

FITCH AFFIRMS BANCA POPOLARE DI SONDRIO AT IDR 'A'; STABLE OUTLOOK

Fitch Ratings-London/Milan-08 June 2007: Fitch Ratings has today affirmed Italy-based Banca Popolare di Sondrio's ("BPS") ratings at Issuer Default 'A' with a Stable Outlook, Short-term 'F1', Individual 'B' and Support '3'. Its Support Rating Floor is unchanged at 'BB'.

The Issuer Default, Short-term and Individual ratings reflect BPS's good franchise in Lombardy - one of the most economically healthy regions in Europe. They also take into account the bank's sound asset quality, stable profitability and healthy capital adequacy. The ratings also reflect its medium size and geographic concentration in a region where competition is growing.

BPS's strategy is to grow organically in areas surrounding its historical base to deepen its regional coverage. It aims to remain independent, despite the mergers that have taken place among other cooperative banks.

BPS's profitability has remained stable over the years while costs have remained under control, despite its organic growth strategy. The bank's asset quality is sound and loan impairment allowances are adequate in view of the large collateral backing the loan book.

Capitalisation is strong and capital is of high quality. The bank benefits from the strong support of its shareholders, allowing management to raise new capital relatively easily, mitigating concerns over capital absorption to service future growth. A capital increase completed at end-May 2007 gave BPS access to EUR308m in new funds, bringing its Tier 1 capital ratio to 11.4%.

BPS is a cooperative bank based in Lombardy. At end-2006, it had 249 branches and 2,565 staff. In addition to retail and SME banking activities, BPS provides a full range of products (leasing, fund management, insurance) through the specialised product companies of the cooperative banking sector (banche popolari). It has a bank subsidiary in Lugano active in private and traditional retail banking.

A credit analysis on BPS will shortly be available on the agency's subscription website, www.fitchresearch.com under Financial Institutions/Banks/Full Rating Reports.

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