

## **FITCH AFFIRMS BANCA POPOLARE DI SONDRIO AT 'A'; OUTLOOK STABLE**

Fitch Ratings-London/Milan-13 June 2008: Fitch Ratings has today affirmed Italy-based Banca Popolare di Sondrio's (BPS) ratings at Long-term Issuer Default (IDR) 'A' with Stable Outlook, Short-term IDR 'F1', Individual 'B', Support '3' and Support Rating Floor 'BB'.

BPS's ratings reflect its stable profitability and returns, sound asset quality, low appetite for market risk and healthy capitalisation. They also reflect its medium size and geographic concentration in the region of Lombardy.

BPS's profitability has been stable. Operating revenues in 2007 and Q108 were underpinned by strong net interest income, while net commission and net trading revenues suffered from the current difficult market conditions.

The bank's asset quality is sound with gross impaired loans at 2.4% of total gross loans at end-2007. Loan impairment allowances are adequate in view of the large collateral backing the loan book. Exposure to market risk is low and controls are adequate for the bank's activities.

Capitalisation is strong and capital is of high quality. End-2007 eligible capital ratio was equal to a healthy 10.9%. The bank benefits from strong support from its shareholders, allowing management to raise new capital relatively easily.

BPS is a medium-sized cooperative bank based in the north of Italy, in Lombardy, near the Italian-Swiss border. At end-2007, it had 266 branches and 2,701 staff. The bank offers traditional retail banking services to its core clients of households and SMEs and provides a full range of products through specialised product companies in the cooperative sector (banche popolari). It has a bank subsidiary in Switzerland active in private and traditional retail banking through a network of 20 branches spread over the Swiss territory.

A report on BPS will be available shortly on the agency's subscription website, [www.fitchresearch.com](http://www.fitchresearch.com) under Financial Institutions/Banks/Full Rating Reports.

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