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
Capitale Sociale € 1.360.157.331 - Riserve € € 1.034.954.284
(dati approvati dall'Assemblea dei soci del 28/4/2018)

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 permane "stabile ".

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 permane "stabile".

Di seguito, il dettaglio dei rating assegnati a Banca Popolare di Sondrio:

- Long-term Issuer Default Rating ("IDR"): confermato a "BBB-"
- Short-term Issuer Default Rating ("IDR"): confermato a F3
- Viability Rating: confermato a "bbb-"
- Support rating: confermato a "5"
- Support rating floor: confermato a "No Floor"
- Outlook: confermato a "stabile"

Si allega il comunicato stampa pubblicato da Fitch Ratings.

Sondrio, 13 giugno 2018

BANCA POPOLARE DI SONDRIO SCPA

CONTATTI SOCIETARI

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FITCH AFFIRMS BANCA POPOLARE DI SONDRIO AT 'BBB-'/STABLE

Fitch Ratings-Milan/London-13 June 2018: Fitch Ratings has affirmed Banca Popolare di Sondrio's (Sondrio) Long-Term Issuer Default Rating (IDR) at 'BBB-' and Viability Rating (VR) at 'bbb-'. The Outlook on the Long-term IDR is Stable. A full list of rating actions is available at the end of this rating action commentary.

KEY RATING DRIVERS
IDRS AND VR
The ratings of Sondrio reflect its respectable franchise as a regional bank, although with limited pricing power outside its home province in Lombardy. It also factors in the sensitivity of the bank's profitability to interest rate and economic cycles, which is partly mitigated by robust cost management, sound liquidity and resilient customer funding. They also reflect an above-average risk appetite that has resulted in weak asset quality and a large exposure to Italian government bonds, which has raised its market risk.

Its medium-term non-performing loan (NPL) reduction targets are less ambitious than peers', and are thus likely to result in heightened asset quality problems for longer than we expect to see at stronger domestic peers, who are now targeting impaired loan ratios of well below 10% over the medium term. This risk appetite will also cause its unreserved impaired loans to continue to pressure capitalisation and increase the bank's vulnerability to credit spread widenings.

At end-1Q18, gross impaired loans still accounted for over 15% of gross customer loans, which is high by international standards and above the domestic sector ratio of around 14%. The bank's 2017-2021 strategic plan focuses essentially on organic impaired loan reductions in order to achieve a gross impaired loan ratio that is slightly higher than at the strongest domestic peers. Sondrio's reserve coverage at 57% of gross impaired loans at end-1Q18 continues to be strong by domestic comparison and has been strengthened further during the past 12 months.

Capital ratios are kept with satisfactory buffers above regulatory requirements. The Fitch Core Capital (FCC) to risk-weighted assets (RWA) ratio stood at over 12% at end-1Q18 and factors in the fully-phased impact of IFRS9 first-time adoption (equivalent to a limited -16 bps on its end-2017 CET1 ratio). At end-1Q18 unreserved impaired loans accounted for a still high 64% of FCC, after decreasing from 72% at end-2016. Sondrio's exposure to Italian sovereign debt accounted for nearly 4x FCC at end-2017.

Sondrio's profitability has been volatile due to interest rate and the economic cycles. Its net interest income (NII) contracted significantly between 2014 and 2016 and loan impairment charges (LICs) eroded over two thirds of pre-impairment operating profits for a number of years. In Fitch's view the bank's franchise somewhat constrains profitability while operating revenue diversification has scope to improve further. During 2017, NII started to pick up due to much reduced interest expenses compensating for interest income and margins that continued to narrow, reflecting competition and lack of pricing discipline.

Net commission income expanded, contributing to stronger revenue from core banking activities, which are however still distant from 2014 levels. Securities gains contributed nearly 17% to total operating revenue, while LICs eroded around 50% of pre-impairment operating profit, the lowest since 2014. The combination of all these factors contributed to the highest operating profit over a four-year period (EUR229 million).

Funding and liquidity are ample and have proven stable to date. Customer deposits are resilient and benefit from strong client relationships that the bank has established. Funding sources are increasingly diversified due to increased usage of covered bond funding and the plan to issue senior unsecured debt to institutional investors through its recently established EMTN programme.

SUPPORT RATING (SR) AND SUPPORT RATING FLOOR (SRF)
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 sensitive to deterioration in asset quality, particularly if this puts additional pressure on capitalisation through a rise in unreserved impaired loans. Given its weak asset quality and large sovereign exposure, we view the bank as being more sensitive than peers to deterioration in Italy's operating environment and investors' confidence towards Italian assets.

The bank's ratings would also come under pressure if Sondrio is unable to generate sustainable and adequate profitability from its core businesses.

An upgrade would require a sustainable improvement in asset quality while maintaining adequate capitalisation. A material reduction in the stock of outstanding impaired loans, a sustained improvement in operating profitability and an improving operating environment are all 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 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

Applicable Criteria
Bank Rating Criteria (pub. 23 Mar 2018)
https://www.fitchratings.com/site/re/10023430