



# 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 € 833.958.444 (Dati approvati dall'assemblea dei Soci del 18/04/2015)

## COMUNICATO STAMPA

**Banca Popolare di Sondrio : Dagong Europe conferma il rating di lungo termine a "BBB", di breve termine ad "A-3" e outlook "stabile".**

La Banca Popolare di Sondrio informa che l'agenzia Dagong Europe – affiliata alla casamadre cinese “Dagong Global Credit Rating” - ha confermato i rating di Long-Term Credit Rating a “BBB”, di Short-Term Credit Rating ad "A-3" e outlook “stable”.

Si allega il comunicato stampa pubblicato da Dagong Europe.

Sondrio, 23 febbraio 2016

BANCA POPOLARE DI SONDRIO SCPA

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# Dagong Europe Affirms 'BBB' Long-Term Credit Rating for Banca Popolare di Sondrio Scpa, Outlook Stable

## Rating Action Report

Milan, 22 February 2016

Dagong Europe has affirmed the Long-Term Credit Rating at 'BBB', and equivalent Short-Term Credit Rating at 'A-3' for Italy-based Banca Popolare di Sondrio Scpa (BP Sondrio). The Outlook is 'Stable'.

### RATING RATIONALE

The Long-Term Credit Rating takes into account the Individual Financial Strength Assessment (IFSA) at 'bbb', and our External Support Assessment (ESA) of 'Low' potential to receive National Systemic Support. The level of support changes to Low from Moderate, as from 1 January 2016 the bank has been under the Banking Recovery and Resolution Directive (BRRD), which does not allow any form of government support.

The IFSA reflects BP Sondrio's stable franchise in terms of loans and deposits in its home market of Lombardy in Northern Italy. It also reflects the bank's profitable and stable traditional banking model, retail-based funding, strong liquidity, strong capitalisation and satisfactory non-performing loans coverage. The IFSA is constrained by the bank's relatively small size which has largely grown organically, limiting any material changes in business outreach; its significant loan concentration in the real-estate sector; and still weak asset quality that remains better than its Italian peers.

Our credit opinion is based on the following factors:

- **Sustainable and valued franchise, with traditional business model, and focus on lending and deposit-taking in Northern Italy:** BP Sondrio's development strategy focuses on traditional banking services, with a target market related to Northern Italy, which historically has shown better growth prospects and asset quality performance than the Italian banking system on average.
- **Stable funding structure, derived mainly from retail:** BP Sondrio's funding is 86%-derived from its retail clients, which is a common strength of local traditional-based banking models, particularly in Italy. BP Sondrio's solid franchise is valued by its retail clients which make-up most of the deposit base, providing a particularly stable and sustainable funding structure in the long term.
- **Strengthened capital with a Tier 1 ratio of 10.5% at YE15:** BP Sondrio had successfully raised capital in the past, most recently with EUR 343Mn in July 2014 in anticipation of the ECB (European Central Bank) and the EBA's (European Banking Authority) Comprehensive Assessment, published in October 2014. With a Tier 1 ratio at 10.5% at YE15, the bank has a sufficient capital buffer for potential increases in credit risk, as well as for expected lending growth. In addition, the ECB recently informed the bank that the minimum CET 1 level to be

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#### Committee Chairperson

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maintained should stand at 9.25%, which based on its current capital position gives it a relatively large buffer to manage further growth.

- **Credit risk remains the greatest challenge for BP Sondrio. We caution especially on the bank's real-estate portfolio, which accounts for about 20% of the loan book:** Loan loss provision expenditure has increased substantially in the last three years, affecting profitability and hence the bank's internal capital generation. With the release of preliminary results for YE15, we see a confirmation of the positive trend with a reduction of 15% of loan loss provisions yoy, however with non-performing loans still increasing y-o-y to 7.0% as of 3Q15 (5.4% for 3Q14), increase that we will be monitoring carefully. While we expect the Italian economy to continue its recovery, there is a lagged effect that could further delay any asset quality improvement.
- **Limitations in terms of geographic diversification and competitive positioning:** We value BP Sondrio's entrenched position in Lombardy, a comparably strong region in terms of economic prospects. However, geographic diversification and competitive positioning is constrained by its small size and lack of international diversification. Because of the bank's growth strategy mainly in its home region, we expect these relative limitations to persist in the long term.

We assess the possibility of national systemic External Support to be 'Low' for BP Sondrio. Our view takes into account the application since 1 January 2016 of the BRRD. This directive gives the Single Resolution Committee (at EU level) the power to decide on resolution plans, and identify the most appropriate actions to preserve the financial stability of the Euro area in the need of implementing a resolution procedure for any bank. We recognise that for BP Sondrio – now under the direct supervision of the ECB and the BRRD – any forthcoming direct support is to be restructured through the Banking Resolution Mechanism, using the approved tools including the centralised Single Resolution Fund.

#### **OUTLOOK - STABLE**

BP Sondrio's ratings carry a 'Stable' outlook. This reflects our view on its expected stable financial performance, with internal capital generation sufficient to cover additional potential losses from current and expected problematic assets, while keeping capital ratios at their currently sufficient levels. The stable outlook incorporates what we expect will be a cautious organic growth strategy within the bank's current geographic outreach.

#### **UPSIDE - DOWNSIDE POTENTIAL FOR THE RATING**

The ratings could be upgraded if we see a material and sustainable improvement in core profitability levels in a more resilient and growing economic context, further strengthened capital, and/or by a material reduction of problematic assets.

The ratings could be downgraded if capital ratios weaken, most likely triggered by a worse-than-expected evolution of the bank's asset quality and hence weaker-than-expected profitability. They could also be downgraded if we see a weakening of coverage levels of problematic assets.

#### **BANCA POPOLARE DI SONDRIO BUSINESS PROFILE**

BP Sondrio was established in 1871 in Sondrio and incorporated as a 'banca popolare'. The bank follows a traditional banking model, providing plain vanilla banking products mainly to households, and local small and medium-size corporates in its home region, Lombardy. Products are distributed

predominately through its 333 branches, which are located in 8 regions and 29 provinces, mainly in Northern Italy and Rome.

BP Sondrio has two important subsidiaries that help to complement its business on a consolidated basis: It controls 100% of Banca Popolare di Sondrio (SUISSE) SA, established in 1995 and headquartered in Lugano, Switzerland. It is incorporated under Swiss law and supervised by the Swiss National Bank. It provides lending to individuals and corporates, as well as private banking and asset management services, through its 20 branches in Switzerland and one branch in Monaco. BP Sondrio also holds 60.5% of Factorit, a factoring company which operates mainly in Italy. Other shareholders of Factorit are Banca Popolare di Milano (30.0%) and Banco Popolare (9.5%). Factorit was established in 1978 and distributes its factoring products through the Italian 'banche popolari' network of about 7,500 branches, and its 7 direct branches. BP Sondrio acquired the control in 2010.

#### FULL LIST OF RATINGS, SOLICITED AND DISCLOSED TO THE ISSUER(S):

##### Banca Popolare di Sondrio Scpa

Long-Term Credit Rating (FC&LC)	BBB
Outlook	Stable
Short-Term Credit Rating (FC&LC)	A-3
IFSA	bbb
ESA	Low, National Systemic

FC & LC: Foreign Currency and Local Currency

#### RATINGS HISTORY

Ratings assigned on 26 February 2015:  
Banca Popolare de Sondrio scpa BBB/A-3/Stable

#### CRITERIA APPLIED

- [Dagong Europe Criteria for Rating Financial Institutions, published on 2 August 2013](#)
- [Dagong Europe Ratings Definitions, published on 13 May 2014](#)

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