

Scope upgrades Banca Popolare di Sondrio's issuer rating to BBB+, revises Outlook to Stable

The upgrade reflects Scope's view that BPS will become part of the stronger BPER group.

Rating action

Scope Ratings GmbH (Scope) has today upgraded Banca Popolare di Sondrio SpA (BPS)'s issuer rating BBB+ from BBB, and revised the Outlook to Stable, from Positive.

The full list of rating actions and rated entities is at the end of this rating action release.

On Friday 11, the acceptance period on BPER's tender offer on all shares of BPS concluded. According to preliminary results, the acceptance rate was 58.15% (above the 35% minimum threshold condition of the offer), which adds to the 0.34% already held by BPER. Since the launch of takeover bid, BPER has received all the regulatory authorisations to proceed with the acquisition, including from the ECB and the Bank of Italy, the Italian Competition authority (AGCM) and the stock market regulator Consob.

The acceptance period will now re-open for additional five days, from July 21 to July 25, to allow remaining shareholders to participate in the tender offer. According to the BPER's original timeline, the squeeze-out and the delisting of BPSO from the Milan Stock Exchange will be completed over the summer, paving the way for the merger by year-end.

As detailed in the [10 April rating action](#), Scope deems the transaction to be positive for BPS's issuer rating, reflecting the strengthening of the business model of a BPS-BPER combination. The new group would hold total assets of almost EUR 200bn, revenues above EUR 7bn, a cost/income ratio below 50% and net income in excess of EUR 2bn. BPER is expected to maintain adequate capital buffers, with a pro-forma CET1 ratio of 15.3%, and a solid liquidity position: a pro-forma Liquidity Coverage Ratio of 169% and a Net Stable Funding Ratio of 134%.

The solid industrial rationale for the transaction, underpinned by the complementarity of the two banks' branch footprints, similar roots as former "popolari" banks, and common product factories, is another key consideration.

Key rating drivers

Business model assessment: Consistent (Low). The issuer rating is anchored by the Consistent (Low) business model assessment. BPS has an established retail and commercial banking franchise in Lombardy,

with total assets of EUR 57bn as of December 2024. Although its national market share is low, BPS enjoys a dominant position in its home province of Sondrio and has a significant market presence in the provinces of Lecco and Como. This supports moderately stable and predictable revenues and earnings over the cycle.

The group's business model is based on traditional commercial banking activities mainly for local entrepreneurs and households. Over the years, BPS has developed solid customer relationships, especially in its home province of Sondrio. The group includes BPS Suisse, a small bank in Switzerland specialised in retail mortgages, and Factorit, Italy's fourth largest factoring company. Together, the two subsidiaries represent almost 30% of the group's loan book. The group also owns BNT Banca, which provides low-risk, payroll-deductible loans to individuals.

Operating environment assessment: Supportive (Low). Italy (Supportive low) is the group's main market, representing more than 90% of total revenues. It is the EU's third largest economy and second largest manufacturer, with a significant average trade surplus over the past decade. The average GDP per capita is in line with the EU average. High level of public debt may constrain the government's ability to deploy countercyclical measures in downturns in the context of the rigid European fiscal framework. The banking sector is performing strongly, with high margins and low cost of risk driving high profitability in 2023 and 2024. Following a decade of balance sheet cleanup, NPLs are no longer a credit concern and appear well under control.

Italy is part of the European Banking Union, which has brought about a significant strengthening and harmonisation in bank regulation and supervision under the ECB's Single Supervisory Mechanism, which we consider to be supportive of financial stability. The European Central Bank also shares with national central banks the role of lender of last resort, which limits illiquidity risks to the banks.

Scope arrives at an initial mapping of bbb- based on a combined assessment of the issuer's operating environment and business model.

Long-term sustainability assessment (ESG factor): Developing. The assessment reflects Scope's view that the issuer is embracing changes to ensure the long-term sustainability of its business model. Progress made may be tangible but does not warrant further credit differentiation.

Scope acknowledges the group's improvements in corporate governance in recent years, including the reorganisation of the management structure. The assessment considers BPS' increased efforts to manage environmental risks; as detailed in its 2025-27 plan, BPS targets EUR 2.4bn in new financing with positive environmental and social impact and EUR 1bn in new green/social/sustainable bonds. BPS has already set emission reduction targets by 2030 on four sectors (power, oil & gas, agriculture, and transport).

Scope also recognises BPS' cooperative roots and its attention to the territories where it operates, indicating strong social responsibility and responsiveness to the interests of various stakeholders.

As digital banking gains momentum, particularly among the younger generation, competition from larger incumbents and new players could be a challenge for BPS in the long term. Positively, the group has committed to tripling its investments over the next three years to enhance digital penetration, digital onboarding of new clients and new sales mechanisms.

The long-term sustainability assessment leads to an adjusted rating anchor of **bbb-**.

Earnings capacity and risk exposures assessment: Neutral. The assessment reflects Scope's view that the group's earnings capacity may be variable over economic cycles but is sufficient to cover expected losses. Asset quality is broadly in line with peers. Risks are unlikely to generate losses capable of

undermining the issuer's viability.

While low by international standards, profitability was better than the average for Italian banks over the past decade due to stable revenue, good cost efficiency, moderate loan losses and the lack of large restructuring costs. And in a higher interest rate environment, BPS' earnings significantly improved thanks to wider commercial spreads and higher bond yields. In addition, BPS has seen steady growth in fee and commission income (+ 8% YoY in 2024). With a cleaner balance sheet, the cost of risk has fallen, although it remains higher than that of larger domestic peers. In 2024, the group's return on risk-weighted assets was 2.4%.

As of March 2025, BPS' asset quality was solid. Its gross NPE ratios stood at 2.9%, in line with the Italian average. Coverage of performing loans is relatively high at 0.83%, which provides a cushion in case of a macroeconomic downturn. Scope does not foresee a change in asset quality trend in the coming quarters, as the Italian economy grows, albeit modestly, and unemployment rate remains well below historical average. As a standalone entity, BPS envisages a gross NPL ratio of 2.6% and a default rate below 1%.

Financial viability management assessment: Comfortable (+1 notch). The assessment reflects Scope's view that the issuer's maintains comfortable buffer to relevant regulatory requirements and Scope expects it to continue to do so. The issuer's financial viability is largely resilient to tail-risk events.

BPS displays healthy capital buffers, reflecting strong capital generation and prudent management of financial viability. MREL requirements are also comfortably met. As a standalone entity, the group committed to a higher pay-out ratio of 85%, with the CET1 ratio maintained around 14.5%.

BPS is primarily funded by customer deposits, which is credit positive. As detailed in 2025-27 business plan, the group targets a liquidity coverage ratio at 170% and a net stable funding ratio at 131%, both well above the minimum requirements.

External support assessment: Moderate support (+1 notch). Scope expects BPER to provide extraordinary support to BPS should the latter need it.

The rating benefits from the one-notch uplift on account of our expectation of extraordinary support from BPER. Scope considers BPER's credit profile to be stronger than BPS' one, owing to the larger scale, national-wide franchise, and higher market shares. Like BPS, BPER's credit profile is enhanced by the healthy capital ratios, well above requirements, and solid funding and liquidity positions.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

The **Stable Outlook** reflects Scope's view that the risks to the current rating are balanced.

The **upside scenario** for the rating and Outlook is:

1. A material improvement in BPER's credit quality

The **downside scenarios** for the rating and Outlook are (individually or collectively):

1. BPER's withdrawal from the transaction would lead to a downgrade
2. A worsening of BPER's credit quality leading to a lower ability to support BPS

3. A severe deterioration of BPS' standalone credit profile

Environmental, social and governance (ESG) factors

Please refer to the 'long-term sustainability assessment' under the 'key rating drivers' section above for the ESG analysis.

All rating actions and rated entities

Banca Popolare di Sondrio SpA

Issuer rating: BBB+/Stable, Upgrade and Outlook change

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for this Credit Rating and/or Outlook, (Financial Institutions Rating Methodology, 10 January 2025), is available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://scoperatings.com/governance-and-policies/regulatory/eu-regulation>. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Rating if the Credit Rating were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

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Regulatory disclosures

The Credit Rating and/or Outlook is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Rating and/or Outlook is UK-endorsed.

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The Credit Rating/Outlook was first released by Scope Ratings on 10 September 2018. The Credit Rating/Outlook was last updated on 10 April 2025.

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