

Iccrea Banca SpA

Primary Credit Analyst:

Monica Spairani, Milan (39) 02-72111-208; monica_spairani@standardandpoors.com

Secondary Credit Analyst:

Francesca Sacchi, Milan (39) 02 72111-272; francesca_sacchi@standardandpoors.com

Table Of Contents

Major Rating Factors

Rationale

Outlook

Iccrea Banca SpA

Major Rating Factors

Strengths:

- Strong market position in Italy for the Banche di Credito Cooperativo (BCC) cooperative banking network.
- Good liquidity and capitalization of the BCC system.
- Sound support mechanism that strongly limits BCC depositors' losses.
- Iccrea Banca's core institutional role for the BCC system.

Counterparty Credit Rating

A-/Negative/A-2

Weaknesses:

- Weakening profitability among BCCs.
- BCCs' vulnerability to the weak domestic economy due to the composition of their loan portfolios.
- Unseasoned loan portfolios and sector loan concentrations at BCCs.
- BCCs often have an unsophisticated risk culture.

Rationale

The ratings on Italy-based Iccrea Banca SpA primarily reflect its status as the central bank of the Banche di Credito Cooperativo (BCC), a large and cohesive network of small Italian cooperative banks. The BCCs' aggregate creditworthiness leverages a strong market position in Italy and a sound support mechanism that strongly limits depositors' losses. Conversely, BCCs' often unsophisticated risk culture, their weakened profitability, and their vulnerability to the current weak domestic economy are negative rating factors.

As of Sept. 30, 2009, the BCC network was made up of about 426 rural cooperative banks, with a combined market share in loans of about 7% and capitalization of more than €18 billion--comparable with that of a large Italian bank.

BCCs are fully independent in their banking activities, although tied to the network through local federations and adherence to protection programs. This support mechanism, because it strongly limits depositors' losses, enhances the creditworthiness of each individual bank in the BCC network.

Standard & Poor's Ratings Services believes that the BCC system will find it difficult to maintain positive net income in the next two years. We expect the BCCs' overwhelming dependence on interest income, which is currently declining, combined with rigid and rising operating costs, will materially hamper their capacity to absorb a strong rise in cost of credit risk linked to the deterioration in asset quality metrics.

The BCC business model is based on loans to small businesses and results in undiversified earnings generation, highly correlated to short-term interest rates. The sharp drop in the three-month Euro Interbank Offered Rate (EURIBOR) to 0.65% in January 2010 from 2.8% in January 2009 cut into net interest income in 2009 and will continue to depress revenues in 2010.

Standard & Poor's analysis--based on available aggregate unaudited data provided by Federcasse, the national federation of Italian cooperative banks--shows that during 2009, asset quality metrics for the whole BCC system

worsened. Gross nonperforming loans ("sofferenze" plus "incagli") were at 7.3% of total loans on Dec. 31, 2009, up from 6.0% one year earlier. This growth in impaired loans is somewhat below the average we have observed for Italy's domestic banks in 2009.

However, in our opinion, credit deterioration across the BCC system in 2010 and 2011 could exceed the Italian average. The BCC network is comparatively highly concentrated in the real estate and construction sector and its credit portfolio has grown at rates significantly above the domestic average when the credit cycle was positive in past years.

The BCC system's financial profile is likely to continue to be supported by good capitalization and liquidity. The risk culture and tools to measure and monitor risks are often unsophisticated at the individual BCC bank level, however.

As the Iccrea group's liquidity manager, Iccrea Banca is set to finance Banca Agrileasing SpA (the BCC network's small and midsize enterprise banking arm). Iccrea Banca's liquidity is currently good and it is expected to continue to rely on the BCC network for funding. We will monitor the BCCs' capability and willingness to provide liquidity to Iccrea Banca.

We consider the Iccrea banking group to have moderate systemic importance within the Italian banking sector.

Outlook

The negative outlook on Iccrea Banca reflects our opinion that the BCC network's credit risk costs in 2010 and in 2011 could rise well beyond our expectations and could materially weaken the network's overall financial profile, especially if pressure on revenues persists.

We could lower the long-term ratings on Iccrea Banca if we believe the BCC system is likely to post material economic losses or if overall capitalization weakens compared to current levels.

Conversely, we could revise the outlook to stable if the BCC system can successfully absorb the expected rise in credit risk costs without its financial profile suffering.

Table 1

Iccrea Banca SpA Asset Quality, Funding, And Liquidity Ratios					
	--Year-ended Dec. 31--				
(%)	2009	2008	2007	2006	2005
Gross nonperforming assets/customer loans plus other real estate owned	5.5	10.5	6.9	4.2	5.3
Loan loss reserves/gross nonperforming assets	60.3	N/A	55.6	56.3	37.2
Loan loss reserves/customer loans	3.3	N/A	3.8	2.4	2.0
New loan loss provisions/average customer loans	2.8	2.2	0.3	(0.1)	N/A
Customer deposits/funding base	13.2	17.2	11.2	10.8	5.9
Total loans/customer deposits plus long-term funds	68.7	46.3	46.7	87.7	99.5
Customer loans (net)/assets (adjusted)	10.3	8.8	6.3	11.7	12.2

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 2

Iccrea Banca SpA Profitability Ratios					
	--Year-ended Dec. 31--				
(%)	2009	2008	2007	2006	2005
Net interest income/average earning assets	0.9	0.7	0.5	0.5	N/A
Net interest income/revenues	32.2	33.8	23.3	21.4	21.4
Fee income/revenues	49.5	63.9	61.0	56.8	62.2
Market-sensitive income/revenues	11.0	(7.4)	8.5	12.5	7.5
Personnel expense/revenues	30.2	33.8	34.0	34.6	37.6
Noninterest expenses/revenues	66.5	80.7	77.6	75.4	80.0
New loan loss provisions/revenues	11.0	8.9	1.4	(0.7)	0.3
Net operating income before loan loss provisions/loan loss provisions	303.3	217.1	1,601.6	(3,393.1)	7,144.3
Net operating income after loan loss provisions/revenues	22.5	10.4	21.0	25.3	19.7
Pretax profit/revenues	21.9	10.9	23.7	27.6	17.1
Tax/pretax profit	41.0	49.8	38.1	38.8	51.0
Core earnings/revenues	13.3	5.2	13.0	15.5	11.2
Core earnings/average adjusted assets	0.3	0.1	0.2	0.3	N/A
Noninterest expenses/average adjusted assets	1.6	1.5	1.4	1.7	N/A
Core earnings/average risk-weighted assets	2.6	0.3	0.8	1.0	0.7
Core earnings/average adjusted common equity	10.8	3.2	8.1	10.4	6.5
Pretax profit/average common equity (%)	14.8	5.5	11.7	15.0	N/A

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 3

Iccrea Banca SpA Capital Ratios					
	--Year-ended Dec. 31--				
(%)	2009	2008	2007	2006	2005
Tier 1 capital ratio	8.0	8.3	10.1	9.5	10.1
Adjusted total equity/adjusted assets	2.8	3.2	2.9	3.1	3.6
Adjusted total equity/managed assets	2.8	3.2	2.9	3.1	3.6
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	29.6	35.8	48.9	27.9	31.2

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

Iccrea Banca SpA Summary Balance Sheet					
	--Year-ended Dec. 31--				
(Mil. €)	2009	2008	2007	2006	2005
Assets					
Cash and money market instruments	7,848.3	6,597.4	7,181.3	6,853.3	5,195.4
Securities	756.0	1,448.4	1,333.9	570.5	764.4
Trading securities (marked to market)	63.7	615.1	1,088.5	461.8	0.0
Nontrading securities	692.2	833.3	245.4	108.7	764.4
Customer loans (gross)	1,085.0	792.6	622.0	1,067.6	893.2
Loan loss reserves	36.0	0.0	23.9	25.3	17.6
Customer loans (net)	1,049.0	792.6	598.2	1,042.3	875.6

Table 4

Iccrea Banca SpA Summary Balance Sheet (cont.)					
Earning assets	8,258.4	8,770.3	8,837.2	8,083.9	6,653.3
Equity interests/participations (nonfinancial)	1.1	1.1	1.5	0.7	3.2
Intangibles (nonservicing)	3.3	3.0	3.6	1.8	3.1
Fixed assets	18.0	20.0	21.9	26.9	102.5
Derivatives credit amount	399.0	0.6	322.7	280.1	N/A
All other assets	120.8	109.1	101.6	144.9	117.6
Total assets	10,195.4	8,972.2	9,564.7	8,920.6	7,192.2
Intangibles (nonservicing)	3.3	3.0	3.6	1.8	3.1
Adjusted assets	10,192.1	8,969.3	9,561.1	8,918.8	7,189.1
Liabilities					
Total deposits	8,596.5	7,943.8	7,987.5	7,735.4	5,907.2
Noncore deposits	7,384.8	6,551.2	7,010.0	6,857.8	5,521.9
Core/customer deposits	1,211.8	1,392.7	977.6	877.7	385.3
Repurchase agreements	2.0	N/A	506.1	109.9	82.7
Other borrowings	599.0	159.6	223.5	256.0	582.0
Other liabilities	630.6	551.0	492.6	480.1	295.3
Total liabilities	9,828.1	8,654.5	9,209.8	8,581.4	6,871.8
Total equity	367.3	317.8	354.9	339.2	320.4
Common shareholders' equity (reported)	367.3	317.8	354.9	339.2	320.4
Share capital and surplus	216.9	216.9	216.9	216.9	216.9
Revaluation reserve	51.0	24.8	53.9	47.9	47.9
Retained profits	29.9	9.3	25.1	30.2	12.5
Total liabilities and equity	10,195.4	8,972.2	9,564.7	8,920.6	7,192.2

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 5

Iccrea Banca SpA Profit And Loss					
	--Year-ended Dec. 31--				
(Mil. €)	2009	2008	2007	2006	2005
Net interest income	74.4	57.6	40.1	38.2	32.0
Operating noninterest income	157.0	112.7	131.8	140.7	117.6
Fees and commissions	114.6	108.8	104.8	101.7	93.1
Trading gains	23.8	(12.5)	14.5	16.2	11.2
Other market-sensitive income	1.5	(0.1)	0.2	6.2	N/A
Other noninterest income	17.0	16.4	12.2	16.7	13.3
Operating revenues	231.4	170.3	171.9	179.0	149.7
Noninterest expenses	153.8	137.5	133.4	134.9	119.8
Personnel expenses	69.8	57.5	58.5	61.9	56.2
Other general and administrative expense	78.2	74.1	69.0	67.2	54.1
Net operating income before loss provisions	77.5	32.8	38.5	44.0	29.9
Credit loss provisions (net new)	25.6	15.1	2.4	(1.3)	0.4
Net operating income after loss provisions	52.0	17.7	36.1	45.3	29.4
Nonrecurring/special income	N/A	1.8	5.0	4.0	4.5

Table 5

Iccrea Banca SpA Profit And Loss (cont.)					
Nonrecurring/special expense	1.3	0.9	0.5	0.0	3.7
Pretax profit	50.7	18.6	40.7	49.4	25.5
Tax expense/credit	20.8	9.3	15.5	19.2	13.0
Net income (before minority interest)	29.9	9.3	25.1	30.2	12.5
Net income before extraordinaries	29.9	9.3	25.1	30.2	12.5
Net income after extraordinaries	29.9	9.3	25.1	30.2	12.5

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Ratings Detail (As Of May 20, 2010)*

Iccrea Banca SpA

Counterparty Credit Rating	A-/Negative/A-2
Certificate Of Deposit	A-/A-2

Counterparty Credit Ratings History

23-Apr-2010	A-/Negative/A-2
24-Apr-2009	A/Negative/A-1
12-Sep-2000	A/Stable/A-1

Sovereign Rating

Italy (Republic of)	A+/Stable/A-1+
---------------------	----------------

Related Entities

Banca Agrileasing SpA

Issuer Credit Rating	A-/Negative/A-2
Certificate Of Deposit	A-/A-2
Junior Subordinated (2 Issues)	BBB-
Senior Unsecured (22 Issues)	A-
Short-Term Debt (1 Issue)	A-2
Subordinated (9 Issues)	BBB+

Iccrea Holding SpA

Issuer Credit Rating	A-/Negative/A-2
----------------------	-----------------

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.