

Italian banks hesitant to tap government aid

BANKS

By Vincent Boland in Milan

Only four Italian banks have so far asked for recapitalisation funding from the government's €12bn (\$16.3bn) scheme to aid the country's banking sector.

That suggests wariness about strings attached to the aid and more confidence among bankers that funding may not be so urgent because of a sharp recovery in banks' share prices.

Vittorio Grilli, director-general of the Italian treasury ministry, said yesterday the four had applied for a total of €6bn to boost their capital base by use of "Tremonti bonds", in which the government would inject capital in exchange for bonds convertible into non-voting shares.

The Italian banking sector is undercapitalised compared with some European peers, though banks have also raised capital by other means such as not paying dividends.

The four banks are Banco Popolare, seeking up to €1.45bn in additional funding; Banca Popolare di Milano, which wants €500m; Banca Monte dei Paschi di Siena, seeking €1.9bn; and UniCredit, likely to ask the government for €2bn and to seek the same amount from the Austrian authorities.

Giulio Tremonti, the finance minister, appeared frustrated at the slow take-up of the bonds, warning banks the extra capital was to expand their lending capacities. The aid scheme was mooted at the height of the global banking crisis last

autumn but took months to agree between the government and the banking industry because of differences about the kinds of conditions that came with it.

However, several bankers in Milan said after the minister's comments that banks already had ample resources to finance lending.

The funding was necessary to boost banks' capital, and other banks were likely to apply for it later in the year.

People familiar with Intesa Sanpaolo, one of Italy's two biggest banks alongside

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UniCredit, said yesterday it was likely to issue bonds - possibly up to €4bn-worth - to the government in the second half of the year.

None of the banks involved would comment yesterday. But analysts said banks were starting to feel more confident about their ability to weather the recession. The recovery in shares had also reopened alternative sources of funding.

The €12bn recapitalisation plan "is an insurance policy that is there as a last resort," said a banking industry observer in Milan who wanted to remain anonymous. "I think most Italian banks will eventually tap into it - but the immediate urgency to do so has disappeared."

