Italy
Credit Analysis

Iccrea Holding SpA

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Individual Rating	B/C
Support Rating	2
Support Rating Floor	BBB+
ICCREA Banca SpA	
Long-Term IDR	A
Short-Term IDR	F1
Individual Rating	B/C
Support Rating	1
Banca Agrileasing	
Long-Term IDR	A
Short-Term IDR	F1
Individual Rating	B/C
Support Rating	1
Sovereign Risk	
Foreign-Currency Long-Term IDR	AA-
Local-Currency Long-Term IDR	AA-

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Iccrea Holding SpA

	31 Dec 08	31 Dec 07
Total assets (EURm)	18,348.3	18,479.3
Total equity (EURm)	786.9	839.5
Op. profit (EURm)	57.5	71.9
Published net income (EURm)	34.8	37.9
Comp. income (EURm)	3.9	34.2
Operating ROAA (%)	0.31	0.41
Operating ROAE (%)	7.14	8.67
Internal capital generation (%)	n.a.	4.12
Eligible capital/ regulatory weighted risks	7.16	7.67
Tier 1 ratio (%)	5.86	7.38

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Related Research

- *Iccrea Banca (June 2009)*
- *Banca Agrileasing (June 2009)*

Rating Rationale

- Iccrea Holding's (ICCREAH) Long- and Short-Term IDRs and Support Rating reflect its role within, and the support it could receive from, the increasingly cohesive cooperative banks (BCC) sector. The Individual Rating is based on ICCREAH's adequate profitability, asset quality and capitalisation.
- Cohesion within the ICCREA group has strengthened since 2004, and strategy, risk management and internal auditing for the group have been centralised in ICCREAH. Given its role within the BCC sector, profit maximisation is not ICCREAH's main objective. Nevertheless, ICCREAH reported an acceptable operating ROAE of 7.2% at end-2008.
- Credit and market risk appetite is modest and well-controlled. Credit risk arises mainly from Banca Agrileasing (Agrileasing), which, at end-2008, accounted for 93% of the group's customer loans. Asset quality is adequate.
- At end-2008, interbank deposits represented 55% of ICREEA group's funding; 60% of these loans came from the BCC sector, reflecting ICCREA Banca's (ICCREAB) role as the BCC sector's treasury bank. The group's liquidity benefits from its position within the BCC system, which is highly liquid.
- At end-2008, ICCREAH's Tier 1 ratio fell to 5.9% (7.4% at end-2007). In June 2009, the group plans to approve a capital increase of EUR500m, EUR200m of which is to be subscribed by its shareholders by Q309. After the capital increase, it expects to have a Tier 1 capital ratio of 6.5%-6.8%, which Fitch Ratings considers adequate.

Support

- Although itself not a bank, ICCREAH is an integral part of the BCC sector and would first look at the sector for support. In Fitch's opinion, given the importance of the BCC sector and ICCREAH's role as its central organisation, there is a high probability that support from the national authorities would be forthcoming if needed. The BCC sector is in the process of introducing limited cross-guarantees, which should be finalised in 2009. Although ICCREAH will not be covered directly by this mechanism, ICCREAB and Agrileasing, which represent the bulk of its total liabilities, will be covered by the mechanism.

Key Rating Drivers

- The Stable Outlook on ICCREAH's Long-Term IDR reflects its role in the BCC sector. Any change in the sector's cohesiveness or its financial performance would result in a ratings change. The Individual Rating could benefit from stronger capital and an improvement in asset quality.

Profile

ICCREAH is the holding company for the ICCREA group, whose main operating subsidiaries are Agrileasing and ICCREAB. It provides products and services to members of the BCC sector. ICCREAB's core activities are to gather excess liquidity from the BCC sector, place it on the interbank market and provide long-term funding to the BCC. The bank manages the BCC sector's payments system, which accounts for 10% of total domestic payments. Agrileasing has taken on a more significant role within the group since July 2007, when it became the group's corporate bank.

- Holding company for the BCC sector's main central bank and corporate bank
- Clear roles for the group's subsidiaries following a strategic reorganisation
- The BCC sector is becoming increasingly cohesive; a new stronger mutual support mechanism is being introduced

Profile

ICCREAH was created in 1995 as a holding company for a number of product companies which at the time were owned by members of the BCC sector. The role of the ICCREA group is to provide products and services to those sector banks that lack the technical expertise or scale to offer specialist financial services. Within the ICCREA group, ICCREAH's role extends to defining group strategy and carrying out risk management and internal audit functions for the group. ICCREAH's two main subsidiaries are Agrileasing and ICCREAB (see separate credit updates on these entities on www.fitchratings.com). The organisational structure of the ICCREA group is shown in Annex 1.

ICCREAH, together with Federcasse, has reorganised its operations to assess how best to use the group's expertise and resources in light of the changing needs of BCC customers and to strengthen cohesion within the group and the BCC sector. In 2006, it initiated a plan to reorganise the group, placing greater emphasis on customer segments than on products. As a result, it has divided its customers into three groups (institutional — which includes BCC and other financial institutions — retail and corporate) and has created three business units (BUs), which are controlled by its main subsidiaries, offering specialist services to each specific group of customers.

ICCREAB is responsible for the group's institutional clients and acts as the main BCC sector's central bank. At end-2008, ICCREAB had EUR5.4bn of excess liquidity placed on the interbank market. It also carries out securitisations of performing and non-performing loans (NPLs) for BCC, manages the securities portfolios of some of the BCC members, and their mandatory reserves with the European Central Bank (ECB). In addition, ICCREAB operates on stock exchanges on behalf of customers of the individual BCC. Agrileasing has assumed a more prominent role within the group since July 2007, as it has become the group's corporate bank concentrating almost exclusively on domestic SMEs. Since then, all corporate banking activities, including leasing, factoring, specialist finance and mortgage lending, have been concentrated within the bank. To date, these new activities have not formed a material part of the bank's activities. Agrileasing's traditional strength has been in providing leases to finance the construction, development or purchase of real estate in Italy. It also has a strong foothold in the equipment and vehicle leasing market, and in 2004, introduced leases for small sea vessels and for small equipment rental, such as office machinery via Nolé, a 100%-held subsidiary. The bank is strengthening its ties with individual BCC members but also has 15 of its own branches and four representative offices, one of which is in Tunis. Furthermore, it uses independent vendors, mainly for its equipment leasing business. Other specialised subsidiaries of ICCREAH offer BCC's retail clients asset management services (Aureo Gestioni), insurance products (BCC Vita) and credit cards and personal loans (ICCREAB).

The Banche di Credito Cooperativo (BCC) Sector

At end-December 2008, the BCC sector consisted of 442 independent banks grouped into 15 regional associations coordinated by Federcasse, the sector's central association. Collectively, the sector manages a nationwide network comprising more than 4,000 branches, equal to 11.9% of the total number of bank branches in Italy. Although the BCC network is well-dispersed throughout Italy, it is mainly concentrated in northern and central Italy with 77% of the banks and 91% of the branches located in these areas. Members serve around four million customers and had an aggregate national market share of 7.1% of loans and 8.5% of deposits at end-June 2008. The BCC sector's market share of the small business sector and households is much higher at about 21% and 9%, respectively. Like many other European cooperative movements, the network is extremely liquid and well-capitalised. At end-November 2008, the BCC network had aggregate equity of EUR17.2bn and an equity-to-total assets ratio of 10.6%. Since 2000, cohesion within the group has been strengthened through common marketing and the introduction of strategic and risk management guidelines. In addition, the members of the BCC sector operate under a common logo and brand name and, since 2004, the sector and its central bodies have strengthened its mutual support mechanism.

The Mutual Support Mechanism

Even in the absence of a legally binding system of cross guarantees to date, the BCC sector has shown increasing cohesion, and mechanisms have been in place for some time to promote cooperation, and improve risk management and intervention by members of the sector in case of problems at member banks. The sector's mandatory deposit guarantee fund (Fondo di Garanzia dei Depositanti) together with Federcasse and the regional associations have been at the centre of the sector's capability to intervene when problems arose at member banks, offering assistance and, when necessary, a merger of a weak bank with a stronger member of the sector. More recently, in July 2004, the sector established a Bond Guarantee Fund (BGF, Fondo di Garanzia degli Obbligazionisti) that, since January 2005, guarantees bonds that are not covered by the deposit guarantee fund issued by the single-member BCC (reimbursement is limited to EUR103,000 per defaulted issue to each investor). At end-2008, the fund amounted to EUR250m and around 300 BCCs were members. The fund guaranteed EUR37bn out of EUR50bn outstanding bonds issued by the BCC at end-December 2008.

Efforts to strengthen the mutual support mechanism resulted, in December 2007, in the approval by the regional associations under the coordination of Federcasse of a draft statute and regulation for the creation of a system of legally binding cross-guarantees under an 'Institutional Guarantee Fund' (IGF, Fondo di Garanzia Istituzionale). The IGF is expected to be established in the second half of 2009, subject to regulatory approval, and the BGF will subsequently be merged into it, after the expiry of the bonds that are currently guaranteed. The IGF will protect all the creditors and liabilities of a BCC member in the event of a default, while interbank deposits will only be guaranteed if carried out through ICCREAB and the other two regional central banks of the BCC sector, which are based in Trento and Bolzano. Participation in the IGF will be voluntary, and in order to take part, a BCC will have to satisfy minimum standards in terms of organisation, risk management and internal auditing. The bulk of 442 BCCs have already decided to participate. The IGF will have an independent legal status in the form of a consortium. The BCC will pay *ex ante* an initial contribution in proportion to its creditworthiness and an eventual *ex post* contribution to support a defaulted BCC. Once it has joined the IFG, a BCC will be able to exit only after a minimum notice period of two years.

In Fitch's opinion, the introduction of the IGF will further strengthen cohesion in the sector. The BCC sector has repeatedly shown its willingness and ability to provide support to member banks that require assistance, underpinned by a framework of self-regulation and early warning systems, centralised risk management, internal audit and planning and strategy functions. However, the agency notes that member banks will be required to provide further contributions only up to a certain amount, equal to 15% of each member's regulatory capital. Although ICCREAH will not be covered directly by the mutual guarantee mechanism, Fitch notes that ICCREAB and Agrileasing, its two mains subsidiaries representing the bulk of its total liabilities, will be included in the guarantee scheme. As a result, ICCREAH's creditors will benefit directly from this guarantee and indirectly from the stability the fund provides to the cooperative movement and the mutual support culture it fosters.

Legal Status, Ownership and Supervision

ICCREAH is a limited liability company and its main shareholders are the BCC and the regional federations, which collectively hold 91% of its share capital. The company's other main shareholders are the Cassa Centrale di Bolzano e Cassa Centrale Banca – BCC Nord Est Spa, (the two central BCC representative bodies of the provinces of Bolzano and Trento, 6%) and Federcasse (3%). ICCREAH is required, under Italian banking law, to maintain the liquidity and solvency of its subsidiaries. Although it is not a bank, ICCREAH is subject to consolidated supervision as the parent company of the banking group.

Strategy

ICCREAH's 2007-2009 strategic plan envisaged continued business growth in corporate and retail banking activities, by improving the quality of services offered to its members in order to increase market shares and attract potential customers from outside the group. It also focuses on helping to achieve economies of scale and business opportunities for BCC members, through the continued development of value-added products and the expansion of its corporate banking activities. The strengthening of the BCC sector's mutual support mechanism and the development of a common brand, strategic goals and IT and risk management systems should help in the cohesion process and reinforce the role of ICCREAH within the BCC sector. ICCREAB's role within the sector is likely to become more important after the introduction of the mutual support mechanism, given that single BCC's interbank liabilities will only be covered by the guarantee fund if they are intermediated through ICCREAB or one of the other two sector central banks (see **Funding**).

Presentation of Accounts

ICCREAH has presented its accounts in accordance with IFRS since 2005 and these are utilised in the attached spreadsheets. The bank publishes annual accounts only. Consolidated semi-annual accounts are reported for supervisory purposes only and are subject to a limited audit process. They are included in the spreadsheet attached to this report.

Performance

- Adequate performance given that profit maximisation is not the group's main goal
- 2008 results reflected higher loan impairment charges, but performance remained acceptable

ICCREAH's profitability reflects the different businesses of its subsidiaries. In addition, profit maximisation is not a major objective for the group given its ownership by, and its role within, the BCC sector. Nevertheless, the company has generated reasonable and increasing income in recent years. ICCREAH was able to report an acceptable operating ROAE of 7.2% at end-2008. In 2008, ICCREAH's operating profit fell by 20% yoy at EUR57m as the 6% decrease in its operating revenues and 23% increase in loan impairment charges more than offset an 8% decrease in its operating costs. At 69.3%, the cost-to-income ratio remained acceptable considering the nature of the company, which centralises most of the functions of its subsidiaries and the BCC. The bulk of ICCREAH's operating profitability stems from its two main BUs, which are institutional (35% of operating profit at end-2008) and corporate (65%).

Table 1 compares ICCREAH's consolidated performance with that of three of its peers: Österreichische Volksbanken Aktiengesellschaft (VBAG; the central institution of Volksbanken Verbund, which has 63 cooperative banks and is Austria's fourth-largest banking group), DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZBANK; the central bank of the German cooperative sector, Genossenschaftlicher

Table 1: Key Performance Ratios

	ICCREAH		DZ Bank ('A+')		VBAG ('A')		BCE (A;B/C)	
(%)	Dec 2008	Dec 2007	Jun 2008	Dec 2007	Jun 2008	Dec 2007	Sep 2008	Dec 2007
Pre-impairment operating ROAA	0.60	0.65	0.25	0.30	0.57	0.62	0.25	0.31
Operating ROAA	0.31	0.41	0.20	0.25	0.46	0.50	0.25	0.29
Pre-impairment operating ROAE	13.81	13.79	10.13	11.74	16.10	15.75	9.10	12.87
Operating ROAE	7.14	8.67	7.97	9.65	13.06	12.58	9.04	12.30
Net interest margin	1.16	1.22	0.66	0.59	1.22	0.99	0.30	0.25
Cost/income	69.27	70.39	69.81	81.66	60.18	60.98	55.25	51.25
Eligible capital/RWA	7.16	7.67	n.a.	10.21	8.30	n.a.	n.a.	14.36
Equity (EURm)	787	835	10,083	10,995	2,978	2,941	221	216

Source: ICCREA Holding's annual reports reclassified by Fitch

FinanzVerbund) and Banco Cooperativo Espanol (BCE; which provides a wide range of retail/wholesale banking services to the 74 Spanish rural cooperative banks). All three groups play a similar role in their respective sectors as ICCREAH does within the Italian BCC network. As profit maximisation is not a priority for them, their profitability lags that of the majority of commercial banks. As shown in Table 1, ICCREAH's operating ROAE is slightly lower than that of its peers due to the impact of higher loan impairment charges in 2008 related to one-off events. However, the pre-impairment operating profit compares well with that of its peers as it is underpinned by a higher net interest margin (NIM) due to its corporate activity, but it has a higher cost-to-income ratio (excluding DZ Bank).

Operating Revenues

ICCREAH's net interest revenues made up 56% of total operating revenues in H108. Although it remained broadly stable, the company's NIM is narrower than that of Italian commercial banks as half of ICCREAH's assets are interbank deposits and investments in government debt by ICCREAB. The remainder of ICCREAH's assets mainly relate to Agrileasing, which earns the bulk of its revenues from leasing activity. This activity has lower spreads than those originated from its traditional lending activity, reflecting its collateralised and lower risk nature and the higher cost of wholesale funding than in previous years. Although Agrileasing has enjoyed a steady increase in revenues since the late-1990s, with consistent growth in the leasing market since then, spreads on leasing activity are narrowing due mainly to higher funding costs and stronger competition. As spreads on new leasing contracts remain under pressure, Agrileasing's NIM may continue to tighten in future as older, more remunerative leases mature.

ICCREAH's other main revenue source is net commission income, which accounted for 36% of total operating income in 2008. Fee income came exclusively from ICCREAB, and originated from its asset management activity carried out on behalf of BCC's customers, the management of the BCC's payment system and credit cards. However, a proportion of the fees earned are transferred back to the BCC in the form of rebates. These rebates are made because a broad range of services offered by ICCREAB is distributed through BCC's own networks. Agrileasing does not generate commission income but rather pays a small fee to the BCC for new business referrals.

Other operating income mostly comprises gains or losses from hedging activities and from a small securities portfolio and does not represent a material source of revenue for the bank. In 2008, ICCREAH was negatively affected by the international financial crisis reporting a trading loss of EUR23m due to unrealised negative revaluations on its securities portfolio, which mainly comprised Italian government bonds which were offset by income from its hedging derivatives activity. However, in the first three months of 2009, the group reported EUR22m of positive revaluations on the same securities portfolio.

In 2008, ICCREAH's comprehensive income was affected by a EUR30m loss in discontinued operations which mainly refers to the impact on ICCREAH of Lehman Brothers' default and by negative revaluations directly against ICCREAH's AFS equity reserves related to Italian government bond. The impact on ICCREAH of Lehman Brothers' default equalled EUR25m, due to the unwinding of some derivatives (EUR5m) and the decision to reimburse its customers who invested in index-linked policies, which included Lehman Brothers' liabilities (EUR20m).

Operating Costs

Despite sustainable revenue generation and the absence of a branch network, ICCREAH's cost-to-income ratio remained quite high at 69.3% at end-2008. The relatively high cost base reflects its status as a service provider to the BCC sector, and the fact that profit maximisation is not its main goal. ICCREAH's operating expenses decreased by 8.0% yoy in 2008. The group's other administrative expenses decreased by 13.9% yoy due to the completion in 2007 of the development of new business lines and investment in IT and risk management systems. Staff expenses decreased slightly (down 0.3%) and in 2009 the group plans to reduce its staff by 60 employees mainly reducing the utilisation of fixed-term contracts (50).

Loan Impairment Charge

In H108, ICCREAH's loan impairment charges increased by 23% to EUR52m as a result of the deterioration in the domestic economy and two single events related to Agrileasing. EUR10m was in relation to a single company which defaulted as a result of a fraud and a further EUR10m was due to the decision to increase general loan impairment allowances due to the introduction of a new scoring system. At end-2008, loan impairment charges represented a still adequate 58bp of gross loans (52bp in 2007) and 48% of pre-impairment operating profit (37% in 2007).

Prospects

ICCREAH's competitive advantage lies in its relationship with Italy's BCC sector, which provides access to a large SME client base. Despite the fierce domestic competition, the BCC sector has been able to defend its market share, increasing its loan book and maintaining its low cost of credit. The group's restructuring, and the creation of a legally binding cross-guarantee scheme, should allow ICCREAH to strengthen its role within the BCC sector and improve the quality and range of services offered.

- Limited market risk
- Despite a slight deterioration, asset quality remains sound

Risk Management

ICCREAH's board of directors is responsible for defining the group's risk policies. The holding company sets the risk framework and policies for all group subsidiaries, which operate within the limits defined by the holding company. In 2003, ICCREAH set up a risk management function, and since 1 January 2008, following the restructuring of the group, risk management has been centralised at the holding company level. ICCREAH is responsible for the risk management of all its subsidiaries and for standardising and developing the methodologies applied throughout the group and maintaining their consistency with Basel II requirements. It monitors credit, market and operational risks as well as risks related to the management of third-party security portfolios (mainly relating to portfolios managed on behalf of single BCC) and the life insurance business. A centralised internal audit function is also in place to monitor compliance in the subsidiaries. Under Basel II, ICCREAH and all its subsidiaries have adopted the standardised approach for credit risk, aiming to switch to an advanced internal ratings-based approach in the long term. For operational risk, the group has adopted the basic indicator approach. Market risk is managed by ICCREAB's finance department.

Credit Risk

ICCREA group's credit risk appetite is modest and well-controlled. The bulk of the group's credit risk arises within Agrileasing which, at end-2008, represented around 93% of the group's loan book. Although in July 2007, ICCREAB spun off its corporate SME activity (EUR606m and 36 staff) to Agrileasing, the bank still has very limited lending activity in the form of loans to SMEs backed by mortgage collateral and short-term treasury loans to large corporates, which represented 5% of ICCREAH's loan book at end-2008. In the same period, BCC Factoring's loan book represented a small 2%. Given the predominance of Agrileasing's loan book, the group's credit risk is concentrated in Agrileasing's loan book and credit procedures.

Most of Agrileasing's business is referred by the BCC network, which carries out a preliminary credit analysis and acts as an initial filter. Agrileasing expanded its existing credit rating system to comply with Basel II and the system was fully operational by February 2005. Agrileasing is able to estimate probability of default, loss-given default and expected loss for each rating category. Although its internal rating system is applied to the bank's entire loan book and already allows for

Table 2: Breakdown of Agrileasing's Loan Portfolio

(EURm)	2008	(%)	2007	(%)	2006	(%)
Traditional lending						
Of which commercial mortgages	1,062.9	12.56	797.4	10.19	14.9	0.23
Ordinary lending	0.0	0.00	0.0	0.00	5.5	0.08
Total traditional lending	**1,062.9**	**12.56**	**797.4**	**10.19**	**20.4**	**0.31**
Leasing						
Of which real estate	4,759.0	56.24	4,495.8	57.44	4,250.6	64.40
Equipment	1,983.9	23.44	1,886.6	24.10	1,728.2	26.18
Vehicles	232.0	2.74	255.0	3.26	261.8	3.97
Other	424.8	5.02	391.9	5.01	339.5	5.14
Total leasing	**7,399.7**	**87.44**	**7,029.3**	**89.81**	**6,580.1**	**99.69**
Total lending	**8,462.6**	**100.00**	**7,826.7**	**100.00**	**6,600.4**	**100.00**

Source: Company accounts including securitised assets

pricing differentiation, pricing is not yet a parameter in the credit decision-making process. Following the adoption of the new system, the bank has renewed limits, which now relate to the size of the facility and the rating assigned to the customer. Overall, final approval is given by Agrileasing either at branch level (up to EUR750,000) or at its four regional head offices (up to EUR3m); all contracts for higher amounts are referred to head office. Agrileasing uses an automated system (also used by those BCC members connected online), although a specialist asset valuation team is required to carry out assessments for all large contracts or those that involve used goods, new industrial machinery or non-standard assets.

Agrileasing's clients are generally SMEs, artisans or families that bank with the BCC — its loan book is therefore well fragmented. At end-2008, the bank's 20-largest loans represented just 2.9% of its total loan portfolio or 35% of equity. At the same date, exposures were almost entirely domestic and concentrated in northern Italy, which made up around 59% of lending. 26% of the loan book was originated in central Italy and the remainder in southern Italy. In terms of industry concentration, exposures are relatively well-diversified by sector.

At end-2008, traditional lending increased to 13%, while leases accounted for 87% of Agrileasing's customer loans as shown in Table 2.Table 2 shows the split of Agrileasing's loan book by contract type, including the securitised assets to which the bank is exposed via the junior tranches of its securitisations. Real estate leases, which at end-2008 accounted for 56% of the loan portfolio, have to date proved low-risk for the bank, as demonstrated by its minimal losses. These exposures are mainly in the form of leases on industrial buildings for SME clients. However, average recovery times tend to be shorter than for traditional bank finance and credit losses have therefore remained small. In addition, some of Agrileasing's lease contracts are enhanced by counter-guarantees, usually provided directly by the BCC. At end-2008, about 8% of contracts (in terms of amount) were backed by BCC guarantees.

Agrileasing securitised EUR760m of performing lease receivables in 2002, EUR1bn in 2006 and EUR1.1bn of leasing loans in July 2008. The receivables from these transactions have remained on the bank's balance sheet and under management control. The portfolios were fairly representative of the bank's book in terms of type and area.

Loan Loss Experience

ICCREAH's asset quality has deteriorated but remains adequate. In 2008, gross impaired loans ('*sofferenze*' and '*incagli*') increased by 35% and reached EUR468m, representing 5.13% of gross loans (including securitised assets) at end-December 2008, which was worse than at better performing peers. Agrileasing accounted for more than 85% of the ICCREA group's total gross impaired loans, with the remaining 15% generated by ICCREAB. At the same date, loan impairment coverage of gross impaired loans was 29.1%, which Fitch considers only just acceptable, but acknowledges that the generally high recovery levels for leasing assets mitigate this risk. In the leasing business, the time horizon to recover impaired leases through disposal of the asset is shorter (on average two years) than that for ordinary lending (on average 7-10 years) as the bank maintains ownership of the asset. This is reflected in structurally lower loan impairment coverage. During the first three months of 2009, ICCREAH's gross impaired loans increased by 23% to around EUR 577.3m due to the economic crisis, and the gross impaired loans-to-total loans ratio rose to 6%, but remained in line with the average of the domestic banking system. The loan book is reviewed monthly to determine impaired loans.

Other Assets

At end-2008, ICCREAH's interbank loans represented 32.1% of its assets. All credit counterparties, including the bank's interbank placements, are subject to limits based on size, issuer type and ratings. The bulk of its counterparties in its interbank loan book are in the 'BBB' range or higher, apart from those from the BCC sector. The interbank loan portfolio is almost entirely generated by ICCREAB in its role as treasurer for the BCC and ICCREAH's subsidiaries. The bulk of these loans are to domestic (62%) and European banks in the euro area (33%) and have a maturity of less than three months. Loans to banks in the EU, but not in the euro area represented 3%, while banks outside the EU accounted for a small 2%. Owing to the ongoing turmoil in the financial markets, the bank has reduced the length of the maturity period and decided not to lend to US counterparties anymore. At end-2008, the 20 largest interbank exposures represented 54% of total loans to banks (including EUR1.1bn of loans to members of the BCC sector), thereby showing some concentration. At the beginning of each year, ICCREAB, in accordance with ICCREAH, provides a credit facility to Agrileasing in order to finance its planned growth and cover the bank's financial needs before the completion of Agrileasing's funding plan. In 2008, the credit line granted by ICCREAB to Agrileasing amounted to EUR1bn.

At end-2008, ICCREAH's securities portfolios were equal to 9.0% of total assets. These are held by ICCREAB in its trading and available-for-sale (AFS) portfolios with modest credit risk. Agrileasing has a very small securities portfolio which, at end-2008, mainly included EUR108m of junior notes subscribed to as part of its own securitisations. At end-2008, ICCREAB invested its securities portfolio in government (58%) and bank (37%, all of them were bonds issued by the BCC) bonds and mutual funds (5%). At that date, there were no equities investments. The company informed Fitch that at the time of writing it held no structured products apart from a small amount of CBOs (EUR173m) relating to CBOs arranged by ICCREAB backed by debt issued by single BCC.

Market Risk

ICCREAH's appetite for market risk is conservative. Trading activity is concentrated in ICCREAB, where proprietary trading and treasury activities are currently carried out. ICCREAH uses an asset and liability management system to analyse gap maturity and interest rate sensitivity on its banking book and trading portfolio; it also uses value at risk (VaR) to monitor market risk in its trading portfolio.

Market risk in the trading book is managed and controlled by ICCREAB's finance department, using a parametric VaR model (99%, 10-day holding period). Regular

Table 3: Key Asset Quality Ratios

	ICCREAH		DZ Bank ('A+')		VBAG ('A')		BCE (A;B/C)	
(%)	Dec 2008	Dec 2007	Jun 2008	Dec 2007	Dec 2008	Dec 2007	Sep 2008	Dec 2007
Loan impairment charge/gross loans (av.)	0.58	0.52	0.26	0.27	n.a.	n.a.	0.09	0.07
Loan impairment/gross impaired loans	n.a.	40.78	n.a.	52.15	n.a.	n.a.	477.78	n.a.
Individual loan impairment/gross impaired loans	29.09	29.50	n.a.	43.20	n.a.	n.a.	n.a.	n.a.
Impaired loans gross/loans gross	5.18	4.02	n.a.	4.03	n.a.	n.a.	0.28	0.00
Impaired loans net/eligible capital	44.95	24.61	n.a.	14.08	n.a.	n.a.	n.a.	-1.78

Source: Fitch

stress tests and back-testing are undertaken, and a framework of limits and sub-limits is in place. During 2008, the group's average VaR on the trading portfolio amounted to EUR2.2m, with a maximum VaR of EUR3.5m in Q407. Market risk in the banking book is measured using interest rate sensitivity analyses. At end-December 2008, a +/-100bp parallel shift in the yield curve would have resulted in a −EUR13.6m/+EUR29.9m impact on the group's equity, which represented 1.8/3.9% of eligible capita. The impact of a +/-100bp shift on the yield curve on expected net interest revenue was limited at −EUR22.8m/+EUR38.3m at end-December 2008. Fitch regards the group's sensitivity to interest rates to be limited, as only a small proportion of its assets are fixed-rate and funding is either floating-rate or hedged with interest rate swaps. The group's few foreign currency bank lines are fully hedged. Trading activity on derivatives is limited and conducted on behalf of BCC's customers. However, with the approval of Banca d'Italia, Agrileasing has started selling plain vanilla derivatives to BCC's customers to hedge their interest rate exposure, although volumes of this activity remain marginal.

Operational Risk

ICCREAH has adopted the basic indicator approach under Basel II. At end-2008, regulatory capital requirements for operational risk amounted to EUR81m, equal to 8.1% of total regulatory capital requirements. ICCREAH's subsidiaries have completed their self-assessments to identify the main areas of operational risk to which they are exposed and are collecting operational loss data.

ICCREAB manages the payment system for the BCC sector, which represents, with EUR200m of transactions, 10% of total domestic payments. As a result, Banca d'Italia has suggested putting in place a third disaster recovery site.

Capital and Funding

- Strong liquidity reflecting the BCC sector's excess liquidity placed with ICCREAB
- Capitalisation has declined as a result of higher risk-weighted assets, but fresh capital is being made available by the BCC sector

Funding

The majority of ICREEAH funding is from interbank deposits, which at end-2008 represented 55% of funding. More than 60% of these interbank loans tend to come from the BCC sector as ICCREAB acts as its central bank. ICCREAB's core activity is to gather excess short-term liquidity from the BCCs, place it on the interbank market and then provide longer term funding to the BCC. At end-2008, EUR6.4bn in interbank deposits were from the BCC sector. The main contributors were BCC members based in Lombardy, Emilia Romagna, Tuscany and Veneto, which represent the largest federations. At end-2008, customer deposits amounted to EUR2.7bn or 15% of the group's liabilities. EUR2bn of these deposits derived from Agrileasing's securitisations, which started repaying principal in 2007. The remaining EUR661m were deposits and repo transactions with non-bank customers, including group companies. Long-term borrowing made up 19% of ICCREAH's funding sources at end-2008, and is almost entirely composed of Agrileasing's issues under a EUR5bn EMTN programme (end-2008 outstanding: EUR2.4bn). They comprised bonds with a maturity of 2-10 years issued domestically — often to the BCC — and internationally. In 2008, Agrileasing issued two senior bonds with three- and five-year maturities for a total of EUR500m and subscribed by the BCC. In addition, in July 2008 it securitised EUR1.1bn of leasing loans to be discounted with ECB for liquidity purposes.

The establishment of the IGF and the recognition of the BCC sector as a banking group by the Banca d'Italia is likely to increase the role of the ICCREA group in the funding of the sector, with the vast majority of the sector's funding likely to be issued by ICCREAB.

Liquidity

Liquidity is good due to excess liquidity in the BCC sector, which ICCREAH manages through ICCREAB. BCC members are given an incentive in the form of a higher rate of interest if they place more than 50% of their excess funds with ICCREAB. ICCREAB, at end-December 2008, had EUR5.8bn of the BCC sector's excess liquidity placed on the interbank market. In addition, liquidity risk has declined significantly as the group, and in particular Agrileasing, has broadened its funding base and lengthened maturities. Agrileasing has also increased the liquid assets it holds against unforeseen shocks.

Capital

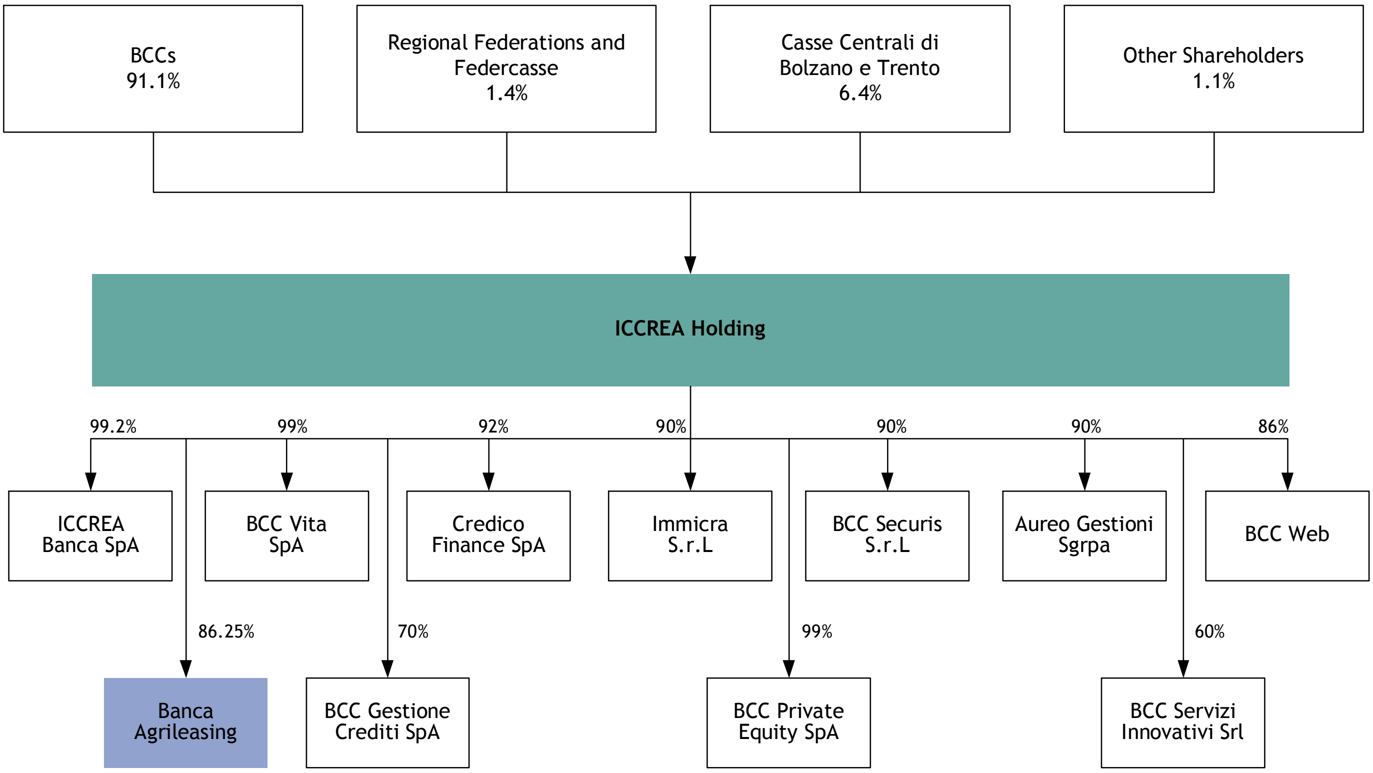
As a result of the 8% increase in ICCREAH's risk-weighted assets, additional regulatory capital requirements related to Pillar II (EUR81m at June 2008, EUR45m of which related to interest rate risk on the group's banking book) and the impact of the Lehman default (EUR25m), the group's Tier 1 and total capital ratios fell to 5.9% (7.4% at end-2007) and 9.3% (10.0%), respectively. As a result, ICCREAH's board of directors plans to approve a capital increase of EUR500m in June 2009, EUR200m of which are to be subscribed in 2009 with the rest callable by 2013 to finance the internal growth of the group and a possible JV in insurance and credit card business. ICCREAH expects to complete the capital increase in Q309. After the capital increase, the group expects to have a Tier 1 capital ratio of 6.5%-6.8% and a total capital ratio of 9.2%-9.4%, which Fitch considers adequate given the group's moderate risk exposure, and the agency expects the group to have access to additional capital from the BCC sector should this become necessary.

At end-2008, ICCREAH's consolidated eligible capital represented an adequate 7.2% of its risk-weighted assets. Eligible capital includes EUR50m of hybrids issued in the form of Upper Tier 2 notes, which Fitch classifies as Class C securities and thus assigns 50% equity credit. The Upper Tier 2 was issued by Agrileasing to support its loan growth.

ICCREAH prefers to manage the group's surplus capital at holding company level and to make equity available to its two main subsidiaries in the event of need or to fund further growth. In addition, ICCREAH's owners, the BCC sector, hold a much larger reservoir of surplus capital, as the sector has an aggregate equity/assets ratio in excess of 11.0%. The aggregate Tier 1 ratio for the BCC system amounted to 13.9% at end-June 2008, with a total capital ratio of 14.6%.

Annex 1

A Simplified Overview of the Italian Cooperative Banking Sector and ICCREA group at End-2008



Source: Company data, adapted by Fitch

ICCREA HOLDING SPA
Income Statement

	31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original
Income Statement								
1. Interest Income on Loans	932.4	5.1	620.2	3.4	455.3	2.7	236.3	1.7
2. Other Interest Income	n.a.	-	225.4	1.2	155.8	0.9	235.5	1.7
3. Dividend Income	6.2	0.0	2.4	0.0	7.8	0.0	8.3	0.1
4. Gross Interest and Dividend Income	**938.6**	**5.1**	**848.0**	**4.6**	**618.9**	**3.7**	**480.1**	**3.4**
5. Interest Expense on Customer Deposits	735.9	4.0	382.4	2.1	247.1	1.5	153.6	1.1
6. Preferred Dividends Paid & Declared	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Interest Expense	n.a.	-	241.8	1.3	181.4	1.1	138.4	1.0
8. Total Interest Expense	**735.9**	**4.0**	**624.2**	**3.4**	**428.5**	**2.6**	**292.0**	**2.1**
9. Net Interest Income	**202.7**	**1.1**	**223.8**	**1.2**	**190.4**	**1.1**	**188.1**	**1.3**
10. Net Gains (Losses) on Trading and Derivatives	-6.9	0.0	20.2	0.1	14.6	0.1	3.5	0.0
11. Net Gains (Losses) on Other Securities	17.8	0.1	1.3	0.0	3.5	0.0	8.2	0.1
12. Net Gains (Losses) on Assets at FV through Income Statement	-0.2	0.0	-15.1	-0.1	-15.0	-0.1	-3.7	0.0
13. Net Insurance Income	0.0	0.0	-7.7	0.0	9.3	0.1	-13.2	-0.1
14. Net Fees and Commissions	128.7	0.7	125.1	0.7	127.4	0.8	112.1	0.8
15. Other Operating Income	20.1	0.1	39.8	0.2	37.1	0.2	11.6	0.1
16. Total Non-Interest Operating Income	**159.5**	**0.9**	**163.6**	**0.9**	**176.9**	**1.1**	**118.5**	**0.8**
17. Personnel Expenses	118.1	0.6	118.5	0.6	115.4	0.7	106.7	0.8
18. Other Operating Expenses	132.8	0.7	154.2	0.8	143.3	0.9	107.4	0.8
19. Total Non-Interest Expenses	**250.9**	**1.4**	**272.7**	**1.5**	**258.7**	**1.5**	**214.1**	**1.5**
20. At Equity Profit/ Loss - Operating	-0.1	0.0	-0.3	0.0	0.1	0.0	0.0	0.0
21. Pre-Impairment Operating Profit	**111.2**	**0.6**	**114.4**	**0.6**	**108.7**	**0.6**	**92.5**	**0.7**
22. Loan Impairment Charge	52.3	0.3	42.4	0.2	24.1	0.1	27.1	0.2
23. Other Credit Impairment Charges	1.4	0.0	0.1	0.0	0.0	0.0	0.4	0.0
24. Operating Profit	**57.5**	**0.3**	**71.9**	**0.4**	**84.6**	**0.5**	**65.0**	**0.5**
25. At Equity Profit/ Loss - Non-operating	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Income	n.a.	-	n.a.	-	n.a.	-	0.1	0.0
27. Non-recurring Expense	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Change in Fair Value of Own Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Other Non-operating Income and Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
30. Pre-tax Profit	**57.5**	**0.3**	**71.9**	**0.4**	**84.6**	**0.5**	**65.1**	**0.5**
31. Taxes	22.7	0.1	37.7	0.2	38.2	0.2	28.1	0.2
32. Net Income	**34.8**	**0.2**	**34.2**	**0.2**	**46.4**	**0.3**	**37.0**	**0.3**
33. Profit/Loss from Discontinued Operations	-30.9	-0.2	3.7	0.0	3.8	0.0	n.a.	-
34. Change in Value of AFS Investments	n.a.	-	-3.7	0.0	-12.4	-0.1	0.4	0.0
35. Currency Translation Differences	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Other OCI Gains/(losses)	n.a.	-	0.0	0.0	70.6	0.4	n.a.	-
37. Fitch Comprehensive Income	**3.9**	**0.0**	**34.2**	**0.2**	**108.4**	**0.6**	**37.4**	**0.3**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	-	3.6	0.0	5.6	0.0	5.2	0.0
39. Memo: Net Income after Allocation to Non-controlling Interests	34.8	0.2	30.6	0.2	40.8	0.2	31.8	0.2
40. Memo: Common Dividends Paid & Declared in respect to the Period	n.a.	-	n.a.	-	n.a.	-	n.a.	-

ICCREA HOLDING SPA

Assets & Off-Balance Sheet Items

	31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	Year End EURm Original	**As % of Assets Original**	**Year End EURm Original**	**As % of Assets Original**	**Year End EURm Original**	**As % of Assets Original**	**Year End EURm Original**	**As % of Assets Original**
A. Loans								
1. Residential Mortgage Loans	0.0	0.0	n.a.	-	n.a.	-	n.a.	-
2. Other Consumer/ Retail Loans	0.0	0.0	n.a.	-	n.a.	-	n.a.	-
3. Corporate & Commercial Loans	0.0	0.0	n.a.	-	n.a.	-	n.a.	-
4. Other Loans	9,635.8	52.5	8,631.9	46.7	7,740.0	46.2	6,830.9	48.2
5. Less: Reserves for Impaired Loans/ NPLs	145.1	0.8	141.6	0.8	115.1	0.7	105.7	0.7
6. Total Loans	**9,490.7**	**51.7**	**8,490.3**	**45.9**	**7,624.9**	**45.5**	**6,725.2**	**47.4**
7. Memo: Gross Loans	9,635.8	52.5	8,631.9	46.7	7,740.0	46.2	6,830.9	48.2
8. Memo: Impaired Loans included above	498.8	2.7	347.2	1.9	258.6	1.5	205.6	1.4
9. Memo: Loans at Fair Value included above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets								
1. Loans and Advances to Banks	5,894.5	32.1	6,683.2	36.2	6,472.9	38.6	3,559.7	25.1
2. Trading Securities	691.2	3.8	1,086.9	5.9	491.4	2.9	519.3	3.7
3. Derivatives	4.5	0.0	415.3	2.2	304.2	1.8	307.6	2.2
4. Available for Sale Securities	960.7	5.2	1,040.4	5.6	968.2	5.8	2,337.1	16.5
5. Held to Maturity Securities	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
6. At-equity Investments	1.6	0.0	2.1	0.0	0.6	0.0	0.5	0.0
7. Other Securities	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
8. Total Securities	**1,658.0**	**9.0**	**2,544.7**	**13.8**	**1,764.4**	**10.5**	**3,164.5**	**22.3**
9. Memo: Government Securities included Above	n.a.	-	1,508.0	8.2	790.0	4.7	1,340.5	9.5
10. Investments in Property	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
11. Insurance Assets	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
12. Other Earning Assets	0.0	0.0	0.0	0.0	42.3	0.3	0.0	0.0
13. Total Earning Assets	**17,043.2**	**92.9**	**17,718.2**	**95.9**	**15,904.5**	**94.9**	**13,449.4**	**94.8**
C. Non-Earning Assets								
1. Cash and Due From Banks	68.3	0.4	300.1	1.6	407.8	2.4	201.0	1.4
2. Foreclosed Real Estate	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
3. Fixed Assets	143.4	0.8	148.8	0.8	155.3	0.9	226.7	1.6
4. Goodwill	10.9	0.1	12.0	0.1	12.0	0.1	12.0	0.1
5. Other Intangibles	8.1	0.0	7.1	0.0	3.6	0.0	4.0	0.0
6. Current Tax Assets	129.9	0.7	42.6	0.2	11.5	0.1	3.4	0.0
7. Deferred Tax	55.6	0.3	53.9	0.3	37.2	0.2	49.6	0.3
8. Discontinued Operations	806.5	4.4	0.0	0.0	n.a.	-	n.a.	-
9. Other Assets	82.4	0.4	196.6	1.1	230.9	1.4	238.1	1.7
10. Total Assets	**18,348.3**	**100.0**	**18,479.3**	**100.0**	**16,762.8**	**100.0**	**14,184.2**	**100.0**
D. Off-Balance Sheet Items								
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Liquidity Lines to SPEs	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	-	n.a.	-	305.3	1.8	359.4	2.5
4. Acceptances Reported Off-Balance Sheet	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	-	n.a.	-	1,365.7	8.1	1,256.4	8.9
6. Other Contingent Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	**18,348.3**	**100.0**	**18,479.3**	**100.0**	**18,433.8**	**110.0**	**15,800.0**	**111.4**
8. Memo: Total Weighted Risks	**10,834.5**	**59.0**	**10,035.4**	**54.3**	**8,625.4**	**51.5**	**7,241.9**	**51.1**

ICCREA HOLDING SPA
Liabilities and Equity

	31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original
E. Interest-Bearing Liabilities								
1. Deposits - Current	2,722.8	14.8	3,354.2	18.2	2,644.8	15.8	1,631.3	11.5
2. Customer Deposits - Savings	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	-	17.2	0.1	n.a.	-	n.a.	-
4. Total Customer Deposits	**2,722.8**	**14.8**	**3,371.4**	**18.2**	**2,644.8**	**15.8**	**1,631.3**	**11.5**
5. Deposits from Banks	9,606.9	52.4	9,493.1	51.4	8,218.9	49.0	6,674.4	47.1
6. Other Deposits and Short-term Borrowings	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Deposits, Money Market and Short-term Funding	**12,329.7**	**67.2**	**12,864.5**	**69.6**	**10,863.7**	**64.8**	**8,305.7**	**58.6**
8. Long-term Borrowing	3,348.4	18.2	3,001.9	16.2	3,440.1	20.5	3,703.2	26.1
9. Subordinated Borrowing	n.a.	-	257.5	1.4	130.0	0.8	133.1	0.9
10. Other Funding	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Total Long Term Funding	**3,348.4**	**18.2**	**3,259.4**	**17.6**	**3,570.1**	**21.3**	**3,836.3**	**27.0**
12. Derivatives	498.3	2.7	469.8	2.5	329.1	2.0	275.7	1.9
13. Trading Liabilities	13.4	0.1	n.a.	-	n.a.	-	n.a.	-
14. Total Interest Bearing Liabilities	**16,189.8**	**88.2**	**16,593.7**	**89.8**	**14,762.9**	**88.1**	**12,417.7**	**87.5**
F. Non-Interest Bearing Liabilities								
1. Fair Value Portion of Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	50.4	0.3	47.4	0.3	52.3	0.3	115.4	0.8
4. Current Tax Liabilities	29.0	0.2	19.5	0.1	21.4	0.1	11.9	0.1
5. Deferred Taxes	7.3	0.0	35.9	0.2	26.6	0.2	41.7	0.3
6. Other Deferred Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	932.4	5.1	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	0.0	0.0	529.3	2.9	559.8	3.3	450.7	3.2
9. Other Non-interest Bearing Liabilities	352.5	1.9	418.0	2.3	524.2	3.1	415.1	2.9
10. Total Liabilities	**17,561.4**	**95.7**	**17,643.8**	**95.5**	**15,947.2**	**95.1**	**13,452.5**	**94.8**
G. Hybrid Capital								
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.0	0.0	n.a.	-	n.a.	-
H. Equity								
1. Common Equity	710.8	3.9	726.6	3.9	703.9	4.2	674.3	4.8
2. Non-controlling Interest	57.6	0.3	58.0	0.3	56.9	0.3	55.8	0.4
3. Securities Revaluation Reserves	n.a.	-	-15.7	-0.1	-12.0	-0.1	0.4	0.0
4. Other Accumulated OCI	18.5	0.1	66.6	0.4	66.8	0.4	1.2	0.0
5. Total Equity	**786.9**	**4.3**	**835.5**	**4.5**	**815.6**	**4.9**	**731.7**	**5.2**
6. Total Liabilities and Equity	**18,348.3**	**100.0**	**18,479.3**	**100.0**	**16,762.8**	**100.0**	**14,184.2**	**100.0**
7. Memo: Fitch Core Capital	776.0	4.2	769.6	4.2	766.4	4.6	670.1	4.7
8. Memo: Fitch Eligible Capital	776.0	4.2	769.6	4.2	766.4	4.6	670.1	4.7

ICCREA HOLDING SPA

Summary Analytics

	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	Year End	Year End	Year End	Year End
	EURm	EURm	EURm	EURm
	Original	Original	Original	Original
A. Interest Ratios				
1. Interest Income on Loans/ Average Net Loans	10.3	7.6	6.3	n.a.
2. Interest Expense on Customer Deposits/ Average Customer Deposits	24.3	12.9	12.2	n.a.
3. Interest Income/ Average Earning Assets	5.4	5.1	4.3	n.a.
4. Interest Expense/ Average Interest-bearing Liabilities	4.5	4.0	3.2	n.a.
5. Net Interest Revenue/ Average Earning Assets	1.2	1.3	1.3	n.a.
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.9	1.1	1.2	n.a.
B. Other Operating Profitability Ratios				
1. Non-interest Income/ Gross Revenues	44.0	42.2	48.2	38.7
2. Non-Interest Expense/ Gross Revenues	69.3	70.4	70.4	69.8
3. Pre-impairment Op. Profit/ Average Equity	13.8	13.9	13.9	n.a.
4. Pre-impairment Op. Profit/ Average Total Assets	0.6	0.7	0.7	n.a.
5. Credit Impairment Charges/ Pre-impairment Op. Profit	48.3	37.2	22.2	29.7
6. Operating Profit/ Average Equity	7.1	8.7	10.8	n.a.
7. Operating Profit/ Average Total Assets	0.3	0.4	0.6	n.a.
8. Taxes/ Pre-tax Profit	39.5	52.4	45.2	43.2
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	4.3	4.1	5.9	n.a.
2. Net Income/ Average Total Assets	0.2	0.2	0.3	n.a.
3. Fitch Comprehensive Income/ Average Total Equity	0.5	4.1	13.9	n.a.
4. Fitch Comprehensive Income/ Average Total Assets	0.0	0.2	0.7	n.a.
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
D. Capitalization				
1. Fitch Eligible Capital/ Regulatory Weighted Risks	7.2	7.7	8.9	9.3
2. Tangible Common Equity/ Tangible Assets	4.2	4.4	4.8	5.1
3. Tier 1 Regulatory Capital Ratio	5.9	7.4	8.5	9.7
4. Total Regulatory Capital Ratio	9.3	10.0	10.1	11.4
5. Fitch Eligible Capital/ Tier 1 Regulatory Capital	104.4	103.1	105.1	95.6
6. Equity/ Total Assets	4.3	4.5	4.9	5.2
7. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
8. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	n.a.	n.a.
9. Net Income - Cash Dividends/ Total Equity	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Growth of Total Assets	-0.7	10.2	18.2	n.a.
2. Growth of Gross Loans	11.6	11.5	13.3	n.a.
3. Impaired Loans(NPLs)/ Gross Loans	5.2	4.0	3.3	3.0
4. Loan Impairment Reserves/ Gross loans	1.5	1.6	1.5	1.6
5. Reserves for Impaired Loans/ Impaired Loans	29.1	40.8	44.5	51.4
6. Impaired Loans less Reserves for Imp Loans/ Equity	45.0	24.6	17.6	13.7
7. Loan Impairment Charges/ Average Gross Loans	0.6	0.5	0.3	n.a.
8. Net Charge-offs/ Average Gross Loans	0.0	0.0	-0.7	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	5.2	4.0	n.a.	n.a.
F. Liquidity				
1. Loans/ Customer Deposits	353.9	256.0	292.7	418.7
2. Loans/ Deposits and Short-term Funding	78.2	67.1	71.3	82.2
3. Liquid Assets/ Total Assets	3.8	5.9	2.9	3.7
4. Liquid Assets/ Wholesale Funding	20.6	33.4	13.8	13.5
5. Wholesale Funding/ Total Funding and Capital	20.4	19.2	23.4	29.8