

***CREDEM***

***CREDEM***

***1Q2006***

- ***Group Profile***
- *Results*
- *History & Planning*

- Based in Emilia Romagna, one of Italian richest regions
- Italy's 14th largest banking group
- Italy's 12th largest asset manager
- Listed on Milan Stock Exchange since 1997 and market cap around 3 billions
- 456 branches in Italy
- 700,000 customers and over Eur 70 bln in customer total business\*
- Rating: **S&P**      **A-** Long Term – outlook positive  
**Fitch**      **A** Long Term – outlook stable
- FY05 ROE: 23.2% (1Q06 ROE: 5,8%)
- NPL Ratio: 0.16%

### Ratings Standard & Poor's

Short Term	A2
Long Term	A-
Outlook	<i>Positive</i>

Last review: 16 January '06

".. The ratings on Credem reflect its strong financial profile, based on very strong asset quality, highly satisfactory capitalization, and resilient core profitability. The ratings also take into account the bank's only-adequate efficiency and market position.

Credem has an adequate market position in its wealthy home Region of Emilia-Romagna, and is a niche player in other regions...

Credem's credit risk metrics are very strong, reflecting a low credit risk appetite; a highly efficient credit risk process; extensive monitoring, notably of its southern branches; and low geographic and single-party concentrations. Capitalization is highly satisfactory in light of the bank's low credit risk profile.

Bottom-line profitability is satisfactory, with only-adequate but improving efficiency compensated by very low cost of risk...

The strategic shift in activity mix toward higher margin retail lending and private banking is paying off, as evidenced by the cost-to-income ratio improving. Compared to domestic regional peers, Credem has a larger share of revenues generated by brokerage fees and commissions on financial products...

The positive outlook reflects the possibility that the ratings on Credem could be raised to 'A/A-1' if the bank manages to sustain the improvement in core profitability--notably efficiency--started in 2005 in the next two years..."

### Ratings Fitch-IBCA

Short Term	F1
Long Term	A
Outlook	<i>Stable</i>
Individual	B
Support	3

Last review: 21 December '05

"..The upgrade reflects progress in management efforts to contain Credem's above-average costs and to increase the diversification of its loan portfolio, the quality of which is healthier than other Italian mid-sized regional banks. The ratings also reflect the bank's good revenue generation and profitability, adequate capital base, good management and controls. The Outlook on the ratings is Stable and reflects Fitch's view of Credem as a well-managed, profitable bank with a modest appetite for risk. Where risks are taken, adequate controls are in place, which should maintain ratings at their current levels..."

	FY05	1Q05	1Q06
<b>Assets under management (AUM)</b>	18.0 bln	16.1 bln	17.9bln
<b>Assets under custody (AUC)</b>	24.9 bln	23.8 bln	25.6 bln
<b>(AUM+AUC) / Total Business</b>	63.2%	62.8%	62.9%
<b>AUM/AUC</b>	72.0%	67.7%	69.9%
<b>Direct Deposits</b>	8.6 bln	8.0 bln	8.7 bln
<b>Loans to customers</b>	12.6 bln	11.5 bln	12.8 bln
<b>NPL ratio</b>	0.18%	0.20%	0.16%
<b>Non interest income / Total Income</b>	60.3%	58.6%	59.4%
<b>Operating costs / Total Income</b>	62.0%	64.1%	57.9%
<b>ROE</b>	23.2%	5.2%	5.8%
<b>TIER I ratio</b>	7,7%	7.5%	7,6%

Pact among 226  
shareholders

*More than 2,900 other  
shareholders*

### Main Shareholders

Maramotti family	35.5%
Pictet Cie	4.9%
Eredi Savioli	2.9%
Fincorrad	2.1%
Allianz Subalpina	1.7%

72.6%

27.4%

**CREDEMHOLDING**

72.2%

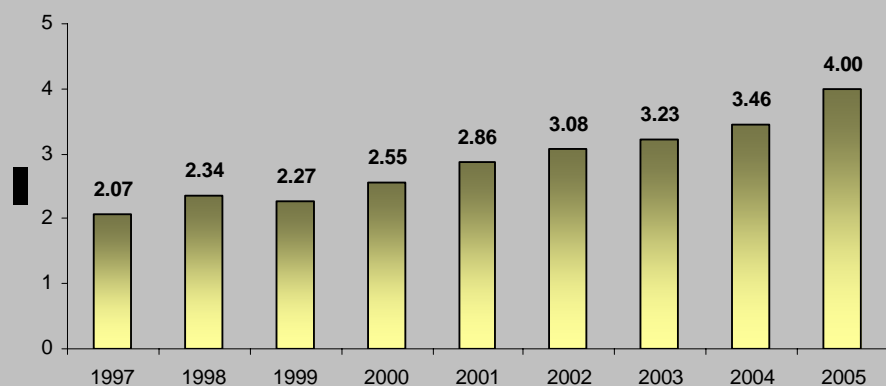
27.8%

**CREDEM**

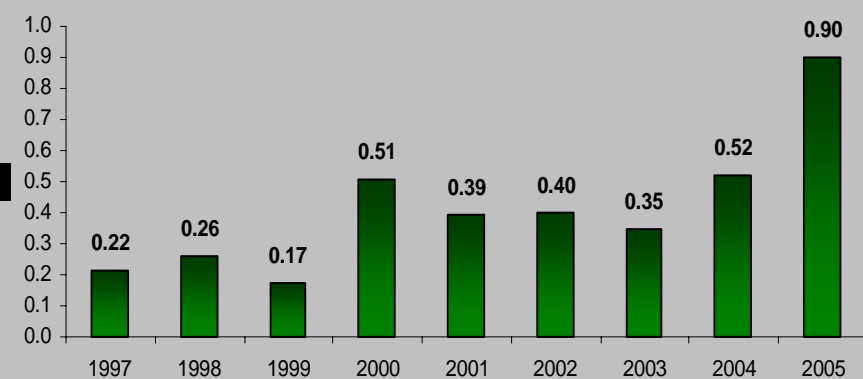
*Free Float on Milano  
Stock Exchange*

	1997	1998	1999	2000	2001	2002	2003	2004	2005
No. shares (/000)	225,839	253,408	265,464	270,679	272,537	273,309	274,350	275,417	278,605
Net equity per share	2.07	2.34	2.27	2.55	2.86	3.08	3.23	3.64	4.00
Earnings per share	0.22	0.26	0.17	0.51	0.39	0.40	0.35	0.52	0.90
ROE	11.6%	13.5%	8.5%	21.3%	14.6%	13.5%	11.1%	14.8%	23.2%
Dividend per share	0.08	0.10	0.12	0.18	0.20	0.20	0.20	0.25	0.50
Payout ratio	39.2%	37.9%	68.6%	35.3%	50.8%	50.0%	57.1%	47.8%	55.8%

Net equity per share



Earnings per share

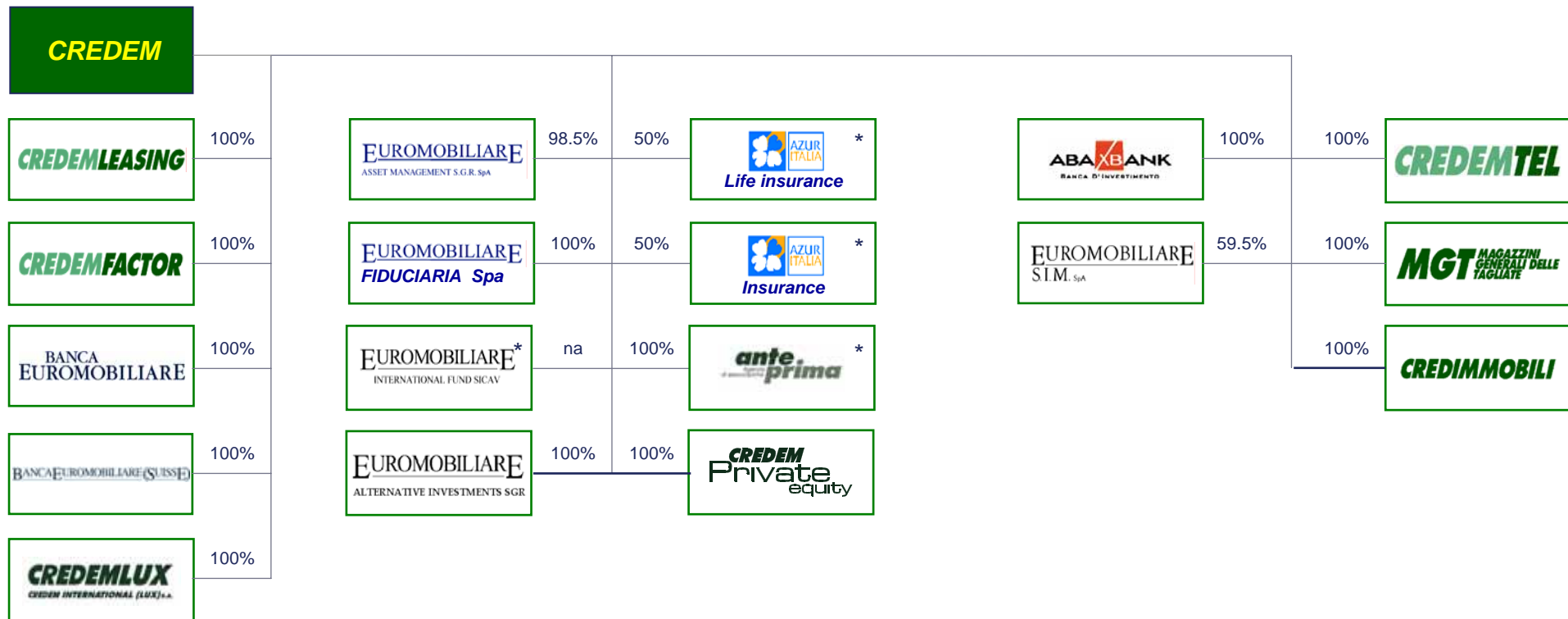


### Commercial Banking

### Wealth Management

### Investment Banking

### Other



\* Not consolidated

No. of CREDEM Group branches as at March 31° 2006



### Market shares

	Deposits & Funding	Loans
Emilia Romagna	4.1%	4.4%
Italia	1.3%	1.0 %

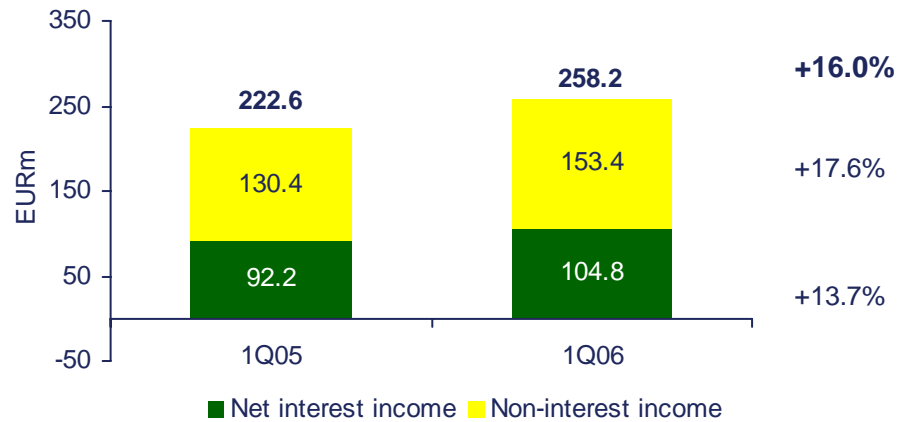
Network	FY05	1Q06
Credem and others	433	435
B.ca Euromobiliare	22	21
<b>Branches</b>	<b>455</b>	<b>456</b>
<b>Business centres</b>	40	40
<b>Credem Points</b>	24	24
<b>Banca Euro financial stores</b>	36	39

Staff	FY05	1Q06
Banca Euromobiliare advisors	328	327
Credem advisors	506	504
<b>Advisors with mandate*</b>	<b>834</b>	<b>831</b>
Advisors with employee status	218	185
<b>Total advisors</b>	<b>1,052</b>	<b>1,016</b>
<b>Credem Group employees</b>	<b>4,943</b>	<b>4,943</b>

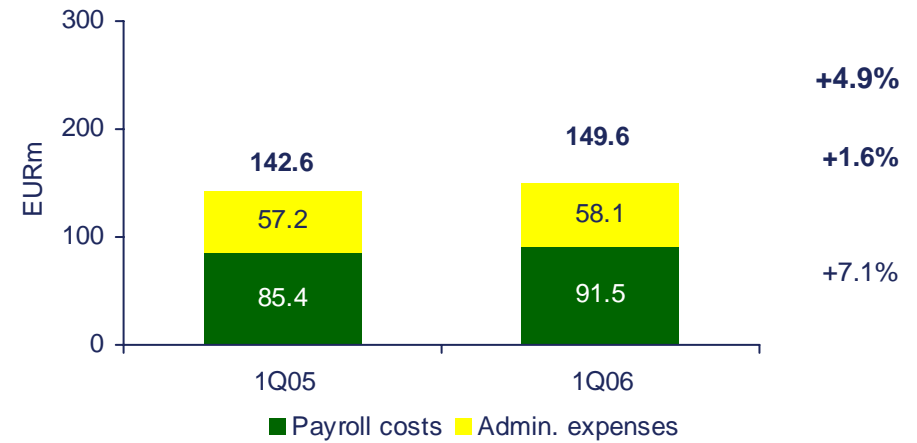
\* not on group's payroll

- *Group Profile*
- **Results**
- *History & Planning*

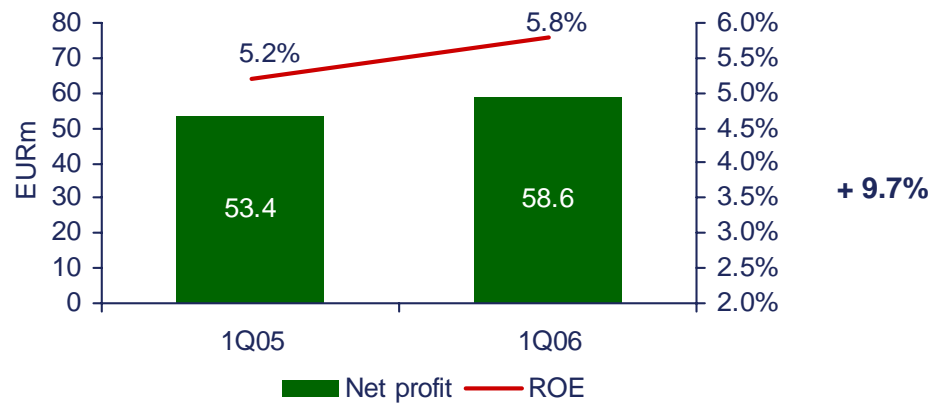
### Total income



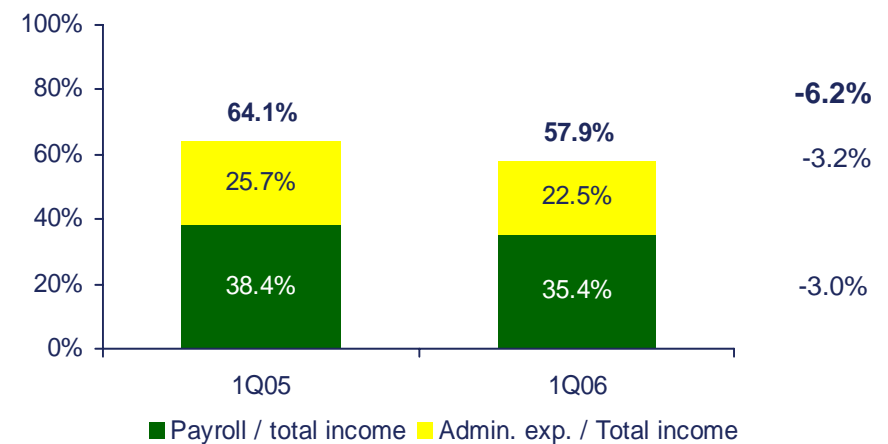
### Operating costs



### Profitability



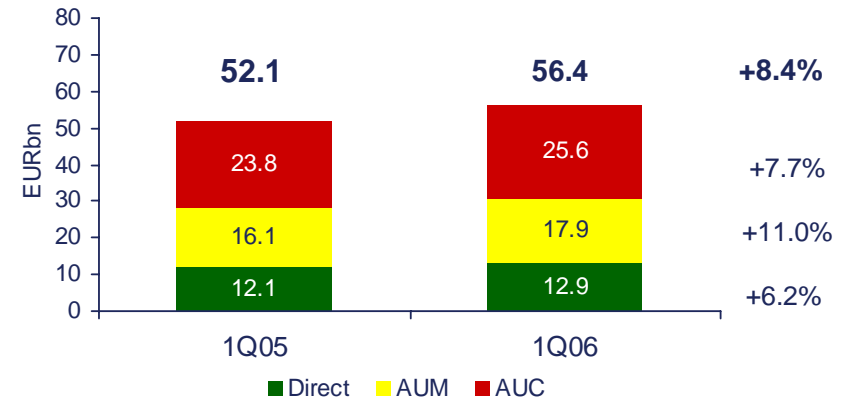
### Cost to income



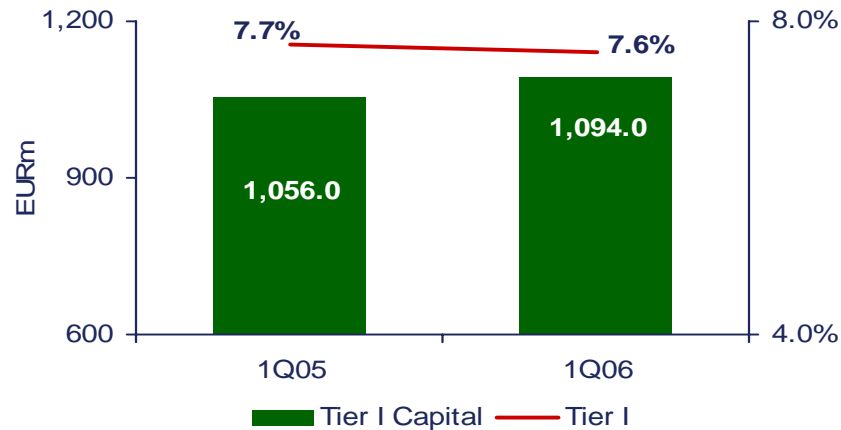
### Total direct loans (net of repos)



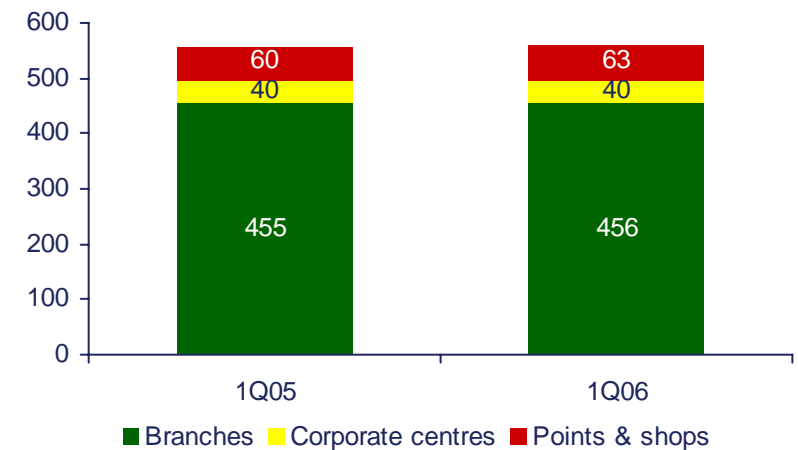
### Deposits & funding (net of repos)



### Capital adequacy



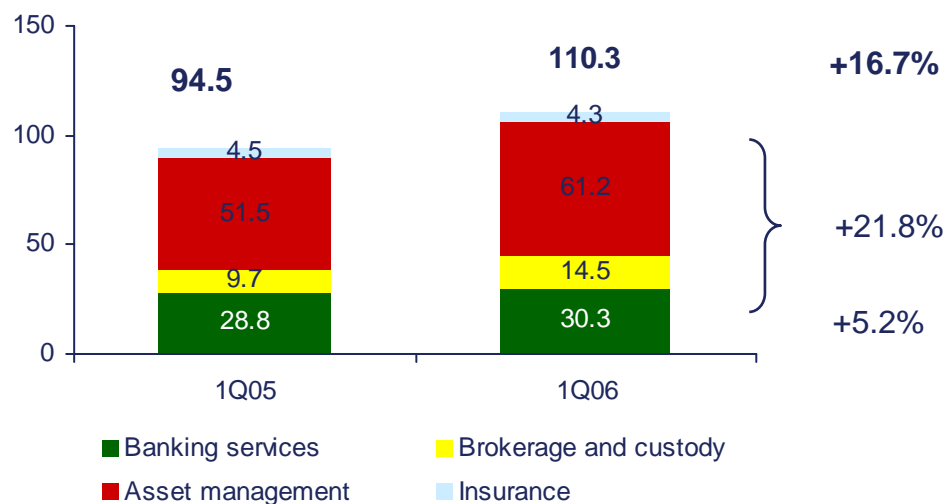
### Distribution channels



EURm	FY05	1Q05	1Q06	% yoy
<b>Net Interest Income</b>	375.6	92.2	104.8	13.7%
Commercial spread	3.18%	3.19%	3.38%	+19bps
Net fee and commission income	414.7	94.5	110.3	16.7%
- of which: management and brokerage	302.5	65.7	80.0	21.8%
- of which: banking services	112.5	28.8	30.3	5.2%
Trading and forex	100.9	23.2	30.2	30.2%
- of which Abaxbank	41	12.8	17.1	33.6%
- of which other companies	59.9	10.4	13.1	26.0%
Other income and expenses	54.1	12.7	12.9	1.6%
<b>Non-Interest Income</b>	569.7	130.4	153.4	17.6%
<b>Total Income</b>	945.3	222.6	258.2	16.0%

- **Net interest income** has improved by **13.7%**. The spread (+19bps) improved as a result of the stronger focus on “core” loan sectors.
- **Non-interest income** is up **17.6%**, confirming the importance of “non-interest” revenue sources for the group.
- **Net commissions & trading** have grown **16.7%**.

### Net commission & trading



EURm	FY05	1Q05	1Q06	% yoy
Net interest income	375.6	92.2	104.8	13.7%
Non interest income	569.7	130.4	153.4	17.6%
<b>Total Income</b>	<b>945.3</b>	<b>222.6</b>	<b>258.2</b>	<b>16%</b>
Payroll	-370.3	-85.4	-91.5	7.1%
Administrative expenses	-216.1	-57.2	-58.1	1.6%
<b>Operating costs</b>	<b>-586.4</b>	<b>-142.6</b>	<b>-149.6</b>	<b>4.9%</b>
<b>EBITDA</b>	<b>358.9</b>	<b>80.0</b>	<b>108.6</b>	<b>35.8%</b>
Amortization and depreciation	-25.7	-6.3	-6.6	4.8%
<b>EBIT</b>	<b>333.2</b>	<b>73.7</b>	<b>102.0</b>	<b>38.4%</b>
Net loan writedowns	-23.3	-2.2	-4.8	n.a.
Provisions for risks and expenses	4.3	-1.3	-1.6	n.a.
Extraordinary income (expenses)	17.5	15.0	4.7	n.a.
<b>Pre-tax profit</b>	<b>331.7</b>	<b>85.2</b>	<b>103.5</b>	<b>21.5%</b>
Income taxes	-62.8	-29.6	-42.4	43.2%
Minority interests	-19.3	-2.2	-2.5	13.6%
<b>Net profit</b>	<b>249.6</b>	<b>53.4</b>	<b>58.6</b>	<b>9.7%</b>

- €3.6 million from the sale of a minority stake in MTS in 1Q06;
- €14 million from the sale of Banca del Garda IN 1Q05.

EURm	1Q05	1Q06	
<b>Pre-tax profit</b>	<b>85.2</b>	<b>103.5</b>	21.5%
<b>Capital gains from sale of participations</b>	<b>-14.0</b>	<b>-3.6</b>	
<b>Normalized pre-tax profit</b>	<b>71.2</b>	<b>99.9</b>	40.3%
Income taxes	-29.6	-42.4	
Minority interests	-2.2	-2.5	
<b>Normalized net profit</b>	<b>39.4</b>	<b>55.0</b>	39.6%

### % Contribution to EBITDA March 31<sup>st</sup> 2006

EURm	Core business companies	Other companies
<b>Total income</b>	<b>85.8</b>	<b>14.2</b>
<b>Operating costs</b>	<b>88.4</b>	<b>11.6</b>
<b>EBITDA</b>	<b>82.1</b>	<b>17.9</b>

The diversification of the Group's activities and the focus on "core" businesses have helped generate significant profits.

**84.8%** of Net Profit has been generated by **core** companies working with strategic client segments.

The contribution of "non core" companies to net profit has improved significantly.

### Contribution to Net Profit

EURm	FY05	1Q05	1Q06	Contributions % at 1Q06
<b>Core business companies</b>	<b>185.7</b>	<b>47.1</b>	<b>49.7</b>	<b>84.8</b>
Credem (incl. Credem Lux)	158.6	42.1	42.0	71.7
Banca Euromobiliare	6.8	0.8	2.1	3.6
Euromobiliare A.M. SGR	6.1	0.9	1.9	3.2
Credemleasing	11.9	3.4	3.4	5.8
Others & adj.	2.3	-0.1	0.3	0.5
<b>Other companies</b>	<b>63.8</b>	<b>6.3</b>	<b>8.9</b>	<b>15.2</b>
Euromobiliare SIM	28.2	3.2	3.7	6.3
Abaxbank	31.1	2.0	4.2	7.2
B.ca Euromobiliare Suisse	4.5	1.1	1.0	1.7
<b>Total</b>	<b>249.5</b>	<b>53.4</b>	<b>58.6</b>	

### Customers funding

EURm	FY05	1Q05	1Q06	% yoy
Deposits	8,622	8,050	8,736	8.5
Bonds	3,738	4,061	4,131	1.7
<b>Total direct (net of repos)</b>	<b>12,360</b>	<b>12,111</b>	<b>12,867</b>	<b>6.2</b>
Portfolio management	5,046	3,562	5,317	49.3
Mutual funds and SICAVs	10,705	10,448	10,365	-0.8
Hedge funds	207	115	220	n.a.
Insurance	1,835	1,825	1,822	-0.2
Other	202	190	196	3.2
<b>Total assets under management</b>	<b>17,995</b>	<b>16,140</b>	<b>17,920</b>	<b>11.0</b>
Assets under custody	24,971	23,819	25,647	7.7
Indirect customer funding	42,966	39,959	43,567	9.0
<b>Total (net of repos)</b>	<b>55,326</b>	<b>52,070</b>	<b>56,434</b>	<b>8.4</b>

- “Managed” funding overall has improved 11.0%. This includes “portfolio management”, with growth of about 49.3%.

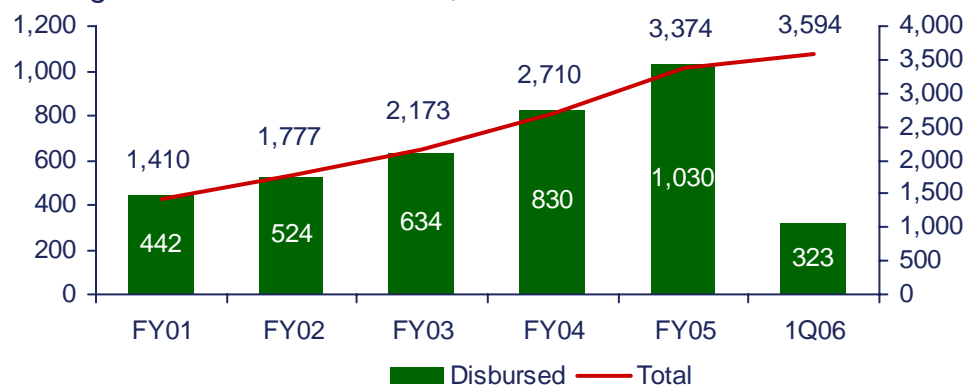
### Customers loans

EURm	FY05	1Q05	1Q06	%yoy
<b>Short Term Loans</b>	<b>6,441</b>	<b>6,068</b>	<b>6,419</b>	<b>5.8</b>
Long Term Loans	4,441	3,667	4,703	28.2
Leasing	1,719	1,667	1,723	3,3
Repos	117	35	192	n.a.
<b>Total cash loans</b>	<b>12,718</b>	<b>11,561</b>	<b>13,037</b>	<b>12.8</b>

The increase has been sustained by all “core” segments (Private, Small and Middle Corporate).

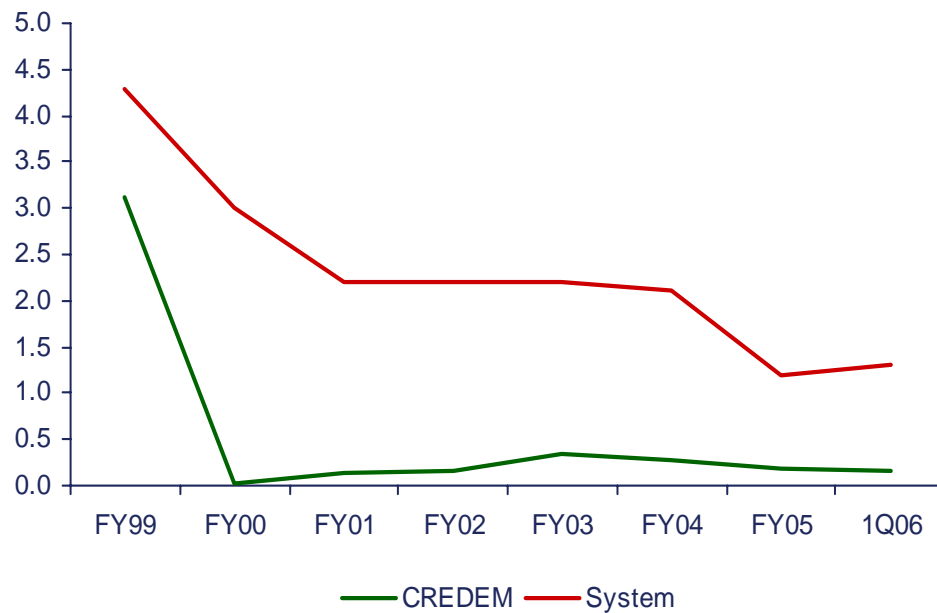
### Home mortgage loans

- More than 45,500 loans in 6 years
- Avg. amount financed: € 90,000



The growth in long term loans continued, remarkably in the household sector with the “Presticasa” home mortgages loans.

- Credit quality consistently high, with an **NPL ratio of 0.16%** (0.20% at March 05)



- The management and collection of loans securitized in late 2000 continued with success.
  - Euro 182 mln collected, vs. a maximum Euro 115 mln forecast;
  - senior tranche (ex Euro 100 mln) paid back in full in 2004, five years ahead of schedule;
  - Euro 26 mln of the junior tranche (ex Euro 81 mn) already paid back in advance.
- Highly reliable, tested internal rating system in place for many years. About 85% of credit related decisions are approved at central level

Market risk (EUR/m)	FY04	FY05	1Q06
<b>Credem</b>			
- average	5.2	5.5	12.1
- maximum	11.0	9.7	14.1
<b>Abaxbank</b>			
- average	3.3	4.5	3.0
- maximum	6.1	8.8	5.2
<b>Other companies</b>			
- average	4.1	4.5	4.0
- maximum	7.9	16.2	6.3

- Market risk management mostly pertains to Credem, Abaxbank and Euromobiliare SIM
- Overall risks are modest and fairly stable over time..

# CREDEM

BUSINESS LINE (€ mln)	Total income				EBIT				Net profit			
	2005	IQ05	IQ06	% yoy	2005	IQ05	IQ06	% yoy	2005	IQ05	IQ06	% yoy
Retail	561.9	133.0	152.2	14.4%	158.8	41.4	52.8	27.5%	104.6	27.0	34.7	28.5%
Corporate	126.4	30.1	34.3	14.0%	71.0	17.0	20.2	18.8%	50.8	9.9	12.4	25.3%
Wealth Management	46.2	10.3	13.8	34.0%	28.3	5.4	9.0	66.7%	23.8	4.6	7.1	54.3%
Investment Banking	110.2	28.3	34.4	21.6%	48.0	12.5	17.8	42.4%	78.5	7.4	10.3	39.2%
Other activities and writedowns	100.5	20.9	23.5	12.4%	27.0	-2.6	2.2	n.s.	-8.1	4.5	-5.9	n.s.
<b>Total</b>	<b>945.2</b>	<b>222.6</b>	<b>258.2</b>	<b>16.0%</b>	<b>333.1</b>	<b>73.7</b>	<b>102.0</b>	<b>38.4%</b>	<b>249.6</b>	<b>53.4</b>	<b>58.6</b>	<b>9.7%</b>

BUSINESS LINE (€ mld)	Total loans				Direct customer funding				Indirect customer funding			
	2005	IQ05	IQ06	% yoy	2005	IQ05	IQ06	% yoy	2005	IQ05	IQ06	% yoy
Retail	8.0	7.1	8.2	15.4%	8.0	7.7	7.9	1.8%	29.4	27.0	29.9	10.8%
Corporate	5.5	5.5	5.5	-0.8%	2.3	2.1	2.2	8.5%	13.2	12.3	12.9	5.1%
Wealth Management	0.0	0.0	0.0	-34.2%	0.2	0.2	0.2	-27.2%	12.6	12.3	12.2	-0.4%
Investment Banking	0.2	0.1	0.3	114.2%	1.0	1.2	0.6	-49.0%	0.0	0.0	0.0	-
Other activities and writedowns	-1.1	-1.3	-1.0	-21.6%	2.2	1.5	2.7	76.0%	-12.2	-11.6	-11.5	-1.0%
<b>Total</b>	<b>12.7</b>	<b>11.6</b>	<b>13.0</b>	<b>12.8%</b>	<b>13.6</b>	<b>12.8</b>	<b>13.6</b>	<b>6.3%</b>	<b>43.0</b>	<b>40.0</b>	<b>43.6</b>	<b>9.0%</b>

- *Group Profile*
- *Results*
- ***History & Planning***

- **1910** The bank was established as Banca Agricola Commerciale di Reggio Emilia (Emilia Romagna)
- **1983** The bank acquired the current denomination of Credito Emiliano S.p.A. (Credem) and acquired Banca Belinzaghi di Milano, the first significant step taken towards the expansion at a national level
- **1991-1999** Credem conducted an intense acquisition campaign, taking over almost thirty small Italian banks, mainly located in southern part of Italy
- **1994** Credem acquired Euromobiliare S.p.A., a group active in the investment banking and asset management sectors, previously owned by HSBC
- **1997** As a result of the merger with Euromobiliare (listed since 1982), Credem stocks were listed on the Milan Stock Exchange
- **2000** The Credem Group established Abaxbank S.p.A., operating in the investment banking sector for corporate clients, banks, financial and institutional investors.
- **2004** Credem releases the new Business Plan 2004-2006

### Strategy

#### Central role of the core business

- Commercial banking with strong wealth management
  - Focus on RETAIL customers of medium-high standing, small business and SMEs
  - To extract VALUE from acquired potential
- 
- After few years of sustained growth, the Group intends to pursue the objective of capitalising on its dimensional evolution by:
    - improving the contribution of the interest margin and, in particular, of loans
    - extending the consulting activity on AUC, to convert savings into AUM and
    - upgrading AUM from monetary to higher risk/profitability profile products

### Drivers

Target development  
with focus on profit

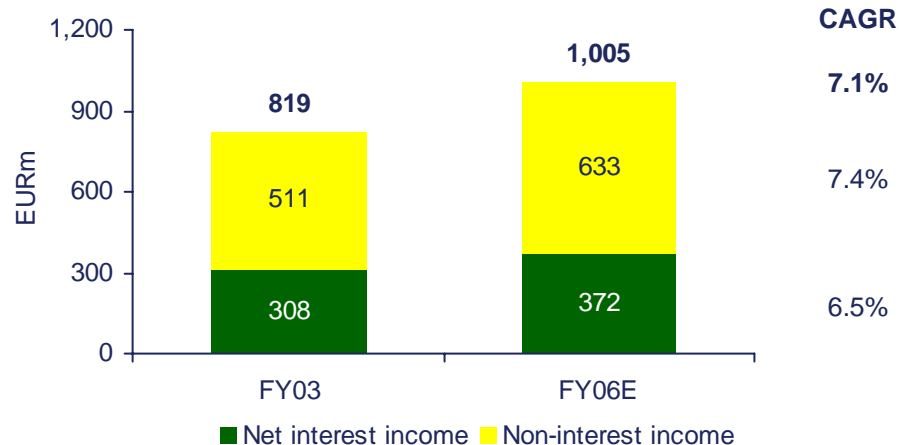
Selectivity in  
business and  
capital allocation

Governance

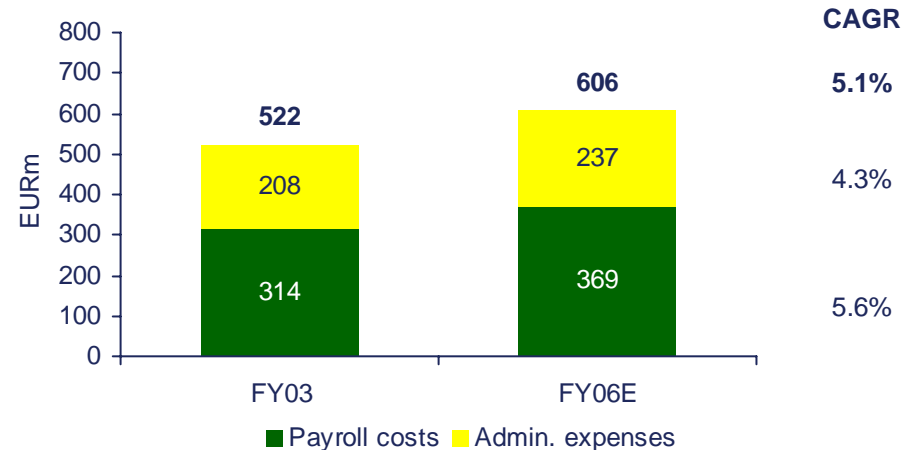
### Actions

- Rationalisation of the branches network with stronger focus on efficiency
- Improvement of customers potential and retention through CRM and cross selling
- Strengthening of wealth management as flagship business line
- Focusing of the lending activity on segments with better risk to yield profile
- Maintaining the non-performing loans ratio at its usual levels
- Strengthening of the parent company's role of guidance and supervision
- Improvement in cost control and rationalisation of areas of overlap

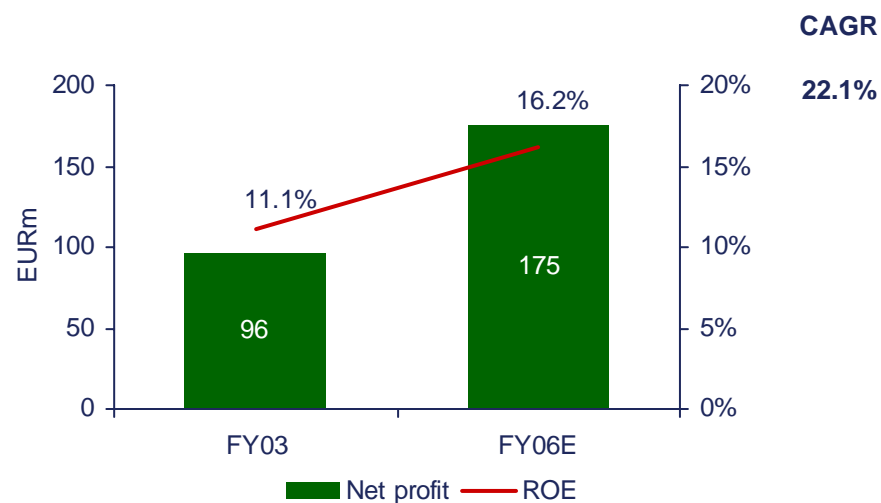
### Total income



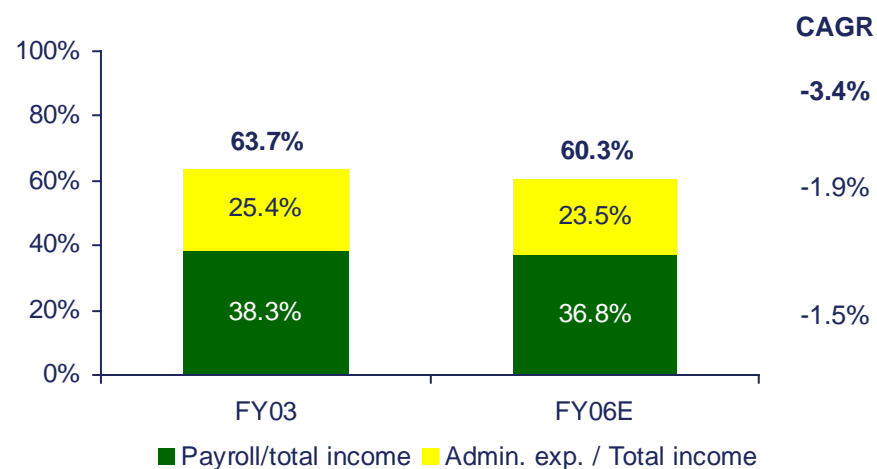
### Operating costs



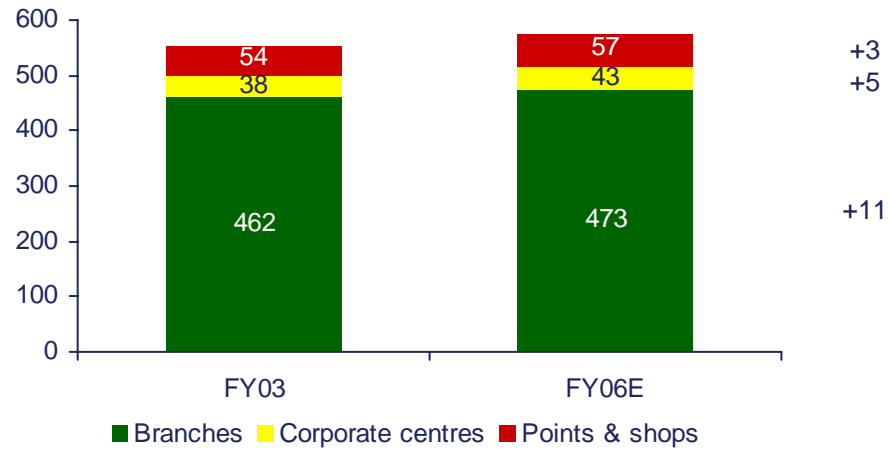
### Profitability



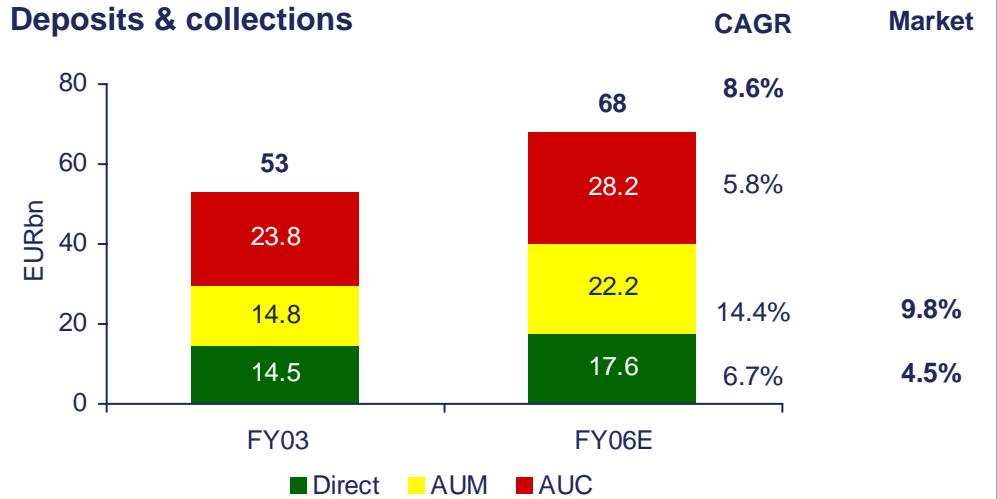
### Cost to income



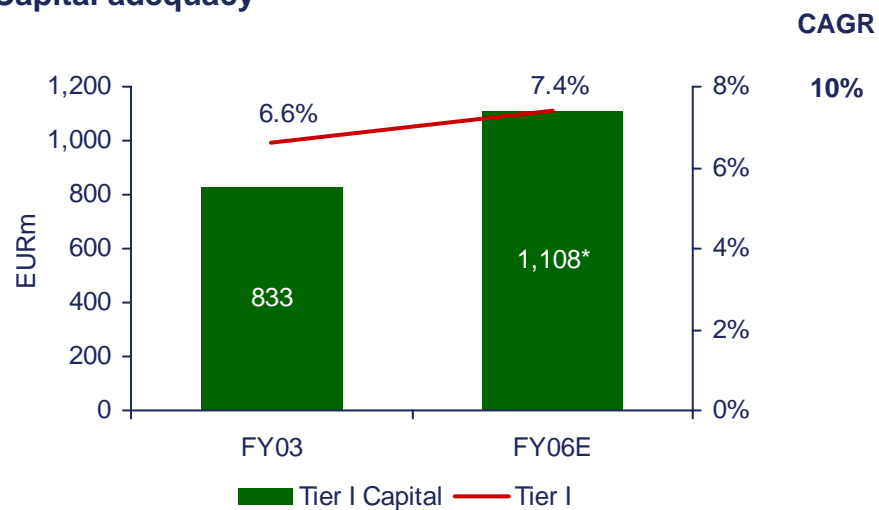
### Distribution channels



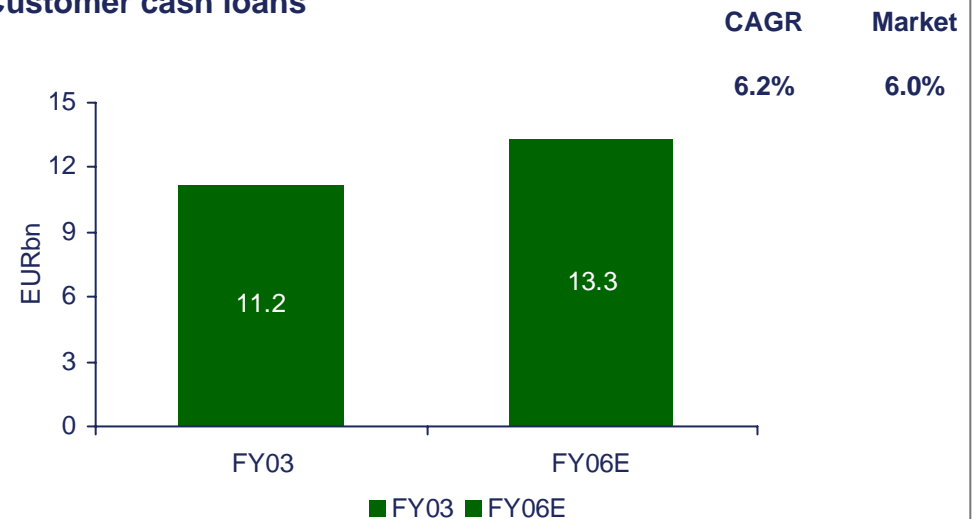
### Deposits & collections



### Capital adequacy



### Customer cash loans



Note: \* Net of IAS impact