Ratings has downgraded the Long-term Issuer Default Ratings (IDR) and Viability Ratings (VR) of eight Italian mid-sized banks. The Outlooks are Negative. The banks involved in the rating actions are: Banca Popolare di Sondrio, Credito Emiliano, Banca Popolare dell'Emilia Romagna, Banca Popolare di Milano, Credito Valtellinese, Veneto Banca, Banca Popolare di Vicenza and Banca Popolare dell'Etruria e del Lazio. A full list of rating actions is at the end of this document.

Today's rating actions on the banks' IDRs and VRs reflects Fitch's view that Italian medium-sized banks face the structural challenge of operating in a changed environment where operating profitability has shrunk amid low interest rates and higher funding costs. Fitch also expects loan impairment charges to remain high. Banks also need to maintain a higher degree of liquid assets on their balance sheet and operate with higher capital levels. The Negative Outlooks reflect Fitch's view that the operating environment for the banks might deteriorate further given downside risks in the current market environment.

In October 2011, Fitch sharply revised down its near and medium-term growth forecasts for Italy, and the agency believes that Italy is probably already in recession. On 7 October 2011 Fitch downgraded Italy's rating to 'A+/'Negative (see 'Fitch Downgrades Italy to 'A+'; Outlook Negative' published on 7 October and 'Italy - The Challenge Ahead' published on 17 November 2011 and available on www.fitchratings.com), and on 11 October 2011 Fitch took a number of negative rating actions on Italy's five largest banks (see 'Fitch Takes Rating Action on Major Italian Banks Following Sovereign Downgrade' available on www.fitchratings.com).

Asset quality has deteriorated fast for all Italian banks since 2008 amid the domestic recession followed by a slow recovery. The inflow of new impaired loans slowed down in 2010 and 9M11, but doubtful loans continue to increase. Given the weak outlook for the economy, a renewed acceleration of asset quality deterioration is a real risk, and increased loan impairment charges would weigh on the already weakened operating profitability of the banks.

Italian mid-sized banks have generally maintained sound structural funding, which benefits from good access to retail customer funding. The Italian banking sector saw a significant issuance of bonds in H111, largely through branch networks, but also issuance to institutional investors. In 2012, Fitch expects Italian mid-sized banks to continue to concentrate their funding efforts on their customer bases in the absence of access to wholesale markets. However, funding costs will increase as competition for customer deposits has become tougher and because of the widening spreads on Italian government bonds. Nevertheless, banks are still able to attract funding at costs that are well below government bond yields. Maturing amounts should be manageable for most banks in 2012.

All banks have been focusing on improving their short-term liquidity for several quarters, including through the lengthening of funding maturities, reduction of credit lines to larger corporate clients and the creation of assets that are eligible for refinancing with the European Central Bank (ECB). Fitch considers that ECB utilisation is likely to rise further in the coming quarters as some banks might choose to substitute part of maturing long-term funding with ECB facilities.

Only one of the Italian rated mid-sized banks increased its capital in 2011 to date (Banca Popolare di Milano) but all set up medium-term plans to reinforce capitalisation, mostly by issuing convertible bonds, through internal capital generation and reduced dividend payout ratios. The sluggish performance of the Italian economy and pressure on banks' profits, combined with international authorities ensuring banks operate with stronger capital levels, might put pressure on the Italian mid-sized banks to revise their medium and long-term capital targets upwards and speed up the implementation of existing plans.

The eight mid-sized banks are trying to become more cost efficient but Fitch does not see them being able to reduce their cost bases drastically given their business model that is based on costly branch networks.

Ultimately, Fitch does not exclude some consolidation in the medium term among Italian small- and medium-sized banks, particularly as weaker ones might find it no longer possible to compete successfully in the new environment.

The rating actions are as follows:

Banca Popolare di Sondrio

Long-term IDR: downgraded to 'A-' from 'A'; Outlook Negative

Short-term IDR: downgraded to 'F2' from 'F1'

Viability Rating: downgraded to 'a-' from 'a'

Individual Rating: downgraded to 'B/C' from 'B'

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB'

Credito Emiliano

Long-term IDR: downgraded to 'BBB+' from 'A'; Outlook Negative

Short-term IDR: downgraded to 'F2' from 'F1'

Viability Rating: downgraded to 'bbb+' from 'a'

Individual Rating: downgraded to 'C' from 'B/C'

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB'

Senior unsecured notes and EMTN programme: downgraded to 'BBB+' from 'A'

Banca Popolare dell'Emilia Romagna

Long-term IDR: downgraded to 'BBB' from 'A-'; Outlook Negative

Short-term IDR: downgraded to 'F3' from 'F2'

Viability Rating: downgraded to 'bbb' from 'a-'

Individual Rating: affirmed at 'C'

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB+'

Senior unsecured notes and EMTN programme: downgraded to 'BBB'/F3' from 'A-'/F2'

Subordinated notes: downgraded to 'BBB-' from 'BBB+'

Meliorbanca

Long-term IDR: downgraded to 'BBB' from 'A-'; Outlook Negative

Short-term IDR: downgraded to 'F3' from 'F2'

Support Rating: downgraded to '2' from '1'

Senior unsecured debt: downgraded to 'BBB' from 'A-'

Banca Popolare di Milano

Long-term IDR: downgraded to 'BBB' from 'A-'; Outlook Negative

Short-term IDR: downgraded to 'F3' from 'F2'

Viability Rating: downgraded to 'bbb' from 'a-'

Individual Rating: downgraded to 'C' from 'B/C'

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB+'

Senior unsecured notes and EMTN programme: downgraded to 'BBB'/F3' from 'A-'/F2'

Subordinated Lower Tier 2 debt: downgraded to 'BBB-' from 'BBB+'

Subordinated Upper Tier 2 debt: downgraded to 'BB+' from 'BBB'

Preferred stock: downgraded to 'BB+' from 'BBB'

Subordinated hybrid capital instruments: downgraded to 'BB+' from 'BBB'

Credito Valtellinese

Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative

Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'bbb+'
Individual Rating: affirmed at 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes, including notes guaranteed by Credito Valtellinese, and EMTN programme: downgraded to 'BBB' from 'BBB+'

Credito Artigiano

Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Support Rating: affirmed at '2'

Bancaperta

Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Support Rating: affirmed at '2'
The ratings of Bancaperta will be withdrawn after the legal completion of the merger of Bancaperta into Credito Valtellinese, which is expected on 28 November 2011.

Veneto Banca

Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'bbb+'
Individual Rating: affirmed at 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes and EMTN programme: downgraded to 'BBB'/F3' from 'BBB+'/'F2'
Subordinated Perpetual Tier 1 notes: downgraded to 'BB+' from 'BBB-'

Banca Popolare di Vicenza

Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'bbb+'
Individual Rating: affirmed at 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes and EMTN programme: downgraded to 'BBB/F3' from 'BBB+'/'F2'
Market-linked senior notes: downgraded to 'BBB+emr' from 'BBB+emr'
Subordinated Lower Tier 2 notes: downgraded to 'BBB-' from 'BBB'

Banca Popolare dell'Etruria e del Lazio

Long-term IDR: downgraded to 'BB+' from 'BBB'; Outlook Negative
Short-term IDR: downgraded to 'B' from 'F3'
Viability Rating: downgraded to 'bb+' from 'bbb'
Individual Rating: downgraded to 'C/D' from 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes and EMTN programme: downgraded to 'BB+' from 'BBB'
Subordinated upper Tier 2 Notes: downgraded to 'BB-' from 'BB+'

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Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2011 and is available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Financial Institutions Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171

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