



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 € € 983.893.092
(dati approvati dall'Assemblea dei soci del 27/4/2019)

PRESS RELEASE

DBRS Morningstar confirms Banca Popolare di Sondrio's investment grade rating "BBB (low)" of the Long-term Issuer Rating. The trend on the bank's rating has been revised to Negative from Stable.

It is hereby informed that today the credit rating agency DBRS Morningstar has confirmed the investment grade rating "BBB (low)" of the bank's Long-term Issuer Rating. All the other ratings assigned to BPS by the agency have also been confirmed. The trend on the Group's ratings has been revised to Negative from Stable, reflecting the deterioration of Italy's macroeconomic environment due to the COVID-19 outbreak.

In light of today's decision the updated situation of the ratings assigned by DBRS Morningstar to Banca Popolare di Sondrio is the following:

Rating type	Rating	Trend
Long-term Issuer Rating	BBB (low)	Negative
Short-term Issuer Rating	R-2 (middle)	Negative
Long-term Senior Debt	BBB (low)	Negative
Short-term Debt	R-2 (middle)	Negative
Long-term Deposits	BBB	Negative
Short-term Deposits	R-2 (high)	Negative

Please find attached the document published by DBRS Morningstar.

Sondrio, 2 April 2020

BANCA POPOLARE DI SONDRIO SCPA

COMPANY CONTACTS:

Investor Relations

Dott. Michele Minelli

0342-528.745

michele.minelli@popso.it

External Relations

Rag. Paolo Lorenzini

0342-528.212

paolo.lorenzini@popso.it

Company website: www.popso.it

The English translation is provided only for the benefit of the reader. In the case of discrepancies the Italian version will prevail.

DBRS Morningstar Confirms Banca Popolare di Sondrio at BBB (low), Trend Revised to Negative

BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) confirmed the ratings of Banca Popolare di Sondrio S.C.p.A. (BPS or the Bank), including the Long-Term Issuer Rating of BBB (low) and the Short-Term Issuer rating of R-2 (middle). The Bank's Deposit ratings were confirmed at BBB/R-2 (high), one notch above the IA, reflecting the legal framework in place in Italy which has full depositor preference in bank insolvency and resolution proceedings. The trend on the Group's long-term and short-term ratings has been revised to Negative from Stable. DBRS Morningstar has also maintained the Intrinsic Assessment (IA) of the Bank is BBB (low) and the Support Assessment is SA3. See a full list of ratings at the end of this press release.

KEY RATING CONSIDERATIONS

The rationale behind the change of trend to negative reflects our view that the wide and growing scale of economic and market disruptions resulting from the coronavirus (Covid-19) pandemic will put additional pressure on the operating environment in Italy and most likely negatively affect revenues and asset quality for Italian banks. In particular, we expect higher loan loss provisions which will negatively affect the Banks' profitability. Nevertheless, unprecedented support measures have been put in place by the Italian and European authorities as well as relaxed criteria from regulators, which, in our view, could help mitigate the negative impact of the crisis. However, should the crisis be prolonged, we estimate higher downward pressure on the ratings.

The confirmation of the Long-Term Issuer rating at BBB (low) reflects the Bank's small national position but solid franchise in the region of Lombardy, especially in the province of Sondrio, with a long and proven track record and a robust retail funding base. However, Lombardy remains one of the most affected regions in Italy by the global coronavirus pandemic, which in our view could potentially pressure the Bank's franchise. BPS's ratings are underpinned by its modest but resilient track record on profitability, which could however experience strain if the epidemic and subsequent lockdown are prolonged. The ratings also take into account the Bank's large, albeit reducing, stock of non-performing exposures (NPEs). We believe that the current situation could bring delays to the Bank's planned NPE reduction, which has lagged behind domestic peers, as well as increase pressure on the Bank's risk profile. In addition, this could also create additional challenges regarding the Bank's pending legal transformation into a joint stock company, expected by end-2020.

Nevertheless, the confirmation of the ratings also reflects BPS's sound capital position that benefits from ample capital buffers over the supervisory requirements. Ratings are also further underpinned the Bank's solid funding and liquidity position, with BPS diversifying its funding mix in view of upcoming MREL requirements, through inaugural issuances of Tier 2 instruments and Senior Debt in 2019. Whilst we do not see short-term downside risk on funding given the ECB's assistance, most notably TLTRO, we believe that smaller institutions like BPS could experience difficulties in accessing wholesale funding markets. This is however mitigated by the fact that the Bank has relatively little funding through wholesale markets.

RATING DRIVERS

Any upgrade is unlikely in the short-term given the recent change of trend. However, the trend on the Long-Term ratings could revert to Stable if the Bank were able to demonstrate limited earnings and asset quality impact from the global coronavirus pandemic.

A downgrade would likely be driven by a significant deterioration of the Bank's franchise and profitability as a result of the global coronavirus pandemic and significant challenges or delays in the Bank's planned NPE reductions.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

The Grid Summary Grades for BPS are as follows: Franchise Strength – Good/Moderate; Earnings – Moderate/Weak; Risk Profile – Weak; Funding/Liquidity – Good/Moderate; Capitalisation – Moderate.

Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (11 June 2019) <https://www.dbrsmorningstar.com/research/346375/global-methodology-for-rating-banks-and-banking-organisations>.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>

The sources of information used for this rating include Company Documents, BPS 3Q 2019 Interim Report, BPS 2019 Press Release and S&P Global Market Intelligence. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/359165>

Ratings assigned by DBRS Ratings GmbH are subject to EU and U.S. regulations only.

Lead Analyst: Arnaud Journois, Vice President – Global Financial Institutions Group

Rating Committee Chair: Elisabeth Rudman, Managing Director, Head of European FIG - Global FIG

Initial Rating Date: November 18, 2019

Last Rating Date: November 18, 2019

DBRS Ratings GmbH







Neue Mainzer Straße 75

Tel. +49 (69) 8088 3500
60311 Frankfurt am Main Deutschland
Geschäftsführer: Detlef Scholz
Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

Ratings

Banca Popolare di Sondrio S.C.p.A.

Date Issued	Debt Rated	Action	Rating	Trend	Issued
02-Apr-20	Long-Term Issuer Rating	Trend Change	BBB (low)	Neg	
02-Apr-20	Short-Term Issuer Rating	Trend Change	R-2 (middle)	Neg	
02-Apr-20	Long-Term Deposits	Trend Change	BBB	Neg	
02-Apr-20	Long-Term Senior Debt	Trend Change	BBB (low)	Neg	
02-Apr-20	Short-Term Debt	Trend Change	R-2 (middle)	Neg	
02-Apr-20	Short-Term Deposits	Trend Change	R-2 (high)	Neg	

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE [DISCLAIMERS AND LIMITATIONS](#). ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON WWW.DBRS.COM.

Contacts

Arnaud Journois

Vice President - European Financial Institutions

+49 69 8088 3526

arnaud.journois@dbrsmorningstar.com

Elisabeth Rudman

Managing Director, Head of European FIG - Global FIG

+44 20 7855 6655

elisabeth.rudman@dbrsmorningstar.com

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). Morningstar Credit Ratings, LLC is a NRSRO affiliate of DBRS, Inc. For more information on regulatory registrations, recognitions and approvals of DBRS group of companies and Morningstar Credit Ratings, LLC, please see: <http://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS group and Morningstar Credit Ratings, LLC are wholly-owned subsidiaries of Morningstar, Inc.© 2020 Morningstar. All Rights Reserved.

The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. No DBRS entity is an investment advisor. DBRS does not provide investment, financial or other advice. Ratings, other types of credit opinions, other analysis and research issued or published by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrsmorningstar.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrsmorningstar.com>.