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Findomestic Banca SpA

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Table Of Contents

Major Rating Factors

Rationale

Outlook

Profile: Leading Player In Italy

Support And Ownership: Strategic Importance To BNP Paribas Personal Finance

Strategy: Support Revenue Margins And Asset Quality

Risk Profile And Management: Sound Risk Management Offsets
Concentration In High Credit Risk Business

Profitability: Under Pressure

Capital: Adequate

Findomestic Banca SpA

Major Rating Factors

Strengths:

- Leading position in the Italian consumer finance market
- Strategic importance for and support from 50-50 shareholders BNP Paribas Personal Finance and Intesa Sanpaolo
- Satisfactory credit risk management

Weaknesses:

- Business concentration on the high credit risk Italian consumer finance market
- Increasing cost of credit risk
- Lowering profitability

Counterparty Credit Rating

A+/Stable/A-1

Rationale

The ratings on Italy-based Findomestic Banca SpA are supported by its leading business position in the Italian consumer finance market, strategic importance to and strong support from 50-50 shareholders BNP Paribas Personal Finance (AA+/Watch Neg/A-1+) and Intesa Sanpaolo SpA (AA-/Stable/A-1+), and satisfactory credit risk management. Constraining the ratings are Findomestic's concentration on a single business line--characterized by high credit risk--and the bank's declining profitability and increasing cost of credit.

The long-term rating on Findomestic incorporates a three-notch uplift, reflecting its strategic importance to BNP Paribas Personal Finance and strong potential capital and liquidity support from both shareholders. A major European consumer finance player, BNP Paribas Personal Finance is a core subsidiary of BNP Paribas (AA+/Watch Neg/A-1+). Findomestic is BNP Paribas Personal Finance's largest and most successful foreign interest, and fits well into BNP Paribas' international retail services strategy. Intesa Sanpaolo, Italy's largest domestic bank, acquired 50% of Findomestic through its integration of Banca CR Firenze SpA (Carifirenze; not rated) in 2008.

BNP Paribas, through Paribas Personal Finance, in 2007 showed its willingness to acquire the majority of Findomestic's capital from Carifirenze through the exercise of the French banking group's option to acquire 1% of Findomestic. Carifirenze rejected this initiative and in 2008 Intesa Sanpaolo stated its interest in acquiring the majority of Findomestic's capital following the integration of Carifirenze. The legal proceedings between Findomestic's two shareholders have not yet been fully resolved, but we do not expect a change in the bank's 50-50 ownership in the short term. However, this does not alter our opinion that Findomestic would benefit from strong potential parent support.

Findomestic is among the top players in consumer finance in Italy. Other players have gained ground in the past few years amid mounting competition as the bank has strategically sought to protect margins. Commercial banks for the most part have made the Italian consumer finance market more competitive, though it is still less developed than that of other European countries.

We expect the bank's profitability to suffer in 2009, given the high cost of credit risk and gloomy prospects for the domestic economy.

Effective and strategic credit risk management is a key rating factor. The cost of credit deteriorated in 2008 (1.95% on June 30, 2008) because of higher inflows of nonperforming loans (NPLs) and a worsening loan recovery rate mainly due to a tough domestic economy, but also an organizational restructuring that had a negative effect on credit risk management. We now expect a further limited increase in cost of credit, mainly as a result of a persistently weak domestic economy--whose effects the bank will be able to only partly offset with its strengthened credit risk management function.

Capital ratios are adequate for the bank's business and risk profiles. Current and potential support from shareholders is a key driver of business growth. Although Findomestic is wholesale-funded, shareholder support enhances liquidity management.

Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectations that Findomestic will retain a major market position in domestic consumer credit and preserve an adequate financial profile in a maturing consumer finance market. The ratings factor in a limited deterioration in credit risk in light of the weakening domestic economy.

Findomestic's future shareholder structure remains uncertain. However, we already incorporate strong potential support, in terms of capital and liquidity by both shareholders, into the ratings.

The ratings could come under pressure if challenging consumer finance market conditions, in the gloomy domestic economic environment, result in a more pronounced than anticipated deterioration of the bank's earnings or asset quality.

Profile: Leading Player In Italy

Findomestic is among the leading players in consumer finance in Italy. It pioneered the market 20 years ago, supported by its parent, BNP Paribas Personal Finance, a major consumer finance specialist in Europe. With €3.3 billion in new loan production in the first half of 2008 (almost flat year on year), Findomestic remained the market leader with a share of about 10%. The gap with competitors has narrowed in the past few years, however, mainly due to the bank's strategy to protect margins against increased domestic competition.

The Italian consumer finance market is still less developed than that of other European countries. However, commercial banks have entered the market in the past few years, putting pressure on spreads for the more profitable personal loan and revolving credit card segment. Moreover, the tough domestic economic environment has slowed production and has increased credit risk.

The bank's business model is more mature than that of smaller competitors and benefits from a wider product range. Findomestic has four main business lines: retail partnerships, car finance, revolving loans, and personal loans.

Other activities--such as those pursued by subsidiaries Credirama, Credial, and, more recently, Bieffe 5 for the development of "cessione del quinto" (consumer loans secured by salary)--represent only a small share of new loan production (an estimated 4% in 2008), but offer substantial development potential. Credirama provides captive sales finance to the Italian subsidiary of a French do-it-yourself chain, as part of an agreement reached at the BNP

Paribas Personal Finance level. Findomestic created Credial to service the near-prime clientele that does not fit with its standard acceptance process. However, the bank is gradually ending this activity, to preserve the credit quality of its portfolio given the difficult economic conditions.

Support And Ownership: Strategic Importance To BNP Paribas Personal Finance

BNP Paribas Personal Finance and Italian bank Carifirenze jointly own Findomestic. We view Findomestic and BNP Paribas Personal Finance as strongly related, given the close similarity of their businesses. Findomestic's general manager sits on BNP Paribas Personal Finance's executive board, reflecting the importance of the Italian operations to BNP Paribas Personal Finance. Findomestic is BNP Paribas Personal Finance's largest, best-established, and most successful foreign interest, offering the French company a leading position in a second market. The two companies exchange information and know-how regularly, at meetings organized between their department heads.

On March 15, 2007, BNP Paribas Personal Finance decided to exercise its option to acquire 1% of Findomestic from Carifirenze, which has a 50% stake, giving BNP Paribas Personal Finance a total 51% share of Findomestic's capital. Carifirenze rejected this initiative and BNP Paribas has appealed. At the time of writing, the outcome of these proceedings and their effect on Findomestic's corporate governance was still uncertain. The integration of Carifirenze into Intesa Sanpaolo further complicates the situation. However, we do not expect a change in the 50-50 ownership in the short term.

Although Standard & Poor's does not factor into its ratings Carifirenze's ownership stake, the latter has helped Findomestic develop solid roots in the Italian market.

Strategy: Support Revenue Margins And Asset Quality

Given the tough domestic economic environment, Findomestic's strategy in 2009 is focusing on protecting revenue margins and credit quality, as well as improving efficiency. The company also aims to preserve the weight of more profitable direct lending in its loan portfolio while boosting indirect lending--through retail partnerships and such as car finance--to avoid losing clients. Furthermore, Findomestic wants to increase cross selling and commission fees, and continue to enhance efficiency through the network restructuring it completed in 2007.

With the aim of preserving the credit quality of its portfolio in such a difficult economy, the bank will progressively exit out of its products for riskier, near-prime clients.

Risk Profile And Management: Sound Risk Management Offsets Concentration In High Credit Risk Business

Findomestic's principal source of risk is its consumer finance lending portfolio, representing more than 90% of total assets on June 30, 2008. As a wholesale-funded entity, Findomestic has high liquidity risk. The bank is also exposed to interest rate risk, while market risk is negligible.

Enterprise risk management: strong, enhanced through its relationship with BNP Paribas Personal Finance

Findomestic's enterprise risk management is strong overall.

The bank has historically sound credit risk management, which it continuously works to improve in conjunction with BNP Paribas Personal Finance. However, Findomestic started restructuring its business in 2007--creating a few regional offices for credit risk management and a diversified network of agents--that negatively affected credit risk management last year. We nevertheless expect credit risk management to recover since the completion of the reorganization at end-2008 and now that the bank has carried out measures to strengthen this function.

The bank's conservative asset-liability management (ALM) and support from shareholders alleviate its structural liquidity weakness as a wholesale-funded entity. It also manages interest rate risk conservatively, with limited residual exposure.

Credit risk: Increasing cost of risk

Effective and strategic credit risk management is a key rating factor, in light of deteriorating economic conditions.

The cost of credit deteriorated in 2008 (1.95% on June 30, 2008) as a result of higher NPL inflows and a worsening NPL recovery rate. We expect a further limited increase in cost of credit in 2009 mainly because of weak prospects for the domestic economy.

Findomestic's historically sound credit risk management has resulted in favorable asset quality indicators and cost of credit in the consumer finance business in the past few years.

In 2008, Findomestic posted high inflows of nonperforming assets (NPAs), mainly NPLs, and an increase of the cost of credit, due to:

- The tough Italian economy,
- Weaker credit risk management because of the bank's internal reorganization,
- The entrance of riskier clients linked to the launch of Findomestic's own-agent network, and
- The worsening NPLs recovery rate.

The share of NPAs to total loans (NPLs plus doubtful loans) reached 2.2% on June 30, 2008, compared with 1.6% one year earlier, while the cost of risk rose to 1.97% from 1.4% on Dec. 31, 2007. These asset quality indicators nevertheless still compare well with those of most rated peers.

Findomestic's loans have good granularity and short tenor, the usual characteristics of consumer credits. Outstandings soared at a strong compound annual growth rate in the double digits from 2000 to 2007. Starting from 2005, though, new loan production volumes have grown at a lower rate, reflecting the bank's strategy to protect revenue margins against increasing competition. Findomestic handled this fast growth well and kept the share of NPAs relatively stable. In 2008, new loan production declined about 7% from a year earlier and we expect it to decrease more than the average for the market in 2009 as result of the bank's focus on preserving revenue margins and credit portfolio quality.

We factor in a limited increase in cost of credit this year due to the negative effect of the weak domestic economy on the consumer finance market that features high credit risk. Only partly mitigating factors are Findomestic's slowdown in production, credit risk management measures that it took upon completion of the reorganization in 2008, and its gradual exit from the near-prime client segment.

Moreover, the high 50% weight of more profitable direct loans (personal loans and credit cards) on the lending portfolio makes the bank's credit risk vulnerable to the deteriorating domestic economy.

Funding, liquidity, and market risk: support from shareholders

As a wholesale-funded entity, Findomestic has high liquidity risk. In Standard & Poor's view, the bank's conservative ALM and support from shareholders largely alleviate this risk. Findomestic's precise ALM policies largely replicate BNP Paribas Personal Finance's and are aimed mainly at securing the core business, while hedging most liquidity and interest rate risks. Planned further company growth does not introduce liquidity concerns, and funding lines from shareholders are available in case of need. The company also manages interest rate risk conservatively, with limited residual exposure. Findomestic considers ALM to be a means of protecting the core business, rather than as a profit center on its own.

Funding draws on two sources: interbank credit lines and medium-term market issues. The company designates available funding to cover planned new funding requirements over a one-year horizon, while strictly maintaining immediately available funds to cover three months of funding needs. As of November 2008, interbank funding represented about 80% of the total, with 80% coming from the main shareholders. As for market issuance, the bank draws on a €4.5 billion European medium-term note program, with €1.9 billion in outstandings on Nov. 30, 2008.

Findomestic does not rely on the securitization market for funding needs.

The bank will largely rely on shareholders for funding new production in 2009.

Findomestic has started to set its own contingency liquidity plan. The bank is studying a securitization of a performing personal loans portfolio to use for a repurchase agreement with the European Central Bank.

Profitability: Under Pressure

We expect the bank's profitability to suffer in 2008 and 2009, given the higher cost of risk and gloomy prospects for the domestic economy. Return on assets is to have dropped by year-end 2008 from 0.6% on June 30, 2008, and 1.1% at year-end 2006.

Revenues consist mainly of interest. The bank has historically benefited from a healthy net interest margin that was higher than peers', thanks to its good business mix and leading market position. The net interest margin has been narrowing over the years, however, reflecting growing competition, the increasing cost of acquiring new clients through indirect channels, and the higher cost of funding (mainly starting from 2006).

In 2008, the margin for new loan production should remain almost stable, despite the negative trend in car finance.

In 2009 Findomestic will be challenged to maintain resilient margins for new production. In a context of lower market competition, this depends on the bank's ability to increase margins for car finance and commissions from indirect lending.

Revenues stand to post only limited growth. Margin resilience for new loans will not be sufficient to offset lower-than-market-average growth in loan volumes.

Noninterest income makes up about 18% of revenues, slightly below the peer level. Findomestic intends to increase this proportion by distributing a wider range of products, such as insurance contracts. But we expect this to give an only a limited boost to noninterest income over the medium to long term.

In the past five years, although operating costs have soared along with business volumes, efficiency has risen

significantly, reflecting the gradual maturing of Findomestic's business model and resulting economies of scale. Benefits from lower new client acquisition costs, rationalization of the agency network, and more effective operating processes are likely to support efficiency (51% cost to income on June 30, 2008).

Expected higher cost of credit risk in 2008 is likely to result in a year-on-year decline in net profit. A moderate increase in cost of credit in 2009 is unlikely to help the bottom line: ROA, which was 0.6% on June 30, 2008, is likely to remain only adequate.

Capital: Adequate

Capital ratios are only adequate in light of Findomestic's business and risk profile. The bank had a Tier 1 ratio of 7.6% on June 30, 2008.

Shareholder support has been key to business growth. Although Findomestic plans no capital increase in the short to medium term, shareholders have confirmed their commitment to support capital in case of need. This remains a major rating factor, considering that Findomestic pays out 60% of earnings in dividends to its shareholders.

Table 1

Findomestic Banca SpA Balance Sheet Statistics											
(Mil. €)	--Year ended Dec. 31--					-	Breakdown as a % of assets (adj.)				
	2008*	2007	2006	2005	2004		2008*	2007	2006	2005	2004
Assets											
Cash and money market instruments	470	324	287	191	48		3.92	2.84	2.82	2.19	0.69
Securities	2	0	2	3	31		0.01	0.00	0.02	0.04	0.45
Trading securities (marked to market)	1	0	1	2	0		0.01	0.00	0.01	0.03	0.00
Nontrading securities	0	0	1	1	31		0.00	0.00	0.01	0.01	0.45
Customer loans (gross)	11,565	11,045	9,877	8,549	6,713		96.40	96.84	97.15	98.15	96.67
Other consumer loans	11,565	11,045	9,877	8,549	6,713		96.40	96.84	97.15	98.15	96.67
Loan loss reserves	345	345	262	245	183		2.88	3.03	2.58	2.82	2.64
Customer loans (net)	11,220	10,700	9,615	8,304	6,530		93.52	93.81	94.57	95.34	94.04
Earning assets	12,032	11,335	10,103	8,720	6,790		100.29	99.38	99.37	100.12	97.79
Equity interests/participations (nonfinancial)	N.A.	0	0	0	0		N.A.	0.00	0.00	0.00	0.01
Intangibles (nonservicing)	19	20	16	16	10		0.16	0.18	0.16	0.18	0.15
Fixed assets	55	57	60	54	40		0.46	0.50	0.59	0.62	0.58
Derivatives credit amount	42	29	22	6	N.A.		0.35	0.25	0.22	0.07	N.A.
Accrued receivables	0	0	0	0	125		0.00	0.00	0.00	0.00	1.80
All other assets	209	295	182	152	169		1.74	2.59	1.79	1.74	2.44
Total reported assets	12,016	11,426	10,184	8,726	6,954		100.16	100.18	100.16	100.18	100.15
Less nonservicing intangibles+ I/O strips	(19)	(20)	(16)	(16)	(10)		(0.16)	(0.18)	(0.16)	(0.18)	(0.15)
Adjusted assets	11,997	11,406	10,167	8,710	6,944		100.00	100.00	100.00	100.00	100.00

Table 1

Findomestic Banca SpA Balance Sheet Statistics (cont.)						Breakdown as a % of liabilities + equity				
	2008*	2007	2006	2005	2004	2008*	2007	2006	2005	2004
Liabilities										
Total deposits	8,748	7,400	6,756	5,701	4,063	72.81	64.76	66.34	65.34	58.43
Noncore deposits	8,691	7,343	6,708	5,660	4,045	72.33	64.27	65.87	64.86	58.16
Core/customer deposits	58	56	48	42	19	0.48	0.49	0.47	0.48	0.27
Other borrowings	2,234	2,917	2,445	2,081	1,941	18.60	25.53	24.01	23.85	27.91
Other liabilities	303	360	246	267	357	2.52	3.15	2.41	3.06	5.14
Total liabilities	11,286	10,676	9,446	8,049	6,361	93.92	93.44	92.76	92.25	91.48
Total shareholders' equity	730	749	737	676	593	6.08	6.56	7.24	7.75	8.52
Minority interest-equity	4	4	4	4	3	0.03	0.04	0.04	0.04	0.04
Common shareholders' equity (reported)	726	745	734	673	590	6.04	6.52	7.20	7.71	8.48
Share capital and surplus	341	341	341	341	301	2.84	2.98	3.35	3.91	4.33
Revaluation reserve	28	17	12	(3)	N.A.	0.23	0.15	0.11	(0.03)	N.A.
Reserves (incl. inflation revaluations)	326	319	275	228	184	2.72	2.79	2.70	2.61	2.65
Retained profits	31	69	106	106	104	0.26	0.60	1.04	1.22	1.50
Memo: Dividends (not yet distributed)	(17)	(61)	(61)	(61)	(54)					
Total liabilities and equity	12,016	11,426	10,184	8,726	6,954	100.00	100.00	100.00	100.00	100.00
Equity Reconciliation Table										
Common shareholders' equity (reported)	726	745	734	673	590					
+ Minority Interest (equity)	4	4	4	4	3					
- Dividends (not yet distributed)	(17)	(61)	(61)	(61)	(54)					
- Revaluation reserves	(28)	(17)	(12)	3	0					
- Nonservicing Intangibles	(19)	(20)	(16)	(16)	(10)					
Adjusted common equity	667	651	648	602	528					
Adjusted total equity	667	651	648	602	528					

Data as of June 30, 2008; ratios annualized where appropriate. ¶Data are for Findomestic Gruppo. Interim data are unaudited, consolidated, and prepared according to IFRS. All other data are audited, consolidated, and prepared according to IFRS. N.A.--Not available.

Table 2

Findomestic Banca SpA Profit And Loss Statement Statistics											
(Mil. €)	--Year ended Dec. 31--					-	Adj. avg. assets (%)				
	2008*	2007	2006	2005	2004		2008*	2007	2006	2005	2004
Profitability											
Interest income	516	987	788	716	658		8.82	9.15	8.34	9.14	10.30
Interest expense	231	437	259	203	196		3.94	4.05	2.74	2.59	3.06
Net interest income	286	550	528	513	463		4.88	5.10	5.60	6.55	7.24
Operating noninterest income	63	117	98	120	132		1.08	1.08	1.04	1.53	2.07
Fees and commissions	38	68	46	71	98		0.65	0.63	0.49	0.90	1.54

Table 2

Findomestic Banca SpA Profit And Loss Statement Statistics (cont.)										
Equity in earnings of unconsolidated subsidiaries	0	0	0	(0)	(1)	0.00	0.00	0.00	0.00	(0.01)
Trading gains	1	2	3	2	0	0.02	0.01	0.03	0.03	0.00
Other noninterest income	24	47	49	47	34	0.41	0.44	0.52	0.60	0.54
Operating revenues	349	667	627	633	595	5.97	6.19	6.64	8.08	9.30
Noninterest expenses	177	348	327	349	344	3.02	3.22	3.47	4.47	5.38
Personnel expenses	69	132	118	109	95	1.18	1.22	1.25	1.39	1.49
Other general and administrative expense	103	207	201	234	238	1.76	1.92	2.13	2.99	3.72
Depreciation	5	8	7	6	11	0.08	0.08	0.08	0.08	0.17
Net operating income before loss provisions	172	320	300	283	251	2.94	2.96	3.17	3.62	3.92
Credit loss provisions (net new)	108	144	104	96	76	1.84	1.34	1.10	1.22	1.19
Net operating income after loss provisions	64	176	196	187	174	1.10	1.63	2.08	2.39	2.73
Nonrecurring/special income	0	0	2	0	7	0.00	0.00	0.02	0.00	0.12
Nonrecurring/special expense	1	4	2	1	8	0.02	0.04	0.02	0.01	0.12
Amortization of goodwill and intangibles	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00
Pretax profit	63	171	196	187	174	1.08	1.59	2.08	2.39	2.72
Tax expense/credit	32	102	90	80	70	0.55	0.95	0.95	1.03	1.10
Net income before minority interest	31	69	107	106	104	0.53	0.64	1.13	1.36	1.62
Minority interest in consolidated subsidiaries	0	0	1	0	(1)	0.00	0.00	0.01	0.00	(0.01)
Net income before extraordinaries	31	69	106	106	104	0.53	0.64	1.12	1.36	1.63
Net income after extraordinaries	31	69	106	106	104	0.53	0.64	1.12	1.36	1.63
Core Earnings Reconciliation										
Net Income (before Minority Interest)	31	69	107	106	104					
- Nonrecurring/Special Income	(0)	0	(2)	(0)	(7)					
+ Nonrecurring/Special Expense	1	4	2	1	8					
+/- Tax Impact of Adjustments	(1)	(3)	0	(0)	(0)					
+ Amortization/ Impairment of Goodwill/ Intangibles	0	0	0	0	0					
Core earnings	32	71	107	107	104	0.54	0.66	1.13	1.36	1.63
	2008*	2007	2006	2005	2004					
Asset Quality										
Nonperforming assets	282	248	172	154	138					
Nonaccrual loans	282	248	172	154	138					
Classified loans (substandard, doubtful, loss)	N.A.	N.A.	2	5	0	N.A.	N.A.			
Net charge-offs	N.A.	N.A.	N.A.	N.A.	58	N.A.	N.A.	N.A.	N.A.	
Average balance sheet										
Average customer loans	10,960	10,157	8,959	7,417	6,031					
Average earning assets	11,683	10,719	9,411	7,755	6,260					
Average assets	11,721	10,805	9,455	7,840	6,415					
Average total deposits	8,074	7,078	6,228	4,882	3,887					
Average interest-bearing liabilities	10,650	9,758	8,491	6,893	5,537					

Table 2

Findomestic Banca SpA Profit And Loss Statement Statistics (cont.)					
Average common equity	736	739	703	631	535
Average adjusted assets	11,701	10,787	9,438	7,827	6,392
Other data					
Off-balance-sheet credit equivalents	0	0	0	0	660

Data as of June 30, 2008; ratios annualized where appropriate. ¶Data are for Findomestic Gruppo. Interim data are unaudited, consolidated, and prepared according to IFRS. All other data are audited, consolidated, and prepared according to IFRS. N.A.--Not available.

Table 3

	--Year ended Dec. 31--				
	2008*	2007	2006	2005	2004
ANNUAL GROWTH (%)					
Customer loans (gross)	9.41	11.83	15.54	27.36	18.04
Loss reserves	0.00	31.61	6.92	34.10	17.60
Adjusted assets	10.37	12.18	16.74	25.43	18.90
Customer deposits	3.86	18.32	14.99	120.21	(11.12)
Total equity	(5.16)	1.66	9.01	14.13	22.91
Operating revenues	4.65	6.48	(0.92)	6.39	14.68
Noninterest expense	1.82	6.25	(6.40)	1.59	10.45
Net operating income before provisions	7.73	6.72	5.85	12.97	21.06
Loan loss provisions	49.69	39.15	8.17	25.44	35.62
Net operating income after provisions	(26.73)	(10.42)	4.67	7.50	15.61
Pretax profit	(26.14)	(12.87)	5.14	7.47	15.21
Net income	(10.41)	(35.24)	0.37	2.58	19.05
	2008*	2007	2006	2005	2004
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	4.89	5.13	5.62	6.61	7.39
Net interest spread	4.51	4.73	5.32	6.28	6.98
Interest income (taxable equiv.)/avg. earning assets	8.84	9.21	8.37	9.23	10.52
Interest expense/avg. interest-bearing liabilities	4.33	4.48	3.05	2.94	3.54
Revenue Analysis					
Net interest income/revenues	81.82	82.48	84.32	81.06	77.79
Fee income/revenues	10.97	10.23	7.41	11.20	16.51
Market-sensitive income/revenues	0.41	0.23	0.44	0.33	0.00
Noninterest income/revenues	18.18	17.52	15.68	18.94	22.21
Personnel expense/revenues	19.73	19.77	18.85	17.26	16.02
Noninterest expense/revenues	50.67	52.08	52.19	55.25	57.86
Noninterest expense/revenues less investment gains	50.67	52.08	52.19	55.25	57.86
Net operating income before provision/revenues	49.33	47.92	47.81	44.75	42.14
Net operating income after provisions/revenues	18.42	26.31	31.27	29.60	29.30
New loan loss provisions/revenues	30.91	21.61	16.53	15.15	12.84

Table 3

Findomestic Banca SpA Ratio Analysis (cont.)					
	2008*	2007	2006	2005	2004
Net nonrecurring/abnormal income/revenues	(0.33)	(0.67)	0.06	(0.08)	(0.07)
Pretax profit/revenues	18.09	25.64	31.33	29.52	29.22
Tax/pretax profit	50.99	59.59	45.63	43.04	40.32
Core Earnings/Revenues	9.03	10.63	17.01	16.86	17.48
	2008*	2007	2006	2005	2004
Other Returns					
Pretax profit/avg. risk assets (%)	0.00	1.79	2.18	2.51	2.78
Revenues/avg. risk assets (%)	N.A.	6.97	6.97	8.49	9.52
Net operating income before LLP/LLP	159.59	221.75	289.14	295.47	328.09
Net operating income before loss provisions/avg. risk assets (%)	N.A.	3.34	3.33	3.80	4.01
Net operating income after loss provisions/avg. risk assets (%)	N.A.	1.83	2.18	2.51	2.79
Net income before minority interest/avg. adjusted assets	0.53	0.64	1.13	1.36	1.62
Net income/employee (currency unit)	N.A.	26,018	43,133	51,309	54,518
Non-interest expenses/average adjusted assets	3.02	3.22	3.47	4.47	5.38
Personnel expense/employee (currency unit)	N.A.	49,643	47,737	52,650	50,068
Core earnings/average risk-weighted assets	N.A.	0.74	1.19	1.43	1.66
Core earnings/average adjusted assets	0.54	0.66	1.13	1.36	1.63
Core earnings/ Average ACE (ROE)	9.03	10.43	17.06	18.88	22.36
	2008*	2007	2006	2005	2004
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	0.52	0.55	0.52	0.53	0.31
Total loans/customer deposits	20087.30	19554.40	20689.69	20592.94	35607.24
Total loans/customer deposits + long-term funds	1147.65	1076.59	982.79	1085.13	304.85
Customer loans (net)/assets (adj.)	93.52	93.81	94.57	95.34	94.04
	2008*	2007	2006	2005	2004
Parent Only Analysis					
	2008*	2007	2006	2005	2004
CAPITALIZATION (%)					
Adjusted common equity/risk assets	N.A.	7.63	6.61	7.35	7.86
Internal capital generation/prior year's equity	8.28	9.37	6.66	7.62	10.49
Tier 1 capital ratio	7.65	6.96	6.60	7.26	7.86
Regulatory total capital ratio	N.A.	9.34	8.71	8.02	8.90
Adjusted total equity/adjusted assets	5.70	6.25	6.37	6.91	7.61
Adjusted total equity/adjusted assets + securitizations	5.70	6.25	6.37	6.91	7.61
Adjusted total equity/risk assets	N.A.	7.63	6.61	7.35	7.86
Adjusted total equity plus LLR (specific)/customer loans (gross)	8.90	9.58	9.22	9.91	10.60
Common dividend payout ratio	0.00	0.00	57.73	57.65	51.74
	2008*	2007	2006	2005	2004
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	1.97	1.42	1.16	1.29	1.27
Net charge-offs/avg. customer loans (net)	N.A.	N.A.	N.A.	N.A.	0.96

Table 3

Findomestic Banca SpA Ratio Analysis (cont.)					
Other consumer NCOs	0.00	0.00	0.00	0.00	0.93
Loan loss reserves/customer loans (gross)	2.99	3.13	2.66	2.87	2.73
Credit-loss reserves/risk assets	N.A.	3.70	2.68	3.00	2.72
Nonperforming assets (NPA)/customer loans + ORE	2.44	2.25	1.74	1.80	2.06
NPA (excl. delinquencies)/customer loans + ORE	2.44	2.25	1.74	1.80	2.06
Other consumer NPL	2.44	2.25	1.74	1.80	2.06
Net NPA/customer loans (net) + ORE	(0.56)	(0.91)	(0.94)	(1.10)	(0.69)
NPA (net specifics)/customer loans (net specifics)	(0.56)	(0.91)	(0.94)	(1.10)	(0.69)
Loan loss reserves/NPA (gross)	122.45	139.05	152.41	159.48	132.61

Data as of June 30, 2008; ratios annualized where appropriate. ¶Data are for Findomestic Gruppo. Interim data are unaudited, consolidated, and prepared according to IFRS. All other data are audited, consolidated, and prepared according to IFRS. N.A.--Not available.

Ratings Detail (As Of January 22, 2009)*

Findomestic Banca SpA

Counterparty Credit Rating	A+/Stable/A-1
Certificate Of Deposit	A+/A-1
Senior Unsecured (5 Issues)	A+
Subordinated (3 Issues)	A

Counterparty Credit Ratings History

26-Jan-2006	A+/Stable/A-1
19-Jan-2004	A/Positive/A-1
17-Sep-2002	A/Stable/A-1

Sovereign Rating

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

Banca Nazionale del Lavoro SpA

Issuer Credit Rating	AA-/Positive/A-1+
Certificate Of Deposit	AA-/A-1+

BNP Paribas Personal Finance

Issuer Credit Rating	AA+/Watch Neg/A-1+
Certificate Of Deposit	
Foreign Currency	AA+/A-1+
Local Currency	AA+/A-1+/Watch Neg
Senior Unsecured (1 Issue)	AA+/Watch Neg

*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.

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