

**RATING ACTION COMMENTARY****Fitch Affirms Banca Popolare di Sondrio at 'BBB-'; Off Rating Watch Positive; Outlook Positive**

Thu 31 Jul, 2025 - 4:48 AM ET

Fitch Ratings - Milan - 31 Jul 2025: Fitch Ratings has affirmed Banca Popolare di Sondrio - Societa per Azioni's (BPSO) Long-Term Issuer Default Rating (IDR) at 'BBB-' and removed it from Rating Watch Positive (RWP). The Outlook is Positive. BPSO's Viability Rating (VR) is unaffected by this rating action.

The resolution of the RWP follows BPER Banca S.p.A.'s (BPER; BBB-/Positive) acquisition of a stake of about 80% in BPSO's share capital, which should support a swift integration of BPSO into BPER and the realisation of planned synergies. The Positive Outlook on BPSO's Long-Term IDR mirrors that on BPER, given the expectation that BPSO will be merged into BPER, and that shareholder support is highly likely until completion of merger. We have assigned BPSO a Shareholder Support Rating (SSR) of 'bbb-' to reflect our view that BPER has become the primary source of extraordinary support.

A full list of rating actions is below.

Fitch has affirmed and withdrawn BPSO's Government Support Rating because it no longer considers it relevant to its coverage as BPER has become the primary source of extraordinary support.

**KEY RATING DRIVERS**

**High Probability of Shareholder Support:** BPSO's ratings benefit from a high probability of support from its new larger owner following the takeover. We have reflected this likelihood of support by assigning it a 'bbb-' SSR. We believe BPSO is a key and integral part of BPER's group, as it adds scale and strengthens its market position in the domestic banking sector.

**High Propensity to Support:** We believe a default of BPSO would create huge reputational risk for BPER, and that the Italian authorities would favour support for

BPSO from BPER. In addition, we expect the enlarged group to ultimately adopt a combined group resolution plan, which will make support for the subsidiary likely as the group will ultimately operate under a single point-of-entry model.

**Integration Risks, Large Relative Size:** Fitch expects BPSO to be merged into BPER in the coming quarters and be fully operationally integrated in 2027. We consider there are significant but manageable execution risks due to BPSO's large size relative to its parent, at about 28% of the combined entity's assets at end-March 2025 and its relatively large number of legal entities.

**Clear Strategic Rationale:** BPSO's acquisition will strengthen BPER's competitive position in corporate and SME lending, as well as its footprint in Italy's wealthy northern region of Lombardy. The two banks have highly complementary franchises, shared product factories (BPER and BPSO are shareholders of Arca asset management and insurance companies, and Alba Leasing) and negligible branch network overlap. We also view the two banks' corporate cultures as compatible, given their common roots as former 'banche popolari.'

**VR Unaffected:** BPSO's VR drivers and sensitivities are unaffected by the rating action as Fitch does not consider the acquisition has an immediate significant impact on the bank's standalone creditworthiness. The key rating drivers and sensitivities for the VR are outlined in our rating action commentary published 4 April 2025 (see "Fitch Places Banca Popolare di Sondrio on Rating Watch Positive on BPER's Exchange Offer" on [www.fitchratings.com](http://www.fitchratings.com))

## RATING SENSITIVITIES

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

BPSO's IDRs and SSR are mainly sensitive to changes in BPER's IDR. The SSR would be downgraded if BPER's Long-Term IDR was downgraded. A downgrade of the SSR would only result in a downgrade of BPSO's Long-Term IDR if the VR was downgraded.

A downgrade of the IDRs is unlikely given the Positive Outlook. We could revise the Outlook to Stable if BPER changes its plan to merge BPSO in the coming quarters, which would likely lead to a reconsideration of execution risks and BPSO's role in the group, neither of which we currently expect.

BPSO's IDRs could be downgraded if shareholder support weakens materially and its VR was downgraded. The latter could result from an impaired loans ratio well above 4%, operating profit structurally below 1.5% of risk-weighted assets, and common equity Tier 1 ratio below 13%.

## **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An upgrade of BPER's IDR and SSR would likely result in an upgrade of BPSO's IDR and SSR. Fitch expects to withdraw BPSO's ratings on completion of the merger into BPER as the bank will cease to exist as a separate legal entity.

## **OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS**

BPSO's long-term deposit rating is one notch above its Long-Term IDR, reflecting full depositor preference in Italy and the bank's use of senior preferred debt and more junior debt to meet its minimum requirement for own funds and eligible liabilities (MREL, set at 26% for 2025), resulting in a lower probability of default on deposits relative to its Long-Term IDR.

The bank's short-term deposit rating of 'F3' is based on BPER's support and is aligned with its short-term rating.

BPSO's senior preferred debt is rated in line with its Long-Term IDR because the bank uses senior preferred debt to meet its MREL and the buffer of subordinated debt and other junior instruments is lower than 10% of RWAs.

The subordinated (Tier 2) debt is rated two notches below BPSO's IDR, from which it is notched for loss severity to reflect poor recovery prospects. We use BPSO's Long-Term IDR rather than its VR as the anchor rating for Tier 2 debt because we believe shareholder support would likely be extended to BPSO's junior debt. No notching is applied for incremental non-performance risk because a write-down of the notes will only occur once the point of non-viability is reached, and there is no coupon flexibility before nonviability.

## **OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES**

BPSO's long- and short-term senior preferred debt and deposit ratings are primarily sensitive to changes in the Long-Term IDR. In addition, the senior debt ratings could also be upgraded by one notch if we expected the bank to meet its resolution buffer requirements with senior non-preferred or more junior instruments.

The deposit ratings could be downgraded by one notch and be aligned with the IDRs if the senior and junior debt buffers reduced, although we view this as unlikely in light of BPSO's MREL compliance strategy.

BPSO's subordinated Tier 2 notes are primarily sensitive to changes in the IDR. We could also downgrade the notes if there was an unfavourable change in their notching, which

could arise if Fitch changes its assessment of their non-performance relative to the risk captured in the IDR.

VR ADJUSTMENTS

The 'bbb' operating environment score is below the 'a' implied category score due to the following adjustment reason: sovereign rating (negative).

The asset quality score of 'bbb-' has been assigned above the 'bb' implied category score due to the following adjustment reason: historical and future metrics (positive).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

BPSO's Long-Term IDR and SSR are driven by support from BPER.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Banca Popolare di Sondrio - Societa per Azioni	LT IDR	BBB-	Affirmed	BBB-
	ST IDR	F3	Affirmed	F3

Shareholder Support      bbb-

New Rating

Government Support      ns      Affirmed      ns

Government Support      WD

Withdrawn

Senior preferred	LT	BBB-	Affirmed	BBB-
subordinated	LT	BB	Affirmed	BB
long-term deposits	LT	BBB	Affirmed	BBB
short-term deposits	ST	F3	Affirmed	F3

PREVIOUS

NEXT

VIEW ADDITIONAL RATING DETAILS

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

## ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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## ENDORSEMENT STATUS

Banca Popolare di Sondrio - Societa per Azioni

EU Issued, UK Endorsed

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