



# Banca Popolare di Sondrio

Società cooperativa per azioni - fondata nel 1871  
Sede sociale e direzione generale: I - 23100 Sondrio So - Piazza Garibaldi 16  
Iscritta al Registro delle Imprese di Sondrio al n. 00053810149  
Iscritta all'Albo delle Banche al n. 842  
Capogruppo del Gruppo bancario Banca Popolare di Sondrio, iscritto all'Albo dei Gruppi bancari al n. 5696.0  
Iscritta all'Albo delle Società Cooperative al n. A160536  
Aderente al Fondo Interbancario di Tutela dei Depositi  
Codice fiscale e Partita IVA: 00053810149  
Al 31/12/2015: Capitale Sociale € 1.360.157.331 - Riserve € 942.519.617 (dati approvati dall'Assemblea dei soci del 23/4/2016)

## COMUNICATO STAMPA

**Banca Popolare di Sondrio : Fitch Ratings conferma il rating di lungo termine a "BBB", di breve termine a "F3" e il Viability Rating a "bbb". L'outlook è stato rivisto da "stabile" a "negativo".**

La Banca Popolare di Sondrio informa che in data odierna l'agenzia londinese Fitch Ratings ha confermato il rating di Long-term a "BBB", di Short-term a "F3" e il Viability Rating a "bbb". L'outlook è stato rivisto da "stabile" a "negativo".

Si allega il comunicato stampa pubblicato da Fitch Ratings.

Sondrio, 24 giugno 2016

BANCA POPOLARE DI SONDRIO SCPA

## CONTATTI SOCIETARI

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## **FITCH REVISES BANCA POPOLARE DI SONDRIO'S OUTLOOK TO NEGATIVE, AFFIRMS AT 'BBB'**

Fitch Ratings-London/Milan-24 June 2016: Fitch Ratings has revised Banca Popolare di Sondrio's (Sondrio) Outlook to Negative from Stable and affirmed the Long-Term Issuer Default Rating (IDR) at 'BBB'. A full list of rating actions is available at the end of this rating action commentary.

### **KEY RATING DRIVERS**

#### **IDRS AND VR**

The Outlook revision reflects Fitch's view that the bank's capitalisation is under increasing pressure from unreserved impaired loans as asset quality continues to deteriorate, albeit at a slower pace since 2014. The affirmation of the ratings is based on Fitch's view that Sondrio's capitalisation is acceptable, but the lack of a clear strategy to deal with further increases in net impaired loans could weaken the bank's financial profile.

The ratings also reflect Sondrio's sound liquidity, resilient customer funding, and robust cost management mitigating the pressure on profitability from a low interest-rate environment.

At end-1Q16, gross impaired loans accounted for over 15% of gross loans, which is high by international standards but still compares well with Sondrio's domestic peers. The inflow of new impaired loans has slowed down, but Fitch believes that asset quality might deteriorate further before improving as the economy is recovering more slowly than expected by the bank, and the workout of impaired loans continues to be lengthy.

Our assessment of Sondrio's asset quality also considers the extensive use of real estate collateral, which exposes the bank to changes in the value of collateral. Sondrio's reserve coverage of impaired loans which, at 54% of gross impaired loans at end-1Q16, is one of the highest among rated Italian banks.

Capitalisation remains acceptable as the Fitch Core Capital (FCC) to risk-weighted assets (RWA) ratio improved to 11.3% at end-2015 from 10.3% at end-2014. The bank's phased-in CET1 ratio stood at 10.5% at end-1Q16. This was 125bp above the regulatory requirement under the supervisory review and evaluation process (SREP), which is somewhat tighter than at other Italian banks.

Sondrio has put in place a more stringent dividend policy, which should support future internal capital generation. Capitalisation is under pressure from net impaired loans, which at end-1Q16 accounted for about 68% of FCC. This compares favourably with domestic banks but is high compared with international peers, and any further deterioration in asset quality could put further pressure on capital.

Sondrio's profitability benefits from a track record of sound cost management and has proved resilient against high loan impairment charges. Revenue generation from the core lending business, however, is under pressure from low interest rates and slow loan growth. Fitch believes that the bank's regional franchise and less diversified business model may constrain future profitability.

Funding and liquidity are ample and have proven stable to date. Customer deposits have proved resilient and benefit from strong client relationships that the bank has established, especially in its home region. Utilisation of central bank funding is reasonable and funding sources are more diversified than in the past due to increased usage of covered bond funding.

## SUPPORT RATING AND SUPPORT RATING FLOOR

The SR and SRF reflect Fitch's view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that a bank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that require senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

## RATING SENSITIVITIES

### IDRS AND VR

Sondrio's ratings are primarily sensitive to a further deterioration in asset quality, particularly if this puts additional pressure on capitalisation through a rise in unreserved impaired loans. The bank's ratings would also come under pressure if Sondrio fails to generate sustainable and adequate profitability from its core businesses.

A revision of the Outlook to Stable would require a sustainable improvement in asset quality while maintaining adequate capitalisation. A material reduction in the stock of outstanding impaired loans and an improvement in operating profitability are necessary for a rating upgrade.

## SUPPORT RATING AND SUPPORT RATING FLOOR

An upgrade of the SR and upward revision of the SRF would be contingent on a positive change in the sovereign's propensity to support the bank. While not impossible, in Fitch's view this is highly unlikely.

The rating actions are as follows:

Long-Term IDR: affirmed at 'BBB'; Outlook revised to Negative from Stable

Short-Term IDR: affirmed at 'F3'

Viability Rating: affirmed at 'bbb'

Support Rating: affirmed at '5'

Support Rating Floor: affirmed at 'No Floor'

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

#### Applicable Criteria

Global Bank Rating Criteria (pub. 20 Mar 2015)

[https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=863501](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863501)

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