

June 28, 2007

Research Update:

Banca Agrileasing Upgraded To 'A/A-1' As Now Core To BCC Network; Outlook Stable

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Rationale

On June 28, 2007, Standard & Poor's Ratings Services raised its long- and short-term counterparty credit ratings on Italian Banca Agrileasing SpA (Agrileasing) to 'A/A-1' from 'A-/A-2'. The outlook is stable.

The upgrade follows the spin-off to Agrileasing of the corporate small and midsize enterprise (SME) lending activity of Iccrea Banca SpA (A/Stable/A-1). This activity is equal to about 9%--or €600 million--of Agrileasing's total portfolio outstanding at Dec. 31, 2006. The spin-off takes effect on July 1, 2007. The Bank of Italy has already approved the operation.

The upgrade of Agrileasing reflects the benefits of its becoming a core part, under our group rating methodology, of the Banche di Credito Cooperativo (BCC) network through Iccrea Holding SpA (the BCC umbrella organization and majority owner of Agrileasing; not rated). This change has resulted in a three-notch uplift to our stand-alone rating on Agrileasing. The achievement of core status follows Agrileasing's transformation into the SME banking pole for the network, where it will undertake leasing activities, as well as corporate lending, factoring, renting, M&A, and consultancy. This will better satisfy the needs of the BCC banks and their corporate clients, improving the network's competitiveness.

BCC is a large and cohesive network of small Italian cooperative banks with a solid and stable aggregated financial profile and a sound support mechanism that strongly limits depositors' losses. The ratings on the members of the network take into account BCC's often unsophisticated risk culture, and potential credit risk stemming from fast loan growth and local loan concentrations.

Agrileasing is targeting a moderate increase in its corporate loan portfolio over the next three years, from about €850 million at the end of 2007 (spun off from Iccrea Banca) to €1.5 billion. The portfolio that was spun off is performing and adequately fragmented. Agrileasing's new lending activity will be developed with support from the Iccrea group in terms of skills, expertise, and capital needs, helping to avoid a deterioration in the bank's financial risk profile. Moreover, in developing the new business, Agrileasing will leverage on its good credit risk management and strong management control system.

Iccrea Banca will continue to manage the large corporate and public finance business, helping the BCC network in these activities. Standard & Poor's believes that Agrileasing's new role enhances its integration within the Iccrea group and potential support in terms of funding and capital, given the already strong track record of capital increases from Iccrea Holding.

Agrileasing's profitability is only adequate. Although the bank's new role will increase revenue diversification, profitability is not likely to improve significantly in the near future as margins in the Italian leasing

market are low.

Outlook

The stable outlook reflects our opinion that BCC's adequate aggregated profile and strong business positions will remain stable over the next 12-18 months.

Maintaining adequate asset quality is one of the main challenges for the BCC network in the years to come, and it will increasingly be a differentiating factor among BCC banks' creditworthiness.

Over the longer term, we will monitor Agrileasing's SME lending and M&A activity under the new strategy. We currently assume that new activities will be conservatively managed and will not significantly increase Agrileasing's financial risk profile.

The ratings will come under pressure if the BCC banks' aggregated creditworthiness deteriorates, or if Agrileasing itself unexpectedly changes its core mission within the BCC network. A severe deterioration in the stand-alone profile, although unlikely, would also affect the ratings. On the other hand, the ratings would indirectly benefit from structural improvements in the BCC banks' aggregated financial profile.

Federkasse is studying the introduction of a new guarantee fund. Standard & Poor's will monitor the constitution of the new fund, and will check the extent to which it will improve the identification, monitoring, and timely management of BCC's crises.

Ratings List

	To	From
Counterparty credit rating	A/Stable/A-1	A-/Positive/A-2
CDs	A/A-1	A-/A-2

NB: This list does not include all ratings affected.

Additional Contact:

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