FITCH: ITALIAN SME PRINCIPAL PAYMENT HOLIDAY WOULD NOT IMPACT SF RATINGS

Fitch Ratings-Milan/London-29 July 2009: Fitch Ratings says today that a potential law offering a principal payment holiday for Italian SMEs is unlikely to lead to Italian ABS rating action. The measures are outlined in the current draft of the law which will enact the Law Decree 78/09.

"If SMEs accept the offer of a principal payment holiday it is expected that the tenor of the loan will be increased by the duration of the payment holiday and the SME will continue to make interest payments during the holiday," says Alessandro Cipolla, Director, Fitch Ratings. "Such a scenario is unlikely to cause significant stress due to the long lag typically assumed in Italian securitisations between the longest asset maturity date and the rated notes final maturity date. This assumption is designed to address the lengthy work-out procedures experienced in Italy."

The Italian Minister of Economy and Finance and Italian Banking Association (ABI) are examining ways of reducing the financial stress of Italian SMEs. According to the draft law, the Italian Ministry of Economy and Finance has 120 days from the effective date of this conversion law to seek an agreement with the Italian Banking Association (ABI) on the implementation details of the proposed measures. Although the proposal has not been finalised, media speculation suggests that the proposal is likely to have the following characteristics:

- it is not compulsory for Italian lenders, but will be on a voluntary basis (this is a further mitigating factor against negative rating action as it is unclear at this point to what extent SME lenders would be willing to participate in a voluntary scheme)

- it concerns principal instalments only of amortising loans or leases granted to performing borrowers,

- it is granted for a period no longer than 12 months

- the principal instalments that fall due during the payment holiday would be paid at a future date

Fitch will continue to monitor progress of the draft law and will make further comment when appropriate. If the law proves to be significantly more onerous for the lenders than current expectations as outlined above, negative rating actions could follow.

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