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**Research Update:**

# Banco Popolare Società Cooperativa SCRL Placed On CreditWatch Negative On Greater Concerns About Risk Profile

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## Rationale

On Feb. 20, 2009, Standard & Poor's Ratings Services placed its 'A/A-1' long- and short-term counterparty credit ratings on Italian bank Banco Popolare Società Cooperativa SCRL (BP) and its core subsidiaries Banca Aletti & C. SpA and Credito Bergamasco on CreditWatch with negative implications.

The CreditWatch placement reflects the possibility that BP's risk profile could deteriorate more quickly than we are currently anticipating in our ratings. One reason is that support to subsidiary Banca Italease could materially increase. Another reason is weaknesses in BP's financial profile amid deteriorating economic conditions in Italy, namely its weaker-than-peer loan portfolio and stretched capital ratios.

As the largest single shareholder of Banca Italease, BP is exposed to the leasing bank's weak financial profile, mainly through capital and liquidity. Domestic economic conditions are likely to further depress Banca Italease's financial profile, making a recovery difficult and increase the kind of support that BP provides.

We also believe that Banco Popolare is more vulnerable than domestic peers to the economy, mainly because of the higher credit risk of the BPI loan portfolio, including higher-than-average credit concentration by client.

## CreditWatch

We plan to resolve the CreditWatch shortly, after Italease's main shareholders clarify their objectives for the future of the leasing bank and after we obtain a clearer picture of BP's credit performance in 2008 and prospects for 2009. In case of a downgrade, we do not expect to lower the ratings by more than one notch.

In a concerted action with several Western European countries, the Italian government announced a comprehensive package of measures to support the Italian banking system, including the subscription of a hybrid instrument to strengthen bank capital. At the time of publication, the terms and conditions about this hybrid instrument had not yet been fixed. For the CreditWatch resolution, we will also monitor if and when BP might recur to it.

## Ratings List

CreditWatch Action

To

From

*Research Update: Banco Popolare Società Cooperativa SCRL Placed On CreditWatch Negative On Greater Concerns About Risk Profile*

Banco Popolare Società Cooperativa SCRL  
Credito Bergamasco  
Banca Aletti & C. SpA

Counterparty Credit Rating	A/Watch Neg/A-1	A/Negative/A-1
Certificate Of Deposit	A/Watch Neg/A-1	A/A-1

Banco Popolare Società Cooperativa SCRL

Commercial Paper	A-1/Watch Neg	A-1
Senior Unsecured	A/Watch Neg/A	
Subordinated	A-/Watch Neg	A-
Junior Subordinated	BBB+/Watch Neg	BBB+
Preferred Stock	BBB+/Watch Neg	BBB+

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