



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 30 settembre 2014: Capitale Sociale € 1.360.157.331 - Riserve € 775.072.375

COMUNICATO STAMPA

Banca Popolare di Sondrio: Dagong Europe attribuisce il rating di lungo termine “BBB”, di breve termine "A-3" e outlook “stabile”.

La Banca Popolare di Sondrio informa che in data odierna l'agenzia Dagong Europe – affiliata alla casamadre cinese “Dagong Global Credit Rating” e autorizzata dallo scorso anno a operare sul mercato europeo - ha attribuito, per la prima volta, i seguenti giudizi di rating: Long-term Credit rating “BBB“, Short-term Credit rating “A-3”, outlook “stabile”.

Si allega il comunicato stampa pubblicato da Dagong Europe.

Sondrio, 26 febbraio 2015

BANCA POPOLARE DI SONDRIO SCPA

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Dagong Europe Assigns 'BBB' Long Term Credit Rating to Banca Popolare di Sondrio Scpa, Outlook Stable

Rating Action Report

Milan, 26 February 2015

Dagong Europe has assigned a Long Term Credit Rating of 'BBB' and equivalent Short Term Credit Rating of 'A-3' to 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 'Moderate' potential to receive National Systemic Support.

The IFSA reflects BP Sondrio's stable franchise in terms of loans and deposits in its home market of Lombardy in Northern Italy; its historically sustainable and stable traditional banking model; retail-based funding and strong liquidity; as well as strong recently-reinforced capitalisation levels and satisfactory problematic asset¹ coverage. The IFSA is constrained by the bank's relatively small size which has largely grown organically, limiting any material changes in business outreach; and a significant loan concentration in the real estate sector and weak asset quality - albeit better than the Italian average - which has translated into high loan provision expenditure for the last 3 years.

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 asset quality performance than the Italian banking system on average.
- **Stable funding structure, derived mainly from retail, is a key credit strength:** BP Sondrio's funding is 90%-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.
- **Capital levels were reinforced in July 2014 to strengthen Tier 1 ratio to 9.8%:** BP Sondrio raised EUR 343Mn in July 2014 in anticipation of the ECB (European Central Bank) and EBA's (European Banking Authority) Comprehensive Assessment, published in October

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¹ Problematic assets include: non-performing loans (sofferenze), watch list (incagli), restructured (ristrutturate), and expired deteriorated (scadute deteriorate).

2014. Capital levels are now above those of peers and provide a sufficient buffer for potential increases in credit risk, as well as for expected lending growth.

- **Credit risk remains the greatest challenge for BP Sondrio. We caution especially on the bank's real estate portfolio, which accounts for about 30% of the loan book:** Loan loss provision expenditure has increased substantially in the last three years, has substantially affected profitability levels, and hence the bank's internal capital generation. We expect the Italian economy to start to recover in the second half of 2015, and hence also expect asset quality to improve with a lagged effect. Growth prospects remain limited and any larger-than-expected increase in provisions will negatively affect the bank's profitability.
- **Limitations in terms of geographic diversification and competitive positioning:** We value BP Sondrio's entrenched position in a comparably strong region. However, geographic diversification and competitive positioning is constrained by its small size and predominant presence in Lombardy. Because of the bank's growth strategy mainly in its home region, we expect these relative limitations to persist.

We assess the possibility of national systemic support to be 'Moderate' for BP Sondrio, however this does not result in any rating uplift from the IFSA. Our view on moderate support takes into account the bank's limited importance to the Italian banking system (market share of about 1.5% for deposits and 1.1% for loans). However, we recognise that BP Sondrio's traditional banking business model provides valuable lending and deposit-taking services to the economy, and also benefits from a relative significance within the domestic payment system (designated bank for pension payments for expat Italians). We also recognise that for BP Sondrio – now under direct supervision from the ECB and being part of the Banking Union – any forthcoming direct support is to be structured through the Banking Resolution Mechanism, using a variety of tools including the bailout fund from the centralised Single Resolution Fund.

OUTLOOK - STABLE

BP Sondrio's ratings carry a 'Stable' outlook, and reflect our view on the bank's expected stable financial performance, with internal capital generation sufficient to cover potential losses from current and expected problematic assets, whilst 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 and incorporated in 1871 in Sondrio as a 'banca popolare': a co-operative bank where single shareholders have one vote, no matter how many shares they hold².

² For BP Sondrio, 'società cooperativa per azioni' applies the respective law shareholder voting law '1° comma dell'art. 30 del TUB (decreto legislativo 24 febbraio 1998 n. 58 - Testo Unico della Finanza)'.



Currently, BP Sondrio has about 185,000 shareholders. The bank follows a traditional banking model, providing banking products mainly to households, and local small and medium-size corporates in its home territory, Lombardy. Products are distributed predominately through its 327 branches, which are located mainly in Northern Italy (284) and Rome (43).

BP Sondrio has two important subsidiaries that help to complement the business on a consolidated basis. BP Sondrio controls 100% of Banca Popolare di Sondrio (SUISSE) SA, established in 1995, headquartered in Lugano, Switzerland, 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 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 6 direct branches. BP Sondrio acquired the control in 2010. BP Sondrio reported a net income of EUR 115Mn at YE14 (net income for YE13 at EUR 53Mn), and a Tier 1 ratio of 9.8% (YE13 at 7.9%).

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

FC & LC: Foreign Currency and Local Currency

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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<http://www.dagongeuropa.com/ratingcriteria>

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