



# Banca Popolare di Sondrio

## PRESS RELEASE

### BANCA POPOLARE DI SONDRIO:

- **SCOPE RATINGS UPGRADES ISSUER RATING TO "BBB" FROM "BBB-"**
- **RATING CONFIRMED IN THE INVESTMENT GRADE AREA**
- **RECOGNIZED IMPROVEMENTS MADE IN DE-RISKING, MAINTAINING PROFITABILITY AND SOUND SOLVENCY PARAMETERS**

Banca Popolare di Sondrio informs that, today, the agency Scope Ratings, at the end of the annual rating review process, has upgraded the issuer rating assigned to the bank to *investment grade* level "BBB" from the previous *investment grade* level "BBB-". The *outlook* has been revised to "stable" from "positive".

The rating *upgrade*, as reported by the agency, reflects the substantial improvement in the asset quality achieved in recent years in the presence of operating results that have remained solid, thanks to the loan growth, the resilience of fee and commission income and the containment of credit losses. The Group has also been able to benefit from the increase of net interest income and a good level of cost efficiency. Positive opinion also for the solid solvency profile and good funding position supported by a large and stable customer deposit base.

Moreover, the long-term sustainability assessment reflects the Group's progress in improving its corporate governance, including its transformation into a joint-stock company and the reorganization of its management structure. The cooperative roots of the Group and its attention to the territories in which it operates are also appreciated, indicating a strong social responsibility and the ability to respond to the interests of the various stakeholders

The press release issued by Scope Ratings is attached.

Sondrio, March 14<sup>th</sup> 2023

---

**Company contacts:**

Investor Relations

Michele Minelli

0342-528.745

[michele.minelli@popso.it](mailto:michele.minelli@popso.it)

External Relations

Paolo Lorenzini

0342-528.212

[paolo.lorenzini@popso.it](mailto:paolo.lorenzini@popso.it)

Image Building

Cristina Fossati

Anna Pirtali

02-890.11.300

[popso@imagebuilding.it](mailto:popso@imagebuilding.it)

*The English translation is provided only for the benefit of the reader and in the case of discrepancies the Italian version shall prevail.*

Credit Rating Announcement

14 March 2023

## Scope upgrades Banca Popolare di Sondrio's issuer rating to BBB with Stable Outlook

**Rating upgrade reflects group's successful efforts in de-risking its balance sheet while remaining profitable and maintaining sound solvency metrics.**

### Rating action

Scope Ratings GmbH (Scope) has today upgraded Banca Popolare di Sondrio SpA's (BPS) issuer rating by one notch to BBB from BBB-. The rating agency also revised the Outlook to Stable from Positive.

### Rating rationale

The rating upgrade is driven by the material improvement in BPS' asset quality over the last several years. Having peaked at EUR 4.5bn in early 2017, the group's non-performing exposures have declined to EUR 1.5bn as of YE 2022, primarily due to asset disposals and securitisations. The gross NPE ratio now stands at 4.3%, just above the Italian sector average. This reduction in risk has also been recognised by supervisors, with the group's Pillar 2 requirement declining in each of the last two years.

BPS' operating results have been solid in recent years thanks to loan growth, resilient fee and commission income, and contained credit losses. Like its peers, the group has benefitted from widening interest margins on the back of higher policy rates in 2022, reporting a return on equity of 8%. Scope maintains a favourable view of the group's future operating performance given the higher interest rate environment. For 2023, management expects a double-digit percentage increase in net interest income, with provisions remaining contained at 50 bps of customer loans, barring a sudden worsening of the Italian economy.

The BBB issuer rating is anchored by BPS' established retail and commercial banking franchise and solid market shares in the wealthy Italian region of Lombardy, which generates moderately stable and predictable revenues and earnings. BPS has immaterial market shares in Italy but a dominant position in its home province of Sondrio and relevant market positions in the provinces of Lecco and Como. BPS is also the parent company of the BPS group, which includes a small bank in Switzerland (BPS Suisse) as well as Factorit and BNT Banca, which specialise in factoring, agricultural business loans and payroll deductible loans.

The 'developing' long-term sustainability assessment reflects the group's progress in improving its corporate governance, including the recent transformation to a joint stock company and a reorganization of the management structure (ESG factor). The assessment also considers the group's cooperative roots and its attention to the territories where it operates, indicating strong social responsibility and responsiveness to the interests of various stakeholders. Scope, however, believes that there is material room for improvement in the

bank's preparedness for digital competition.

While low by international standards, BPS' profitability has been better than the average for Italian banks. Stable revenues, good cost efficiency, a moderate level of loan losses and the lack of large one-off restructuring costs have helped the group maintain a positive bottom line for the past decade. This sets it apart from many peers, which have required material capital injections.

BPS is committed to maintaining a solid solvency profile, targeting a 15.6% CET1 ratio by 2025, 20bp higher than the level at YE 2022. Over the past year, internal capital generation offset the 5% increase in RWAs and temporary market losses on financial securities. Scope also considers the group's comfortable funding position, underpinned by a large and stable customer deposit base.

One or more key drivers of the credit rating action are considered an ESG factor.

## Rating-change drivers

The Stable Outlook reflects Scope's view that the BPS' credit profile will remain unchanged over the next 12-18 months. Scope expects the group's operating performance to benefit from higher interest rates over the next few quarters, providing a buffer to comfortably manage an increase in credit losses in the event of a weaker economy.

### What could move the credit rating up:

- Scope currently sees limited upside to BPS' issuer rating given the group's lower business diversification compared to peers. The rating already incorporates the group's greatly improved asset quality profile as well as the comfortable capital and funding positions.

### What could move the credit rating down:

- A significant reduction in the group's buffer to capital requirements, currently a key support for the rating.
- A material increase in non-performing loans linked to a worsening of operating conditions.

## Overview of rating construct

Operating environment: Supportive

Business model: Consistent

Initial mapping refinement: Low

Initial mapping: bbb-/bbb

Long-term sustainability (ESG-D): Developing

Adjusted anchor: bbb-

Earnings capacity and risk exposures: Neutral

Financial viability management: Comfortable

Additional rating factors: Neutral factor

Stand-alone assessment: bbb

External support: Not applicable

Issuer rating: BBB

### **Stress testing & cash flow analysis**

No stress testing was performed. No cash flow analysis was performed.

### **Methodology**

The methodology used for this Credit Rating and/or Outlook, (Financial Institutions Rating Methodology, 7 February 2023), is available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://scoperatings.com/governance-and-policies/regulatory/eu-regulation>. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Rating if the Credit Rating were to change within the next 12 to 18 months.

### **Solicitation, key sources and quality of information**

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Rating: public domain, the Rated Entity, and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting the Credit Rating originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Rating and Outlook and the principal grounds on which the Credit Rating and Outlook are based. Following that review, the Credit Rating was not amended before being issued.

### **Regulatory disclosures**

The Credit Rating and/or Outlook is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Rating and/or Outlook is UK-endorsed.

Lead analyst: Alessandro Boratti, Analyst

Person responsible for approval of the Credit Rating: Pauline Lambert, Executive Director

The Credit Rating/Outlook was first released by Scope Ratings on 10 September 2018. The Credit Rating/Outlook was last updated on 23 March 2022.

### **Potential conflicts**

See [www.scoperatings.com](http://www.scoperatings.com) under Governance & Policies/EU Regulation/Disclosures for a list of potential conflicts of interest related to the issuance of Credit Ratings.

### **Conditions of use / exclusion of liability**

© 2023 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Investor Services GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that

parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.

## About Scope Group

With more than 250 employees operating from offices in Berlin, Frankfurt, Hamburg, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG and fund analysis. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. **Scope Ratings** is the largest European credit rating agency, registered in accordance with EU and UK rating agency regulation, offering opinion-driven and non-mechanistic credit risk analysis. **Scope ESG Analysis** provides tools for analysing and reporting on ESG impact and risk, as well as second-party opinions on green, social and sustainable bonds. **Scope Fund Analysis** rates more than 10,000 funds and asset managers across all major asset classes. The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on [www.scopegroup.com](http://www.scopegroup.com)

### Contact

<b>Analyst</b>	Alessandro Boratti	<a href="mailto:a.boratti@scoperatings.com">a.boratti@scoperatings.com</a>
<b>Team leader</b>	Marco Troiano	<a href="mailto:m.troiano@scoperatings.com">m.troiano@scoperatings.com</a>



Scope Ratings GmbH • Lennéstraße 5 • D-10785 Berlin • Phone: +49 30 27891-0 • Fax: +49 30 27891-0  
[www.scoperatings.com](http://www.scoperatings.com)

Executive Board: Guillaume Jolivet, Matthias Böhm • District Court: Berlin: HRB 192993 B • VAT identification number: DE226486027

Save paper! Please consider the environment before printing this email. This email may contain confidential and/or privileged information. If you are not the intended recipient (or have received this email by mistake) please notify the sender immediately and destroy this email. Any unauthorised copying, disclosure or distribution of the material in this email is strictly forbidden.

[Subscription Center](#)   [Contact](#)   [Legal Notice](#)

