



PRESS RELEASE

- **PIRELLI RE WINS AUCTION FOR TWO PORTFOLIOS OF NON-PERFORMING LOANS ICR4 AND ICR7 WITH GROSS BOOK VALUE OF €2.3BN FROM BANCO DI SICILIA**
 - **TRANSACTION CARRIED OUT WITH INSTITUTIONAL INTERNATIONAL INVESTORS VIA PURCHASE OF JUNIOR SECURITIES LINKED TO PORTFOLIOS FOR €160M**
- **CREDIT SERVICING TO CONTINUE OPERATE AS SERVICER OF TWO PORTFOLIOS**
- **GROSS BOOK VALUE OF NPLs MANAGED BY PIRELLI RE RISES TO APPROX. €5.5BN (APPROX. €1.9BN IN NET BOOK VALUE)**

Milan, 30 June 2006 – Pirelli RE announces that has won the auction for two portfolios of non-performing loans (NPLs) held by the securitisation vehicles **ICR4** and **ICR7** belonging to **Banco di Sicilia**. The portfolios have a **total gross book value** of **approximately €2.3bn** and a net book value of around €550m.

The transaction was completed via the purchase of **junior securities** – representing equity – issued by ICR4 and ICR7 for a total price of **€160m**.

Pirelli RE will initially subscribe 50% of the junior securities, which will subsequently be transferred to the partnership set up to manage NPLs; the remaining will be subscribe by institutional international investors.

ICR4 and ICR7 are the two vehicles set up at the end of 1999 and at the end of 2001 to securitize two portfolios of NPLs amounting to a total of approximately €800m. This involved the issue of both junior and senior securities, the latter offered to institutional investors and listed on the Luxemburg Stock Exchange. The residual value of the **senior securities**, which have been given ratings by Standard & Poor's and Moody's, amounts to **around €390m**.

The portfolios include approximately 12,000 claims, with over 80% deriving from mortgage loans secured by properties located primarily in Sicily. The remaining regards unsecured loans.

Following the securitisation transactions, management of the portfolios was assigned to Servizi Immobiliari Banche S.p.A. (SIB), which then became Credit Servicing S.p.A. following its merger with Pirelli RE Credit Servicing S.p.A. at the beginning of 2006. The company will continue to manage court and out-of-court proceedings relating to the mortgage loans through its organisation of around 65 specialists, operating from offices in Palermo and Catania.

This latest transaction will raise the gross book value of the non-performing loans managed by Pirelli RE to approximately €5.5bn (around €1.9bn in net book value), in line with the three-year business plan for 2006-2008, which sets a target for NPLs under management of approximately €3bn (at net book values).

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