# CREDEM Group

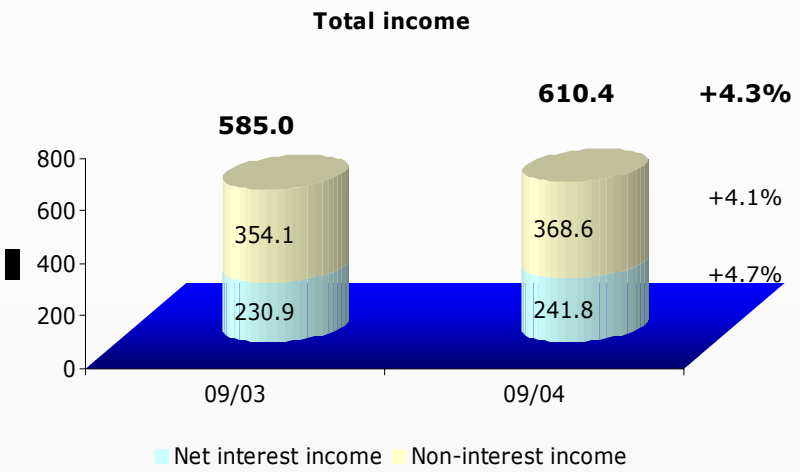
# September '04

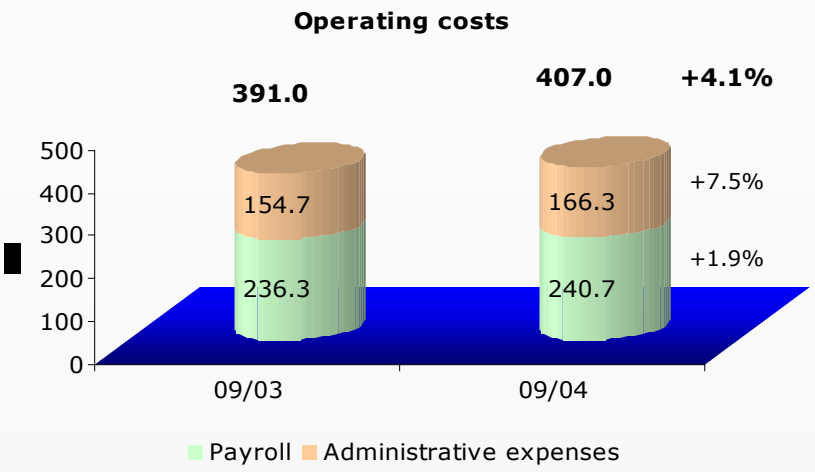
*quarterly*

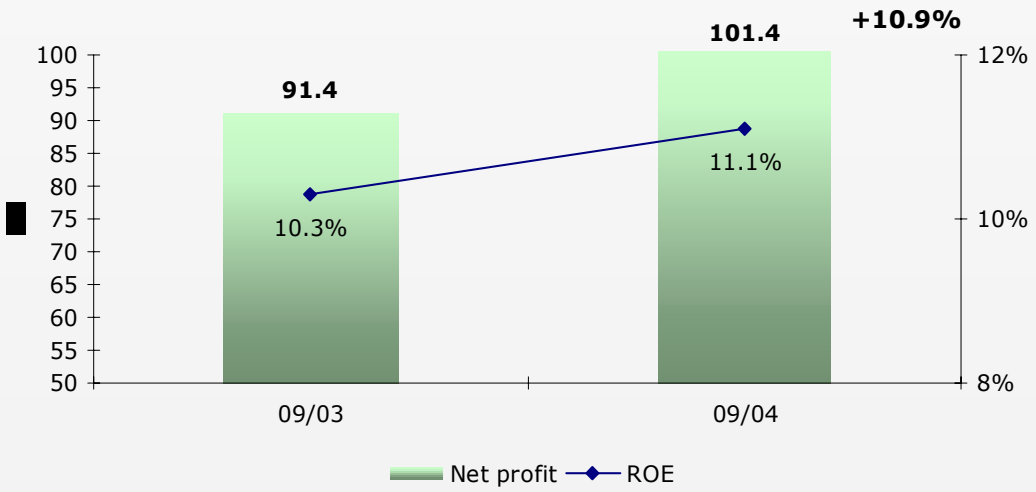
# Results

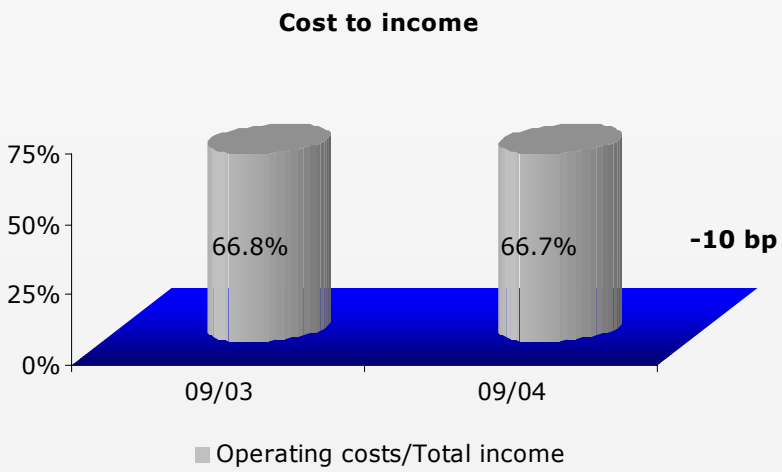
# Appendices

# Revenue and profit growth

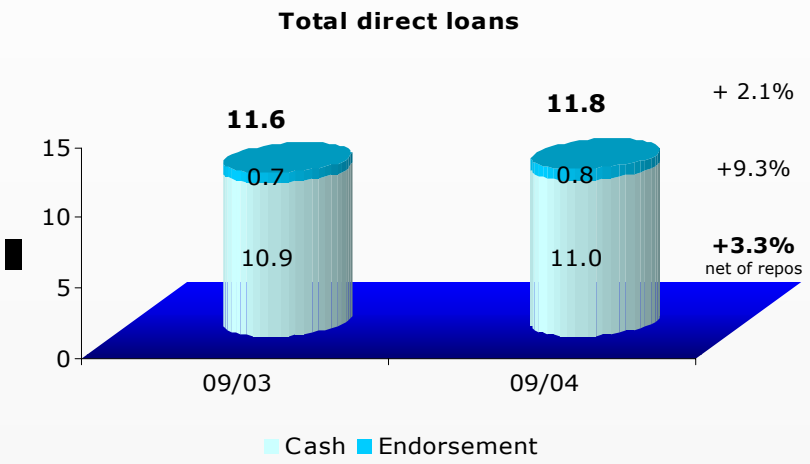


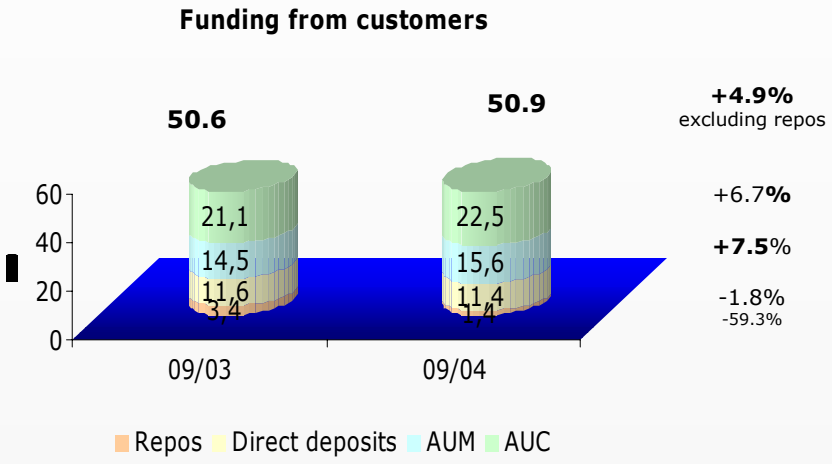



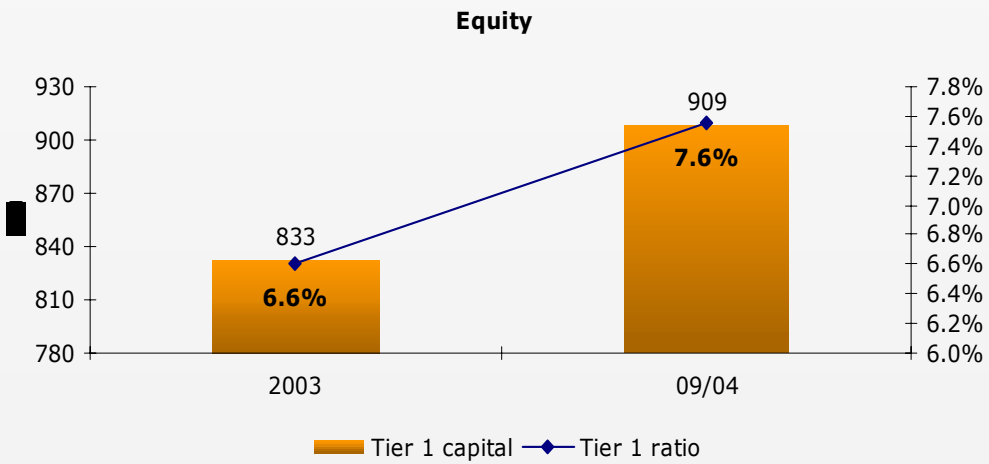



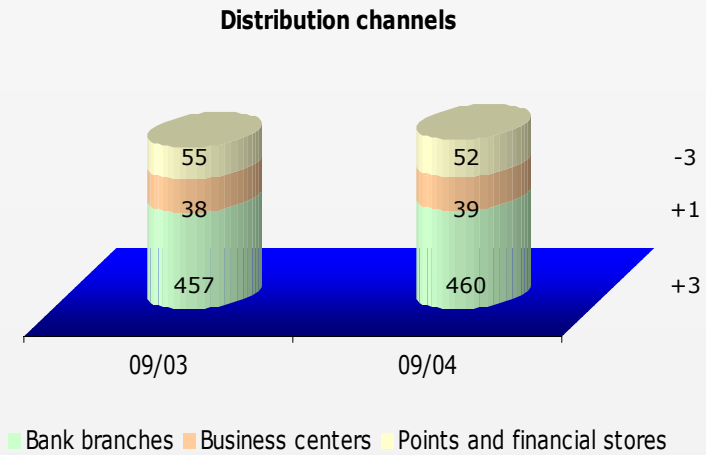



# AUM on the rise



CREDEM

# Key indicators

| | | 2003 | 09/03 | 09/04 |
|---|---|---|---|---|
| **growth** | Mkt share fundings | 1,60% | 1,64% | (*) 1.53% |
| | Mkt share loans | 1,00% | 1,00% | (*) 0.98% |
| | (*) figures as of June 2004 | | | |
| **profitability** | ROE | 11,1% | 10,3% | 11,1% |
| | Net interest income/Total income | 38,9% | 39,5% | 39,6% |
| | Non-interest income /Total income | 61,1% | 60,5% | 60,4% |
| **efficiency** | Operating costs/Total income | 66,0% | 66,8% | 66,7% |
| | Op. costs +depreciation/Total income | 74,5% | 75,7% | 74,0% |
| | Operating costs/Non-interest income | 1,08 | 1,10 | 1,10 |
| **loan quality** | Net non-performing/Total loans | 0,34% | 0,22% | 0,39% |
| | Net "problem"/Total loans | 0,58% | 0,44% | 0,66% |
| **equity** | TIER I | 6,6% | - | 7,6% |
| | TIER total *(minimum 8%)* | 9,0% | - | 9,8% |
| | TIER I capital (€/mn) | 833 | - | 909 |
| | TIER total capital (€/mn) | 1.120 | - | 1.160 |

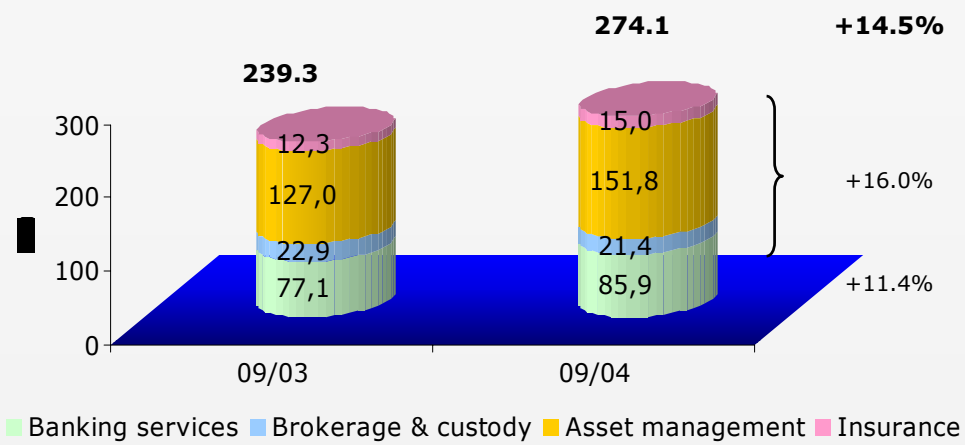
## Total income

# Revenues growing
# Commissions and fees up sharply

*pro-forma figures*

| (€/mn) | 2003 | 09/03 | 09/04 | % yoy |
|---|---|---|---|---|
| ***Net interest income*** | **307,3** | **230,9** | **241,8** | **4,7%** |
| Commercial spread | 2,79% | 2,84% | 2,70% | -14bp |
| Net fees and commissions incom | 342,8 | 239,3 | 274,1 | **14,5%** |
| *. Of which: management and broke* | *233,5* | *162,2* | *188,2* | *16,0%* |
| *. Of which: banking services* | *109,3* | *77,1* | *85,9* | *11,4%* |
| Security & currency trading | 91,9 | 79,1 | 60,0 | -24,1% |
| *. Of which: Abaxbank* | *41,8* | *40,3* | *24,2* | *-40,0%* |
| *. Of which: other companies* | *50,1* | *38,8* | *35,8* | *-7,7%* |
| Other income and expenses | 48,7 | 35,7 | 34,5 | -3,4% |
| ***Non-interest income*** | **483,4** | **354,1** | **368,6** | **4,1%** |
| **Total income** | **790,7** | **585,0** | **610,4** | **4,3%** |

**Net fees & commissions breakdown**




Total income **+4.3%.**

**Net interest income +4.7%** year-on-year thanks to steady core volume growth and the gradually stabilizing/improving spread.

**Non-interest income** was also up by a significant **4.1%.** Note the **14.5% increase** in **net fee and commission income**. "Captive" trading and other revenues stable; Abax's results influenced by market trends and restructuring.

A determining factor was the **14.5%** increase in total net fee and commission income, which includes:

- commissions from **securities trading** (+**16%**), **asset management (+19.5%)** and the **insurance business (+22%)**

- fees for **banking services, +11.4%.**

From total income to net profit

# Profitability improving
# Costs under control

*pro-forma figures*

| (€/mn) | 2003 | 09/03 | 09/04 | % yoy |
|---|---|---|---|---|
| Net income | 790,7 | 585,0 | 610,4 | 4,3% |
| Payroll | -313,5 | -236,3 | -240,7 | 1,9% |
| Administrative expenses | -208,2 | -154,7 | -166,3 | 7,5% |
| ***Operating costs*** | **-521,7** | **-391,0** | **-407,0** | 4,1% |
| **Gross operating profit** | **269,0** | **194,0** | **203,4** | **4,8%** |
| Amortization and depreciation | -67,4 | -52,1 | -44,3 | -15,0% |
| **Operating costs** | **201,6** | **141,9** | **159,1** | **12,1%** |
| Net loan writedowns | -74,7 | -18,7 | -4,0 | -78,6% |
| Provisions for risks & expenses | -23,0 | -0,6 | -9,1 | n.s. |
| Net adjustments to equity inves | -0,2 | 0,0 | 0,0 | n.s. |
| Extraordinary income (expenses) | 13,7 | 7,0 | -3,0 | -142,9% |
| **Pre-tax profit** | **117,4** | **129,6** | **143,0** | **10,3%** |
| Income taxes | -15,9 | -34,7 | -36,7 | 5,8% |
| Minority interests | -5,6 | -3,5 | -4,9 | 40,0% |
| **Net profit** | **95,9** | **91,4** | **101,4** | **10,9%** |

**Gross operating +4.8%**

**Operatin profit +12.1%**

Flexibly managed cost trend, in line with budget.

Depreciation down.

# Profit generation

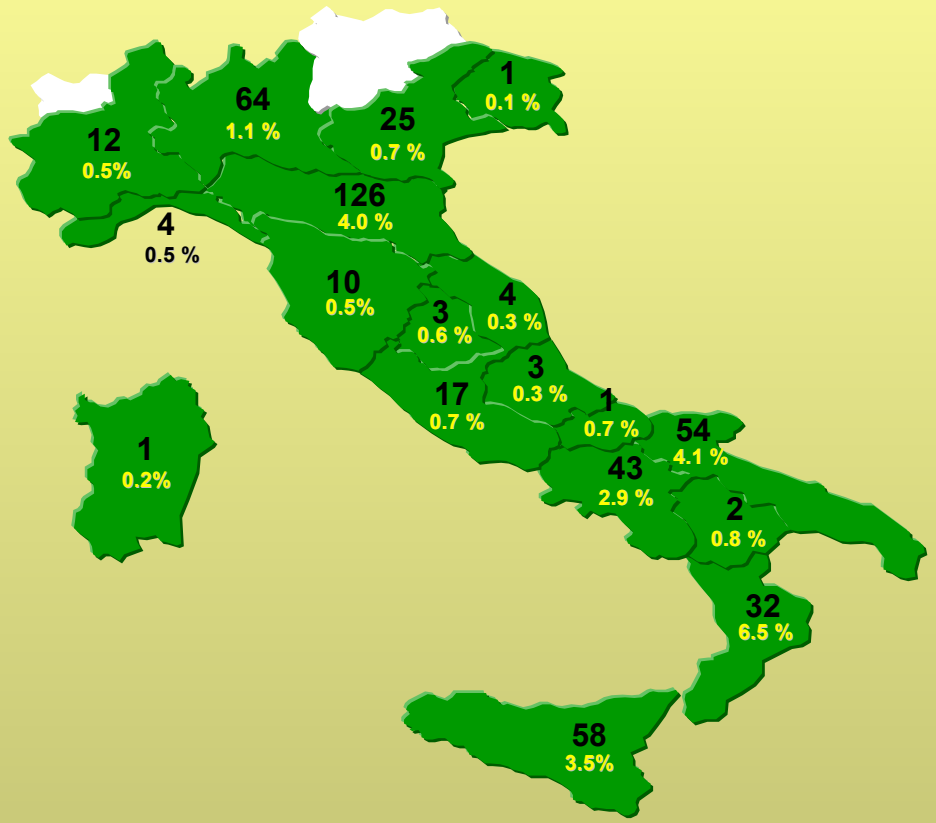
## Absolute focus on core business

| EBITDA breakdown (€/mn) | 09/03 | 09/04 | % contribution at 9/04 |
|---|---|---|---|
| **Total income** | **585.0** | **610.4** | |
| . Captive | 510.1 | 549.1 | 90.0% |
| . Non-captive | 74.9 | 61.3 | 10.0% |
| **Operating costs** | **-391.0** | **-407.0** | |
| . Captive | -333.1 | -357.7 | 87.9% |
| . Non-captive | -57.9 | -49.3 | 12.1% |
| **EBITDA** | **194.0** | **203.4** | |
| . Captive | 177.0 | 191.4 | 94.1% |
| . Non-captive | 17.0 | 12.0 | 5.9% |

| Company contributions to net profit (€/mn) | 09/03 | 09/04 | % contribution at 9/04 |
|---|---|---|---|
| **Captive companies** | **83.7** | **103.7** | 102.3% |
| Credembanca *(including CredemLux)* | 75.3 | 84.6 | 83.4% |
| Banca Euromobiliare | -3.2 | 1.7 | 1.7% |
| Euromobiliare A.M. SGR | 4.0 | 6.6 | 6.5% |
| Credemleasing | 7.1 | 9.1 | 9.0% |
| Other | 0.5 | 1.7 | 1.7% |
| **Non-captive companies** | **7.7** | **-2.3** | -2.3% |
| Euromobiliare SIM | 5.8 | 8.4 | 8.3% |
| Abaxbank | 1.4 | -11.6 | -11.4% |
| Euromobiliare Corporate F. | -1.0 | -0.8 | -0.8% |
| B.ca Euromobiliare Suisse | 1.5 | 1.7 | |
| ***Total*** | **91.4** | **101.4** | |

**94%** of gross operating income generated by **"captive"** companies corresponding to the group's core business; these earnings ensure **continuity** and stability over time.

## no. of CREDEM Group branches and market share




| Distribution structure | 2003 | 09/03 | 09/04 |
|---|---|---|---|
| Credembanca and others | 440 | 434 | 438 |
| B.ca Euromobiliare | 22 | 23 | 22 |
| **Bank branches** | **462** | **457** | **460** |
| **Business centres** | **38** | **38** | **39** |
| **Points and financial stores** | **54** | **55** | **52** |

| Human resources | 2003 | 09/03 | 09/04 |
|---|---|---|---|
| Banca Euromobiliare advisors | 372 | 407 | 372 |
| Credem advisors | 521 | 488 | 512 |
| **Advisors with mandates** | **893** | **895** | **884** |
| *Personal Financial Managers* | *231* | *213* | *221* |
| *Total* | *1.124* | *1.108* | *1.105* |
| **Credem Group employees** | **4.961** | **4.926** | **5.022** |

## Fundings

# Good show by AUM

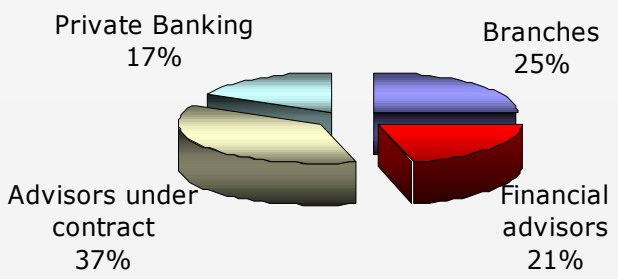
(€/mn)

| Breakdown of customer funding | 2003 | 09/03 | 09/04 | % yoy |
|---|---|---|---|---|
| Deposits | 6.991 | 7.091 | 7.345 | 3,6% |
| Bonds | 4.601 | 4.514 | 4.046 | -10,4% |
| **Tot. direct excluding repos** | **11.592** | **11.605** | **11.391** | **-1,8%** |
| Repos | 2.862 | 3.387 | 1.379 | -59,3% |
| Direct customer fundings | 14.454 | 14.992 | 12.770 | -14,8% |
| Portfolio management | 2.229 | 2.092 | 3.003 | 43,5% |
| Mutual funds and SICAVs | 10.788 | 10.644 | 10.455 | -1,8% |
| Hedge funds | 80 | 67 | 115 | 71,6% |
| Insurance | 1.569 | 1.497 | 1.821 | 21,6% |
| Other | 161 | 165 | 159 | -3,6% |
| **AUM** | **14.827** | **14.465** | **15.553** | **7,5%** |
| AUC | 21.586 | 21.125 | 22.541 | 6,7% |
| **Indirect customer fundings** | **36.413** | **35.590** | **38.094** | **7,0%** |
| **Tot. customer funding exc. repos** | **48.005** | **47.195** | **49.485** | **4,9%** |
| Total customer funding | 50.867 | 50.582 | 50.864 | 0,6% |
| Indirect institutional funding | 2.164 | 3.425 | 187 | -94,5% |
| Total funding | 53.031 | 54.007 | 51.051 | -5,5% |

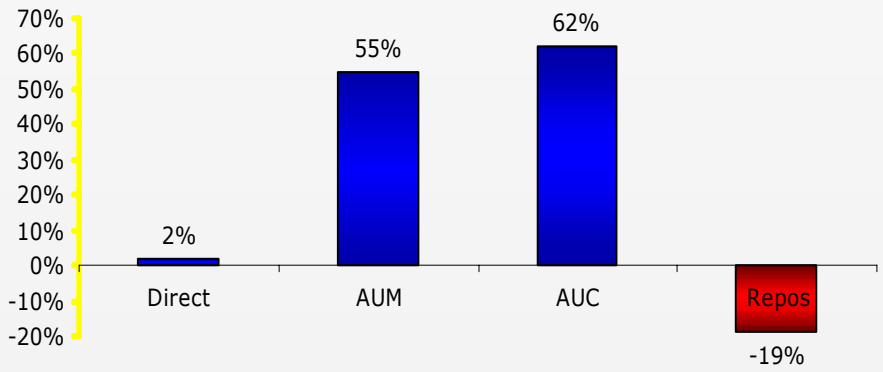
Net inflows as of September '04 were over €1 billion, mainly in AUM and AUC.

Total customer deposits grew by just under **5%** year-on-year, not counting repo transactions; **assets under management (+7.5%)** did well thanks to an ever broader product range, especially in **discretionary accounts (+43.5%)** and **insurance products (+21.6%).**

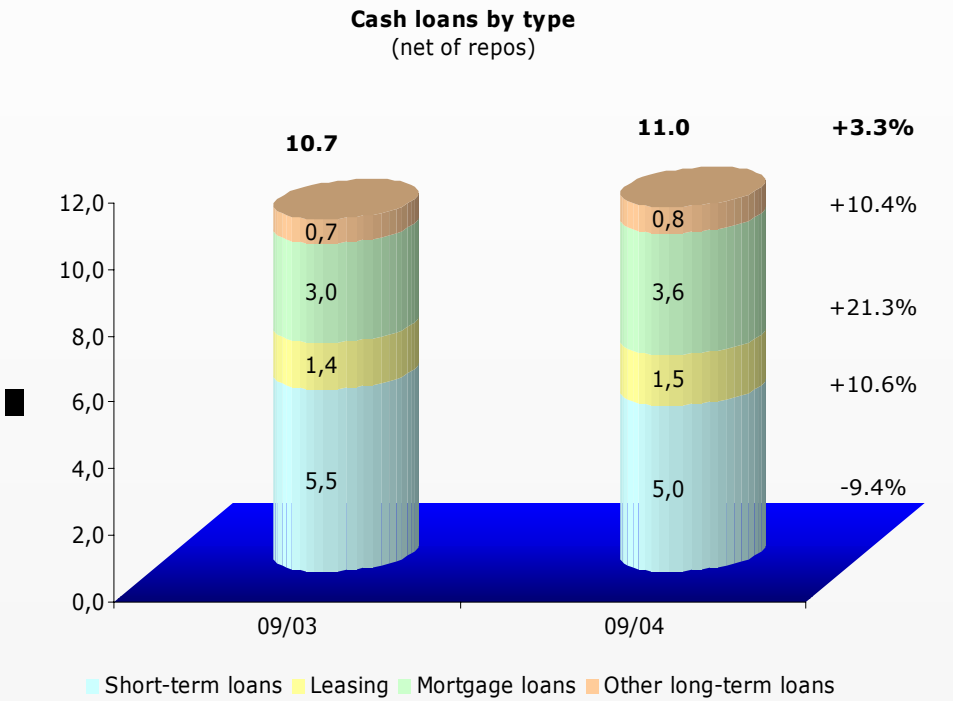
**Net inflows by channel**




**Net inflows by product**



# PRIVATE-SMALL BUSINESS-SME ....our key segments



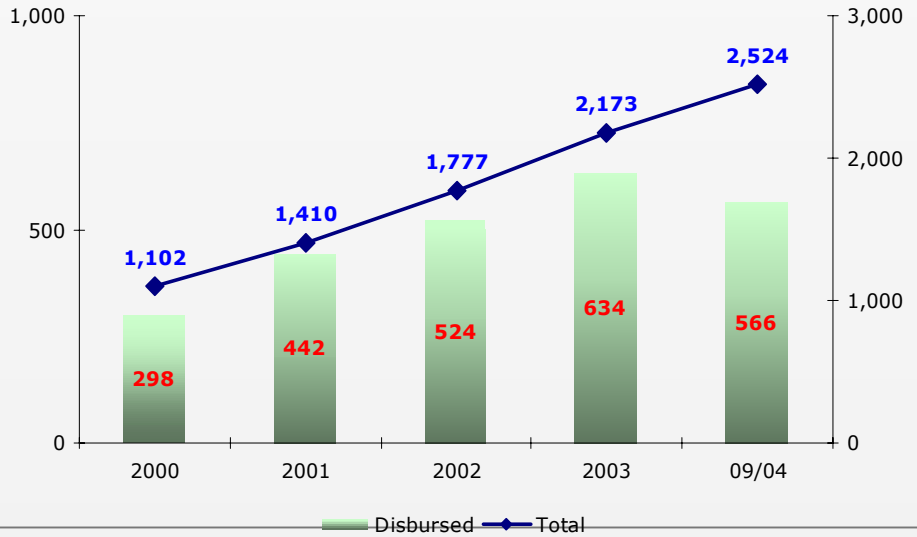

Customer loans up by >3% (>7% in terms of average liquid capital).

•Far more impressive is the average-capital comparison for the types of customer representing our core business:
**•retail +19.6%**
**•small business +20.2%**
**•SMEs +14.7%**

Two especially lively sectors were:
•**leasing**, with €456 million in new business (+3.3%)
•**home mortgage loans** ("Presticasa"), with a stock of about €2.5 bn (+23%) and new business during the first nine months of 566 mn (+27%).

**Loan quality** consistently high: ratio of net non-performing to total loans **0.39%, basically unchanged since December '03.**

**Home mortgage loans**
31,000 loans since 2000
avg. amount financed: €80,000




**Customer loans**

| (€/mn) | 2003 | 09/03 | 09/04 | % yoy |
|---|---|---|---|---|
| **Cash loans** | **11,052** | **10,657** | **11,005** | **3.3%** |
| *. Short-term* | *5,568* | *5,514* | *4,998* | *-9.4%* |
| *. Long-term* | *5,484* | *5,143* | *6,007* | *16.8%* |
| Repos | 99 | 216 | 43 | -80.1% |
| Total cash loans | 11,151 | 10,873 | 11,048 | 1.6% |
| Endorsement credits | 712 | 700 | 765 | 9.3% |
| **Total direct loans** | **11,863** | **11,573** | **11,813** | **2.1%** |

# Excellent loan quality

**CREDEM - Gross customer loans**
(€/mn)

| **Breakdown by business unit** | **2003** | **09/03** | **09/04** | % yoy |
|---|---|---|---|---|
| short-term | 3.678 | 3.610 | 2.718 | -24,7% |
| long-term | 435 | 397 | 446 | 12,3% |
| non-performing | 59 | 5 | 64 | n.s. |
| **Total Corporate BU** | **4.172** | **4.013** | **3.227** | **-19,6%** |
| | | | | |
| short-term | 1.521 | 1.397 | 1.579 | 13,0% |
| long-term | 3.271 | 3.092 | 3.758 | 21,5% |
| non-performing | 22 | 21 | 25 | 20,0% |
| **Total Retail BU** | **4.814** | **4.510** | **5.362** | **18,9%** |
| | | | | |
| Intercompany | 1.421 | 1.509 | 1.658 | 9,9% |
| Total gross customer loans | 10.407 | 10.032 | 10.247 | 2,2% |

Growth still rapid for CREDEM's strategic customer groups: Private, Small Business and SMEs.

The repositioning taking place in corporate banking has not hurt that sector's earnings.

| **Top 20 borrowers** (Corporate - €/mn) | **2003** | **09/04** |
|---|---|---|
| Total utilization | 1,400 | 599 |
| % of direct loans | 11.9% | 5.1% |
| Internal rating | normal | normal |
| Average utilization | 70 | 30 |
| Minimum utilization | 30 | 1.3 |
| Maximum utilization | 159 | 125 |

Borrowers and their sectors highly diversified: the top **20 corporate borrowers** (in terms of utilization) make up just **5.1%** of total loans.

Highly reliable, tested internal rating system and centralized decision-making powers (84%).

| **Breakdown of loans by rating** *(%)* | **2003** | **09/04** |
|---|---|---|
| Normal risk | 94.5 | 95.0 |
| Under observation | 4.7 | 4.1 |
| Problem loans | 0.8 | 0.9 |

# Market risks under control

| Market risk (€/mn) | 2002 | 2003 | 09/04 |
|---|---|---|---|
| **V.A.R.** banking and trading book (99% . 10 days) | | | |
| Credembanca | | | |
| . Average | 1.2 | 2.8 | 1.9 |
| . Maximum | 3.0 | 4.8 | 3.7 |
| Abaxbank | | | |
| . Average | 2.6 | 2.3 | 1.1 |
| . Maximum | 9.6 | 3.9 | 1.9 |
| Other companies - overall risk | 1.6 | 1.7 | 1.4 |

Market risk management mostly pertains to Credembanca and Abaxbank.

Overall risks are modest and fairly stable over time.

# Results

# Appendices

# CREDEM

## Capital structure

**Agreement between 226 shareholders**

| Main investors | %sul c.s. |
|---|---|
| Maramotti family | 35.5% |
| Pictet Cie | 4.9% |
| Savioli heirs | 2.9% |
| Fincorrad | 2.1% |
| Allianz Subalpina | 1.7% |

**More than 2,900 investors**

**72.4%**

**27.6%**

**CREDEMHOLDING**

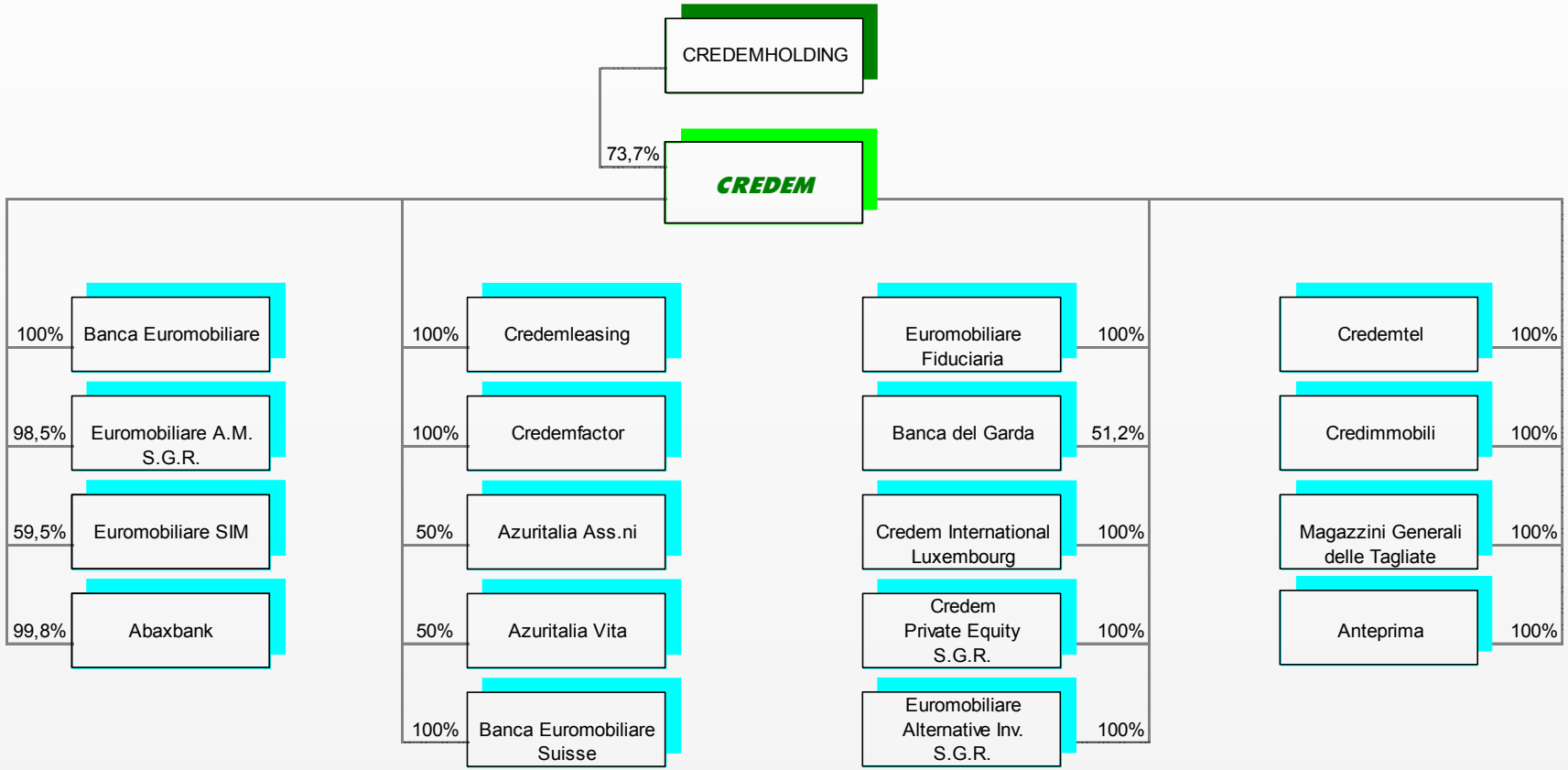
BORSA ITALIANA
ITALIAN EXCHANGE

**73.7%**

**26.3%**

**CREDEM**

# Group structure



# Business areas

| Commercial Banking | | Wealth Management | | Investment Banking | Other activities |
|---|---|---|---|---|---|
| CREDEM | BANCA EUROMOBILIARE | EUROMOBILIARE ASSET MANAGEMENT S.G.R. SpA | AZUR ITALIA Life insurance (*) | ABAXBANK BANCA D'INVESTIMENTO | CREDEMTEL |
| CREDEMLEASING | BANCA EUROMOBILIARE (SUISSE) | EUROMOBILIARE FIDUCIARIA Spa | AZUR ITALIA Insurance (*) | EUROMOBILIARE S.I.M. SpA | MGT MAGAZZINI GENERALI DELLE TAGLIATE |
| CREDEMFACTOR | CREDEMLUX CREDEM INTERNATIONAL (LUX) s.a. | EUROMOBILIARE INTERNATIONAL FUND SICAV (*) | ante prima (*) | | CREDIMMOBILI |
| BANCA DEL GARDA | | EUROMOBILIARE ALTERNATIVE INVESTMENTS SGR | CREDEM Private equity | | |

(*) companies outside the banking group