

CREDEM

CREDEM
FY2006 Results

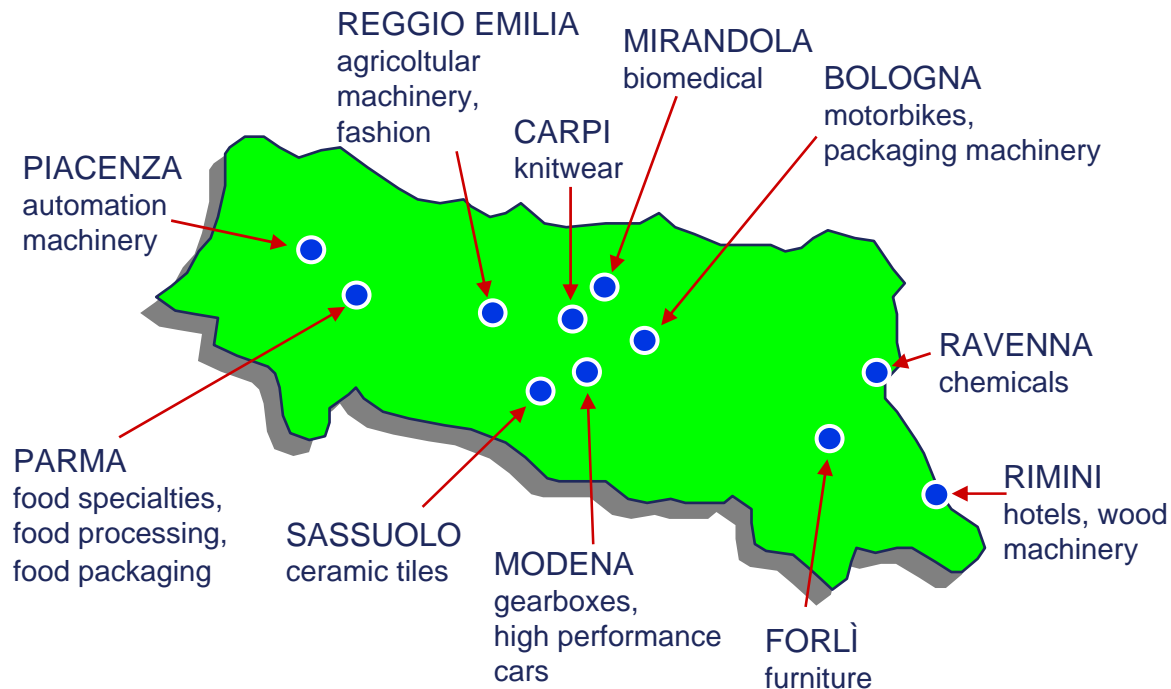
- ***CREDEM at a Glance***
- *Key Data & Strategy*
- *FY2006 Results*
- *2006- 2008 Business Plan recap*

- *Based in Emilia Romagna, one of Italian richest regions*
- *Listed on Milan Stock Exchange since 1997 and market cap around EURbn 3*
- *510 branches and corporate centres in Italy*
- *780,000 customers and over EURbn 70 in customer total business**
- *RATINGS : A- S&P Long Term – Outlook Positive
A Fitch Long Term – individual B – Outlook Stable*
- *2006 ROE 19.3%*
- *2006 NPL Ratio: 0.22%*
- *Internal growth strategy confirmed by the latest business plan*

* Sum of activities with customers (AUC, loans, AUM, direct fundings)

- Region of Emilia-Romagna rating: Aa2 stable /A+ stable, Moody's/S&P
- About 4.1 million people (7% of the Italian population)
- A wealthy and well diversified economy, with strong positions in several markets and leading industrial districts
- 8.7% of the national total GDP
- Eur 29K regional GDP per capita (25% higher than Italian average, among the top 20 regions of Europe)
- Eur 31 bn in exports (more than 11% of the national exports in 2003)
- Unemployment rate of 3.5%, well below the national average (7%). 1 company every 10 people, 90% of companies have less than 5 people. 4.3 employees per company on average
- 4 Universities (Bologna, Parma, Modena & Reggio Emilia and Ferrara). 162,000 students

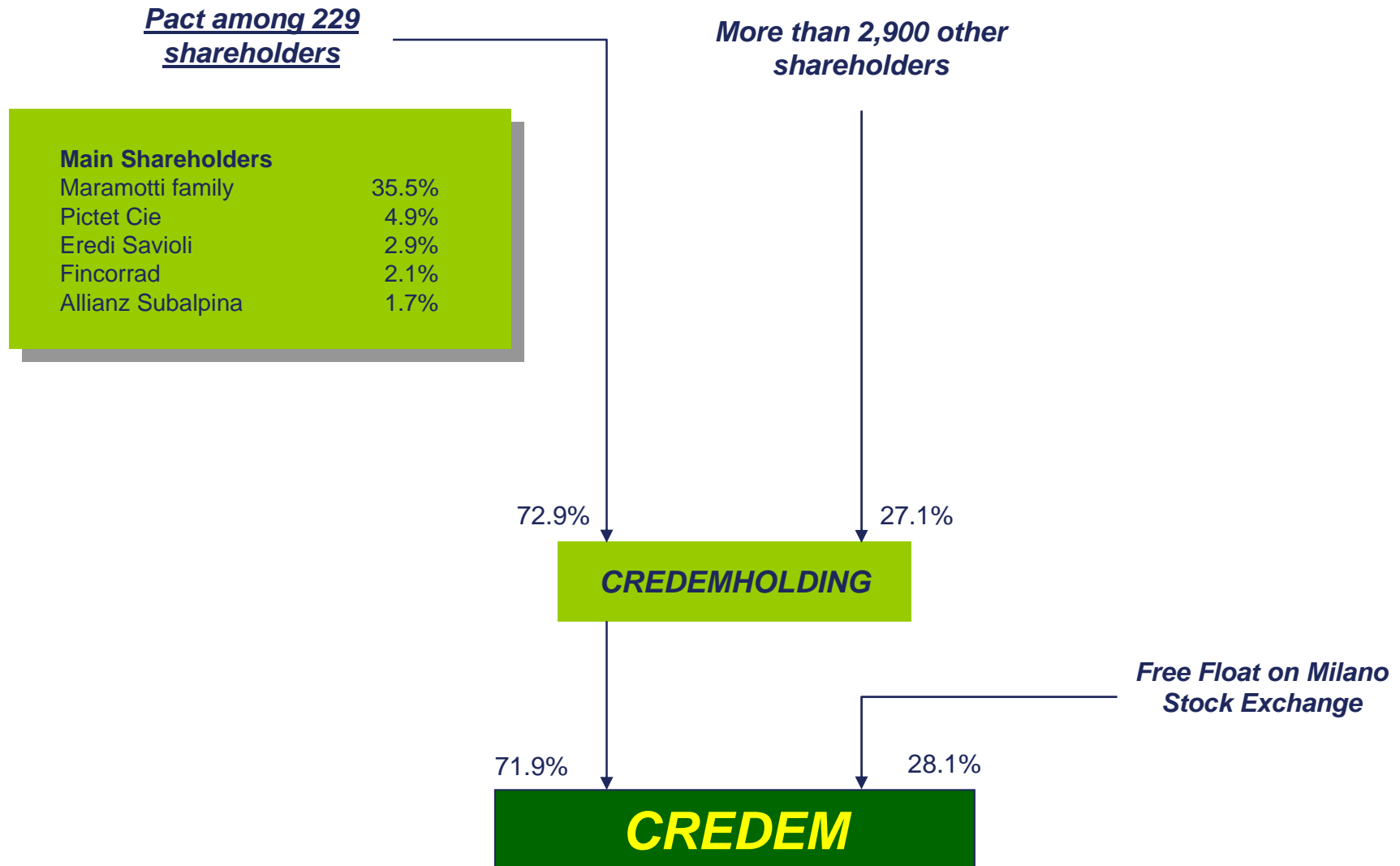
Main Industrial Districts



Sources: Censis, Eurostat, Unioncamere, Bloomberg

CREDEM market shares as of 30 June 2006

	Deposits & Fundings	Loans
Emilia-Romagna	4.0 %	4.2 %
Italy	1.5 %	1,0 %

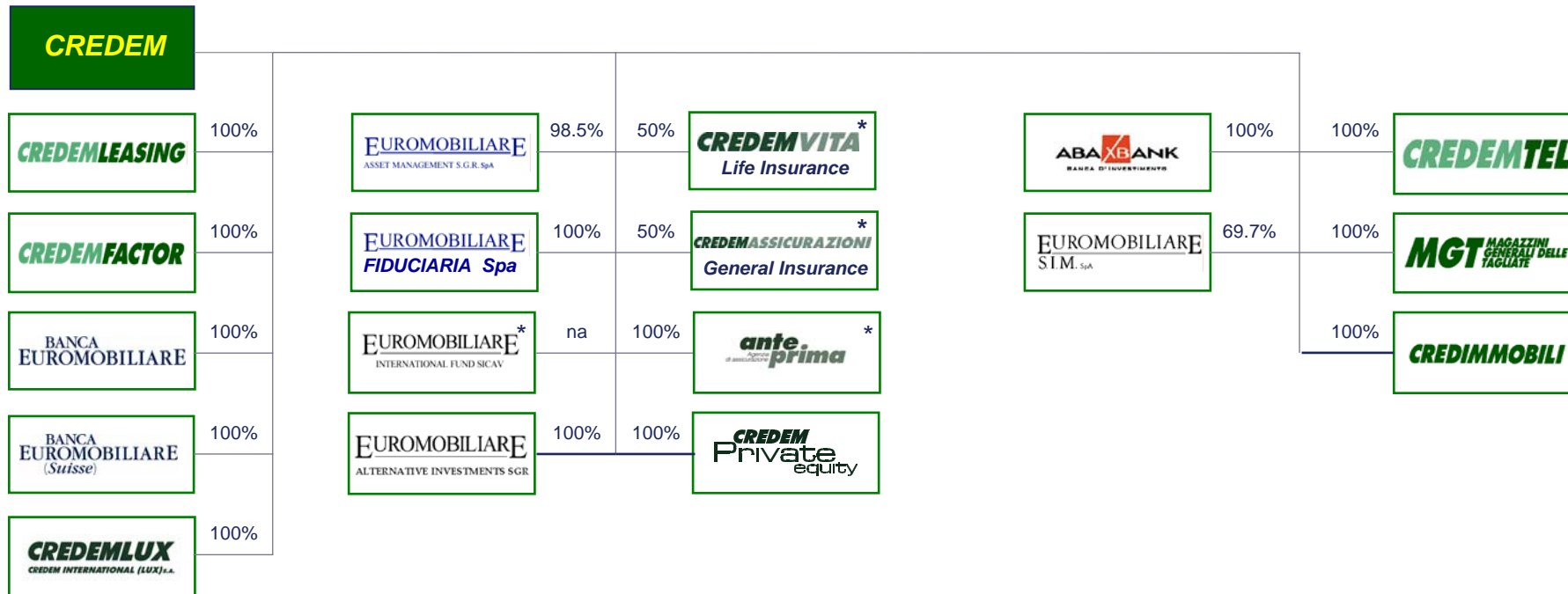


Commercial Banking

Wealth Management

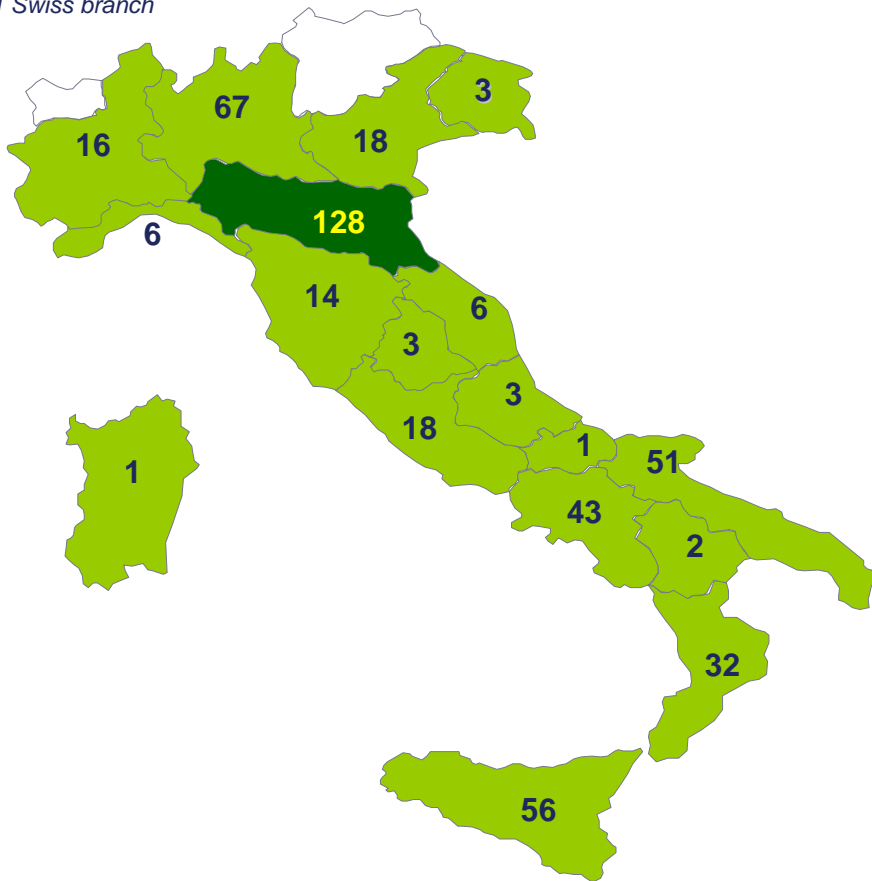
Investment Banking

Other



Group branches as at 30 September, 2006

+1 Swiss branch



	12/31/05	12/31/06
Credem Branches & others	433	448
B.ca Euromobiliare Branches	22	21
Total Branches	455	469
Corporate Centres	40	41
Credem Points	24	25
Banca Euro Financial Stores	36	37

	12/31/05	12/31/06
Banca Euromobiliare Advisors	328	316
Credem Advisors	506	484
Advisors with mandate*	834	800
Advisors with employee status	218	213
Total Advisors	1,052	1,013
Credem Group Employees	4,943	5,095

* not on group's payroll

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Key Indicators

	FY04	FY05	FY06
EBIT/Total Income	30.1%	35.2%	39.2%
Revenues per Employee (EUR,000)	164.0	190.0	211.4
Oper. Costs per Employee (EUR,000)	108.6	123.9	123.3
Non Interest Income/ Total Income	61.1%	60.3%	58.5%
Operating Costs/Non Interest Income	108.3%	100.3%	99.7%

Comparison with the Industry

	CREDEM	Sample Average*
Non Interest Income/ Total Income**	60.1%	49.8%
Spread***	3.32%	3.82%
Cost to Income**	58.3%	54.7%
EBIT**	41.5%	45.3%
Revenues per Employee**** (EUR,000)	190.0	170.2
Oper. Costs per Employee****(EUR,000)	123.9	102.8
NPL ratio***	0.20%	1.24%
ROE (operating)****	17.0%	11.9%

* Sample includes BPM, BPU, BPVN, Capitalia, Carifi, Carige, Credem, Intesa, MPS, San Paolo, Unicredit (about 75% of the industry)

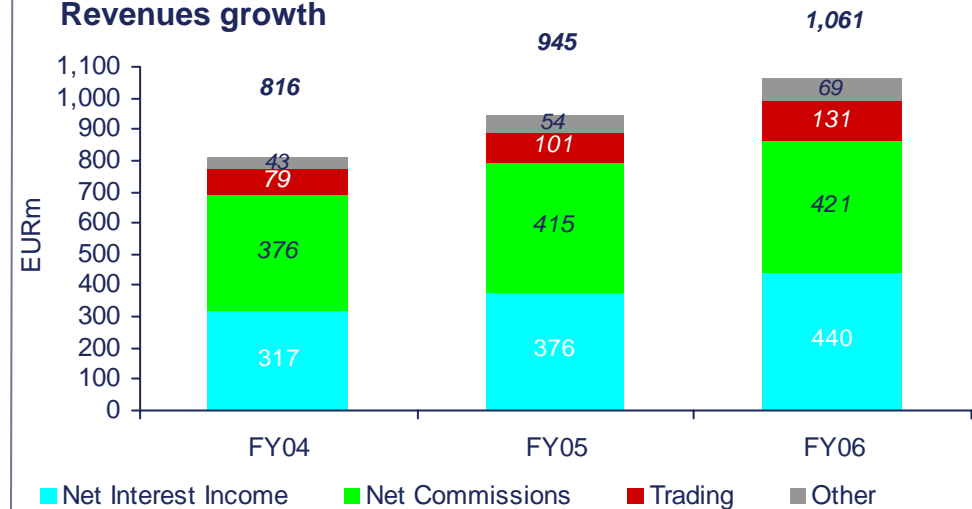
** 6/30/06 figures

*** 9/30/06 figures

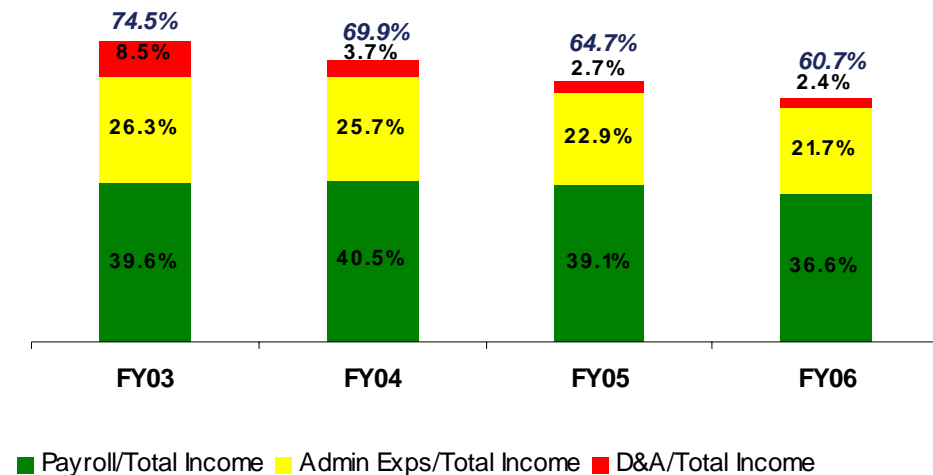
**** 12/31/05 figures

Sources: Borsa Italiana, Bank of Italy

Revenues growth



Trend in Cost to Income (including D&A)



1990 – 1999 ACQUISITIONS	2000 – 2003 ORGANIC GROWTH	2004 – 2006 PROFITABILITY
<ul style="list-style-type: none">• <i>Acquisition of more than 30 small banks</i>• <i>Acquisition in 1994 of Euromobiliare Group from Midland Bank</i>• <i>CREDEM stock listed on the Milan Stock Exchange in 1997</i>	<ul style="list-style-type: none">• <i>Divisionalisation</i>• <i>113 new branches opened</i>• <i>38 Corporate Centres created</i>• <i>Sizeable market shares increase</i>	<ul style="list-style-type: none">• <i>Value creation from acquired potential</i>• <i>Central role of CREDEM's core business</i>• <i>Focus on retail, SME's and small business</i>

From 56 branches in 1990 to 499 branches and corporate centres today

STRATEGY

CENTRAL ROLE OF CORE BUSINESS

- Commercial Banking and Wealth Management activities generating well above 80% of Group's EBIT
- Target segments of clientele are medium high standing individuals and families, small business and SMEs.
- More complete, appealing and efficient product range

CUSTOMERS'S BASE INCREASE

- New customers' acquisition
- Existing customers' revitalization
- Aggressive commercial campaigns
- Marketing actions designed on targeted clusters of clientele

2008 GOALS

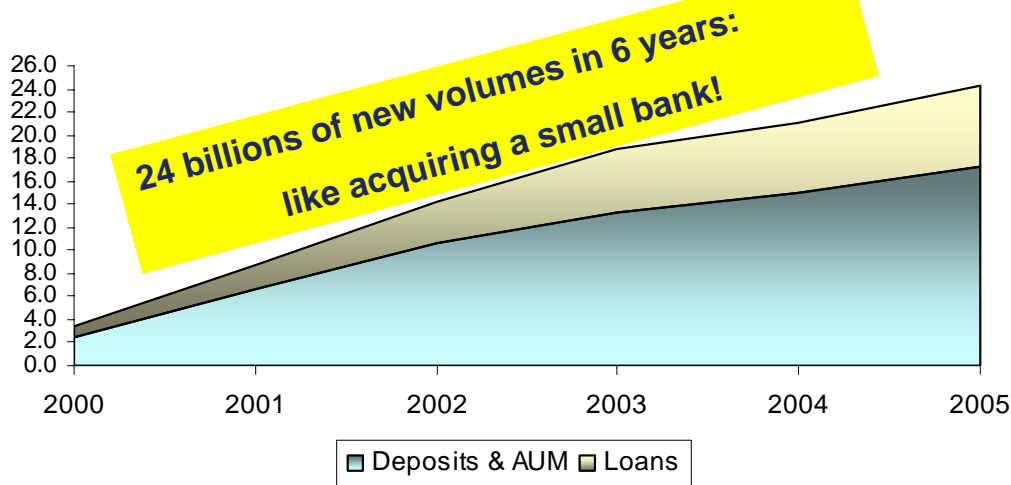
EXCELLENCE IN VALUE CREATION OVER TIME

- **ROE consistently above 17%**
- Net Profit growing 11% cagr to 243 €million
- Cost to Income to 58% decreasing by 4 percentage points despite consistent investments
- Tier I ratio above 7.5% over the period

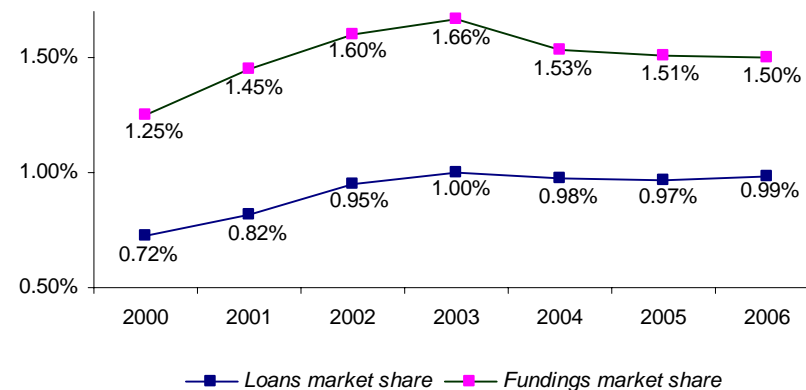
VOLUMES INCREASE ABOVE INDUSTRY GROWTH RATES

- **AUM growth 8.1% cagr**
- **Loans growth 11% cagr (about two times the estimated market growth)**
- Total Business 8% cagr at about 19 €billion

106 NEW branches and 40 corporate centres opened



Loans & Fundings market shares - Italy



Sources: Credem elaboration on public data

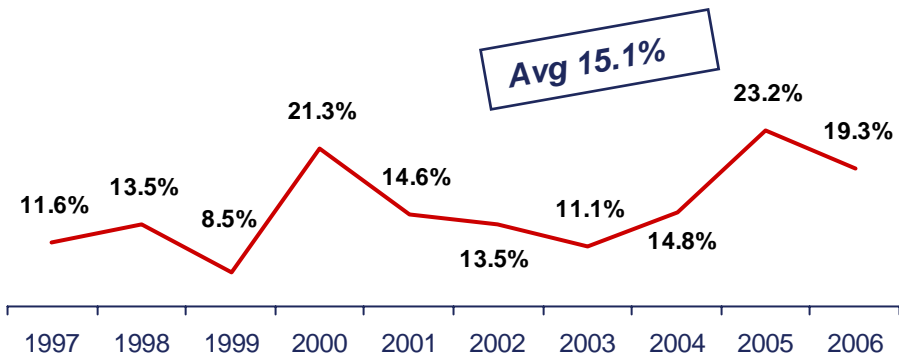
Sample of Small/Regional Italian Banks: 2005 data

EURbn	bank1	bank2	bank3	bank4	bank5	bank6	bank7	bank8	bank9	bank10
Deposits	11,3	8,1	10,5	5,3	7,1	4,8	4,6	3,8	3,0	2,6
AUM + AUC	18,6	21,1	11,6	15,5	6,8	8,0	3,8	3,8	4,6	2,3
Loans	9,8	5,9	9,9	3,5	5,3	4,7	4,7	3,5	2,7	2,5
TOTAL*	39,7	35,1	32,0	24,3	19,2	17,5	13,1	11,1	10,3	7,4
Branches	236	291	346	118	170	112	162	80	105	104

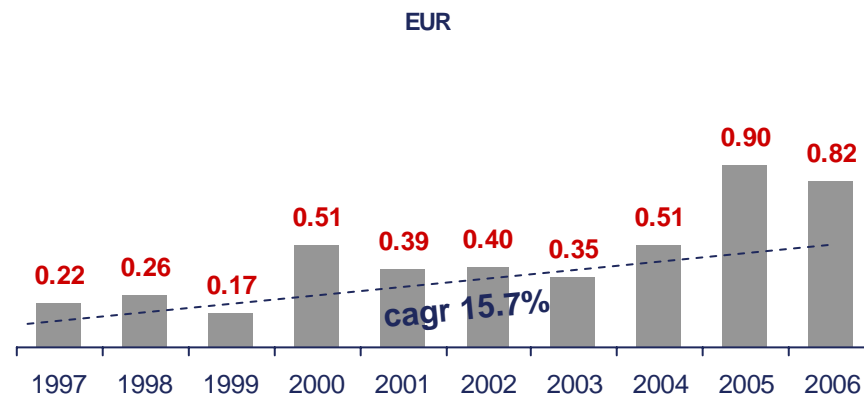
*refers to the Total Business as the sum of activities with customers (AUC, loans, AUM, deposits)

Sources: Credem elaboration on public Annual Operating Reports

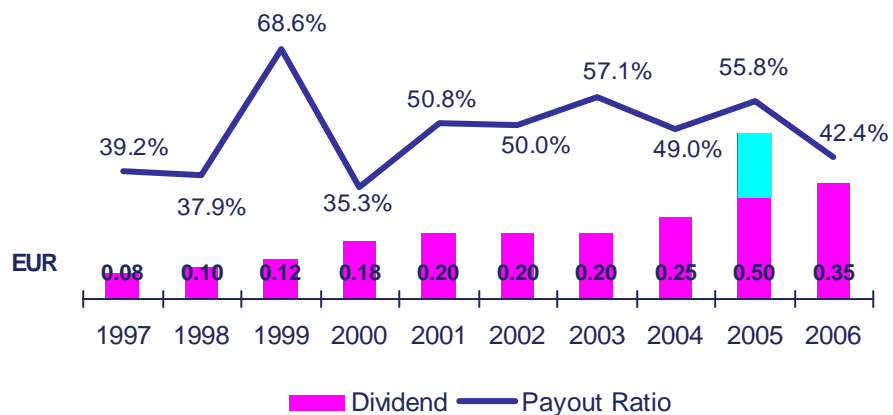
ROE



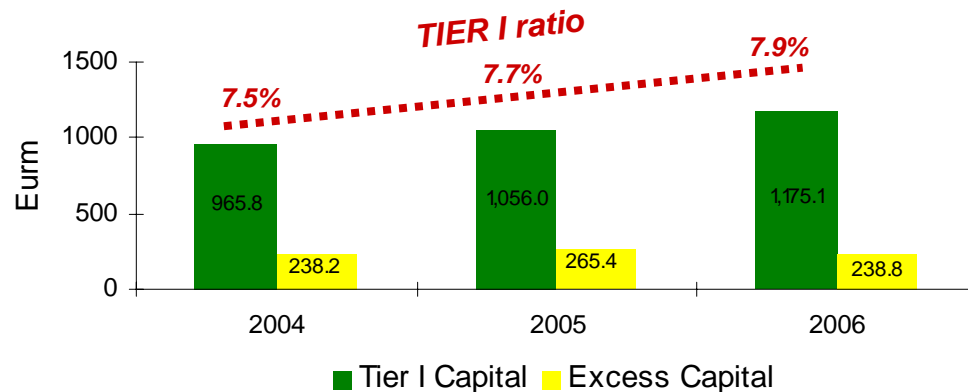
EPS



Dividend and Payout Ratio

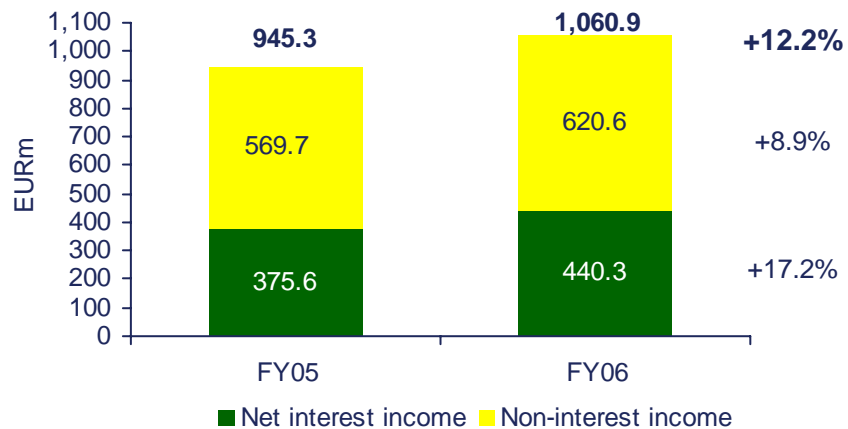


Capital Adequacy

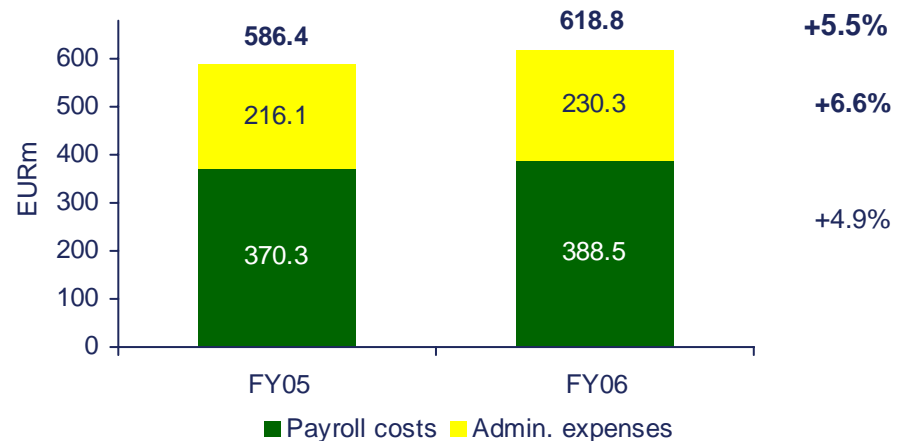


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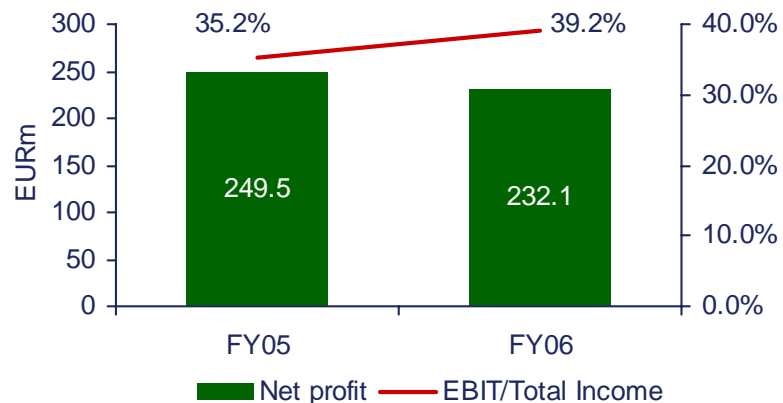
Total Income



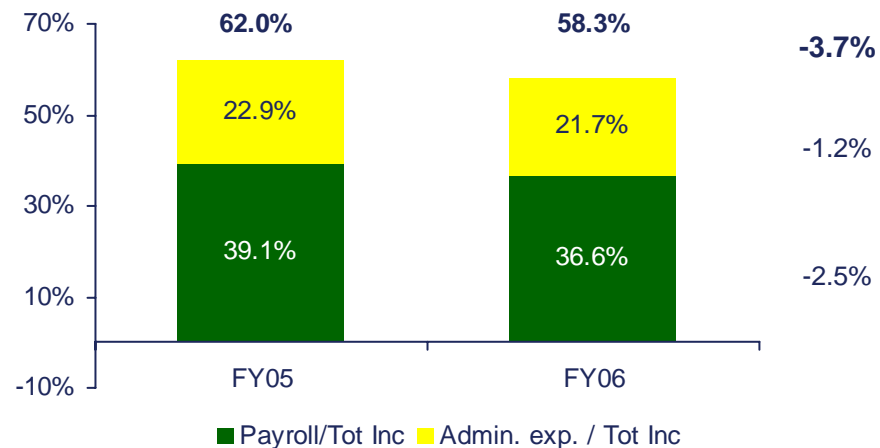
Operating Costs



Profitability



Cost to Income



EURm	FY/05	FY06	% yoy
Total Income	945.4	1,060.9	12.2
Operating Costs	-586.4	-618.8	5.5
EBITDA	359.0	442.1	23.1
Amortization and Depreciation	-25.7	-25.9	0.8
EBIT	333.3	416.2	24.9
Net Loan Writedowns	-23.3	-25.6	
Provisions for Risks and Expenses	4.3	-8.6	
Extraordinary Income (Expenses)	17.5	7.6	
Pre-tax Profit	331.6	389.6	17.5
Income Taxes	-62.8	-147.9	
Minority Interests	-19.3	-9.6	
Net Profit	249.5	232.1	-7.0

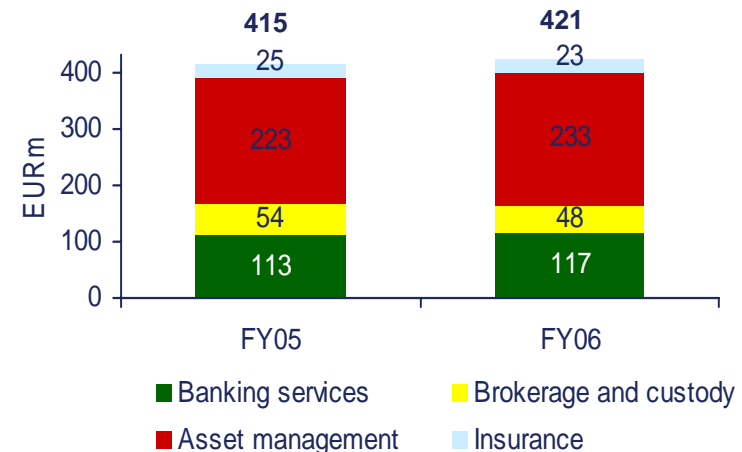
Total Income breakdown

EURm	FY05	FY06	% yoy
Net Interest Income	375.,7	440.3	17.2
Commercial Spread	3.08%	3.39%	+31bps*
Avg loan rate	4.07%	4.64%	+57bps
Avg deposit rate	-0.99%	1.25%	+26bps
Net Commission Income	414.7	420.9	1.5
- of which: Management and Brokerage	302.5	303.4	0.3
- of which: Banking Services	112.5	117.5	4.7
Trading Income	100.9	131.1	29.9
- of which Abaxbank	41.0	49.1	19.8
- of which Other Companies	59.9	82.0	36.9
Other Income and Expenses	54.1	68.6	26.8
Non-Interest Income	569.7	620.6	8.9

Normalization of Pre-tax Profit

EURm	FY05	FY06	% yoy
Pre-tax Profit	331.6	389.6	17.5%
Capital Gains from Investments Sales	-18.1	-7.7	
Recalculation of Fiscal Charges	-10.9		
Parmalat writedons	-3.9		
Normalized Pre-tax Profit	298.6	381.9	27.9%

Net Commission Income breakdown



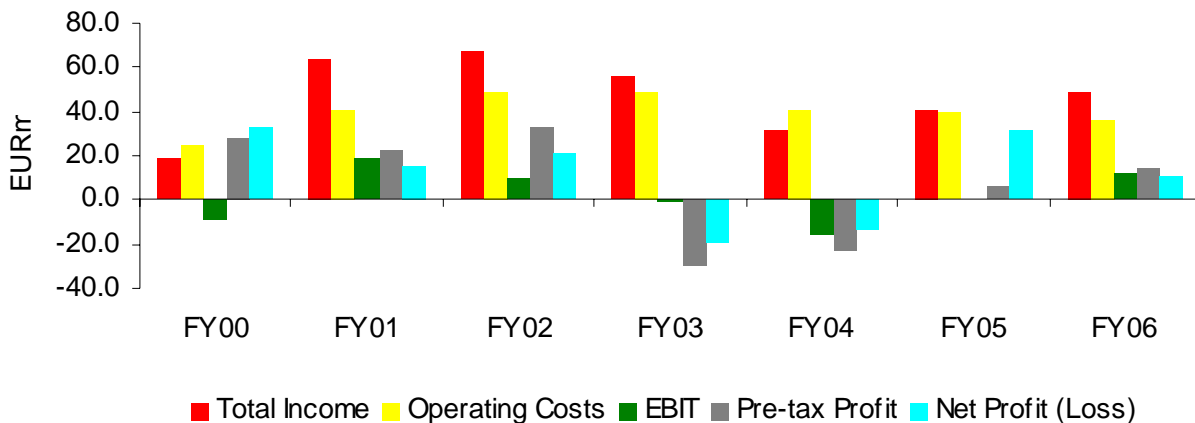
Contribution to FY06 consolidated results

	Core business	Other activities
Total Income	87.9%	12.1%
Operating Costs	89.1%	10.9%
EBITDA	87.5%	12.5%

Core business companies are defined as those involved in activities relying on the distribution network of the group.

2006 Net Profit breakdown

EURm	FY05	FY06	%y/y
Core business	185.7	194.8	87.9%
Credem (incl. Credem Lux)	158.6	159.9	68.9%
Banca Euromobiliare	6.8	10.3	4.4%
Euromobiliare A.M. SGR	6.1	5.6	2.4%
Credemleasing	11.9	11.7	5.0%
Others and adjustments	2.3	7.3	3.1%
Other activities	63.8	37.3	16.1%
Euromobiliare SIM	28.2	21.9	9.4%
Abaxbank	31.1	10.7	4.6%
B.ca Euromobiliare Suisse	4.5	4.7	2.0%
Total	249.5	167.8	100.0%

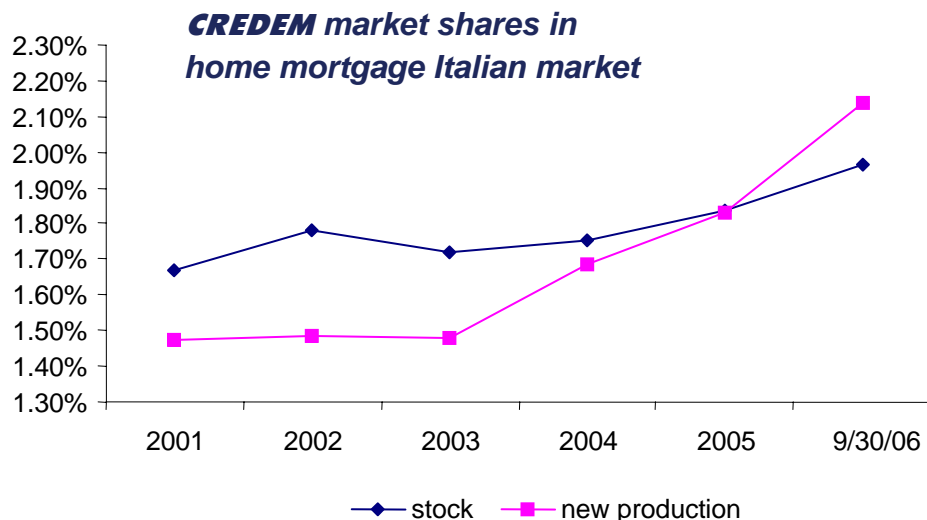
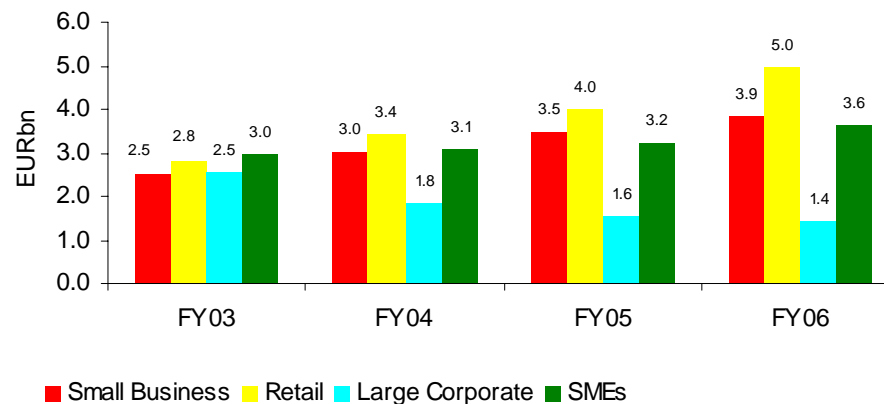
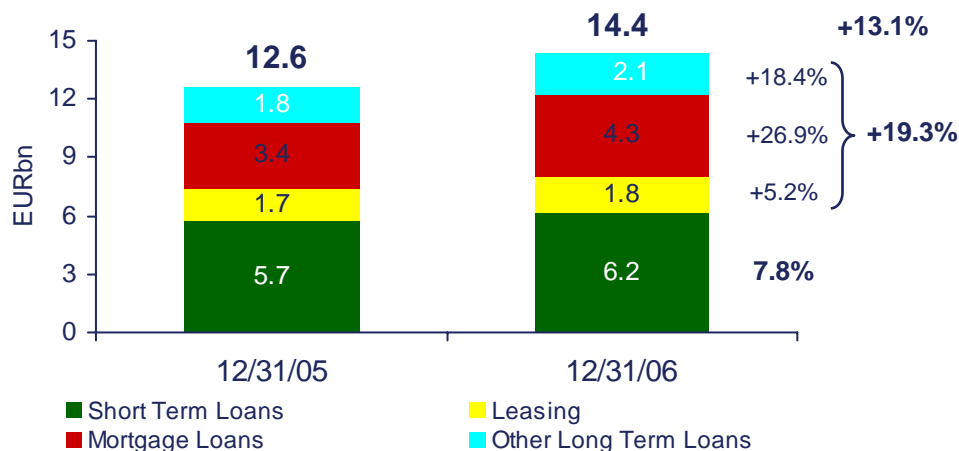


Abaxbank's performances history shows a significant improvement since 2004, when the restructuring plan began after 2003 heavy loss.

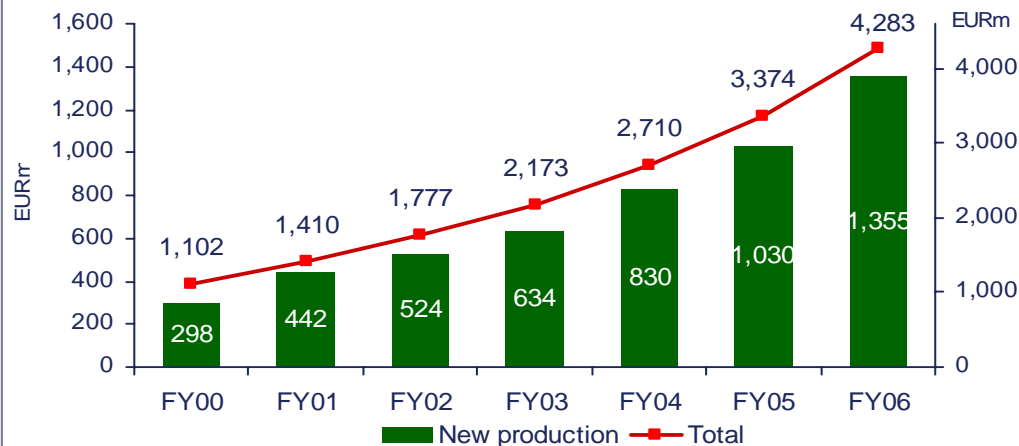
2006 saw a Total Income on the rise as well as decreasing Operating Costs. Net Profit in 2006 is lower than 2005 only due to higher fiscal charges.

EBIT is finally positive, proving the higher quality of 2006 results, if compared with the previous year.

Lending to retail customers grew 20.4% yoy while small business grew 18.9%. Corporate clients lending grew 1.2%, with a stronger focus on SMEs (+12.2%). In 2003 the group started reducing Large Corporate exposures in favour of the other segments, shaping the loan book as it currently looks.

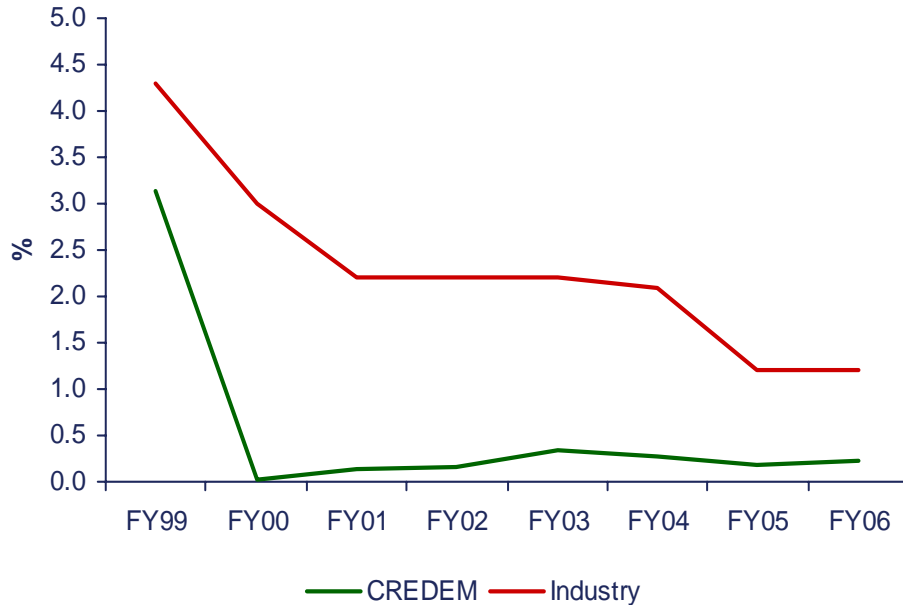


Home Mortgage Loans



Avg amount financed: 90€k – 54,000 mortgage loans - 5.1 €bn inflows in 7 yrs

- Credit quality consistently high, with an **NPL ratio of 0.22%** (0.18% at December '05) compared to an industry average of 1.2% (Sources: Bank of Italy)

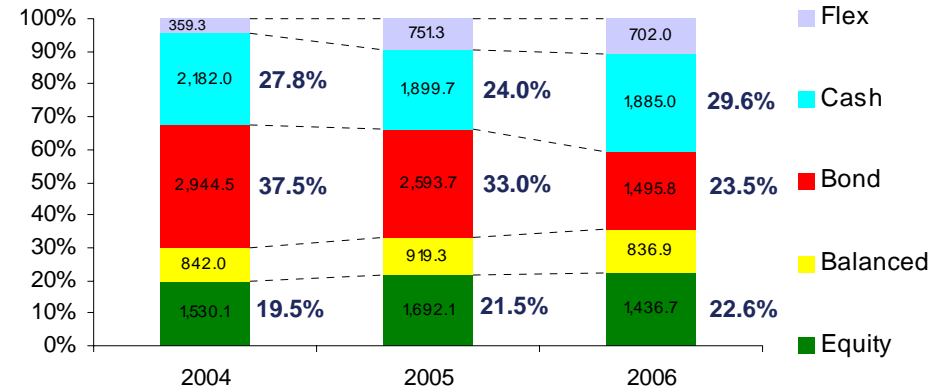


	12/31/05	12/31/06
Doubtful Loans/Total Loans	0.77%	0.76%
NPL ratio	0.18%	0.22%
Coverage Ratio	60.6%	60.3%

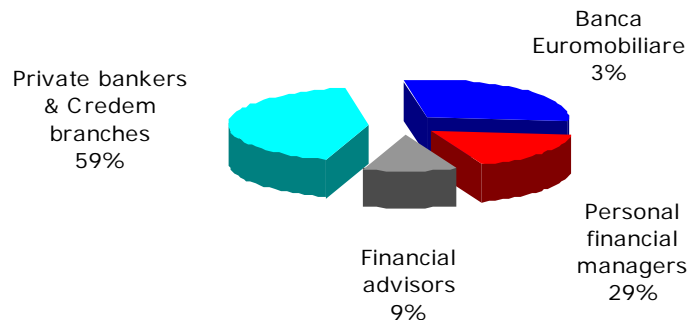
- The management and collection of loans securitized in late 2000 continued with success. As at 30 December, 2006:
 - EURm 198 collected, vs. a maximum EURm 129 forecast;
 - senior tranche (ex EURm 100) paid back in full in 2004, five years ahead of schedule;
 - EURm 31 of the junior tranche (ex EURm 81) already paid back .
 - “Additional return” income of about EURm 5.0 in the year (EURm 8.5 and EURm 3.3 million in 2005 and 2004 respectively).
- Highly reliable, tested internal rating system in place for many years and Basel II compliant
- About 85% of credit related decisions are approved at central level

EURm	2005	2006	% yoy
Deposits	8,758	10,020	14.4
Bonds	3,738	4,431	18.5
Portfolio Management	5,175	5,931	14.6
Mutual Funds and SICAVs	10,576	8,969	-15.2
of which Mutual Funds	7,950	6,468	-18.6
Hedge Funds	207	249	20.3
Insurance	1,835	1,896	3.3
Other	202	174	13.9
AUM	17,995	17,220	-4.3
AUC	24,971	25,966	4.0
TOTAL	55,462	57,547	3.9

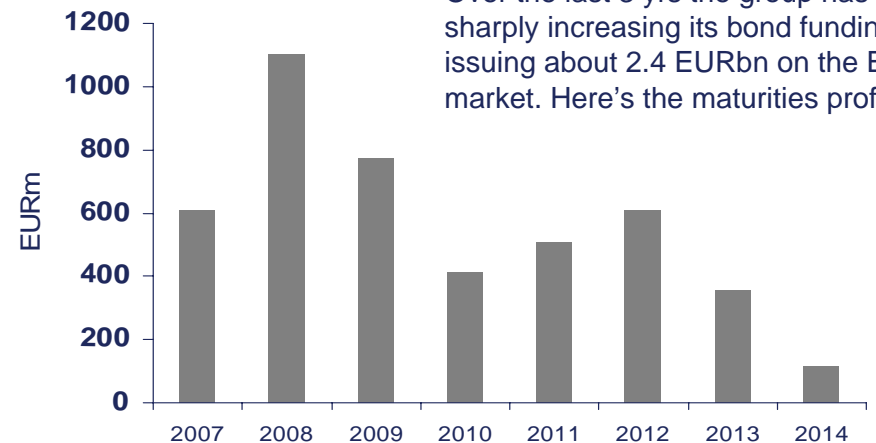
Mutual Funds breakdown



Net Inflows in 2006 were about 1.8 EURbn, 64% of which went into Direct Deposits. Group distribution channels contributed as shown by the pie chart below.



Bonds maturities



Over the last 3 yrs the group has been sharply increasing its bond funding by issuing about 2.4 EURbn on the EMTN market. Here's the maturities profile.

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Selective increase of the distribution network

- 82 new branches, 2 new Corporate Centers, 9 closings. A larger, more up-to-date network. Areas to focus for the growth: Nord East, North West, Tuscany and Marche.

New Wealth Management

- New retail distribution model to aim at a higher effectiveness. Addition of more than 700 people dedicated to distribution. Extensive investments in specific training for commercial roles.

Commercial actions

- Migration from pure closed architecture to selective open architecture. Wealth Management products to be distributed will come either by the Group factories or by third party asset managers.

Capital allocation

- The structure of the Group factories will be revised. Investment Center created to define strategic asset allocation and select external suppliers. Product range will be re-designed.

Governance

- Full deployment of CRM for retail customers and extension to corporate customers, in order to catch the perceived full potential from each client.

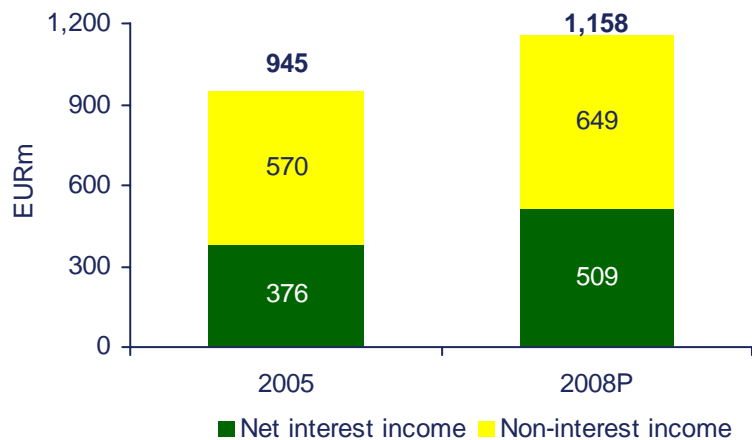
- Development of innovative products and strong dedicated marketing & advertisement investments (31 €million). Networks dedicated to new customers acquisition and to specific segments.

- Further improvement of risk management methodologies current in place. Internal rating system validation for B II purposes could release a substantial amount of capital by 2008.

- Many projects under way to map and improve internal policies and processes in search of a higher efficiency.

- New and more effective model to measure commercial actions' quality and performances.

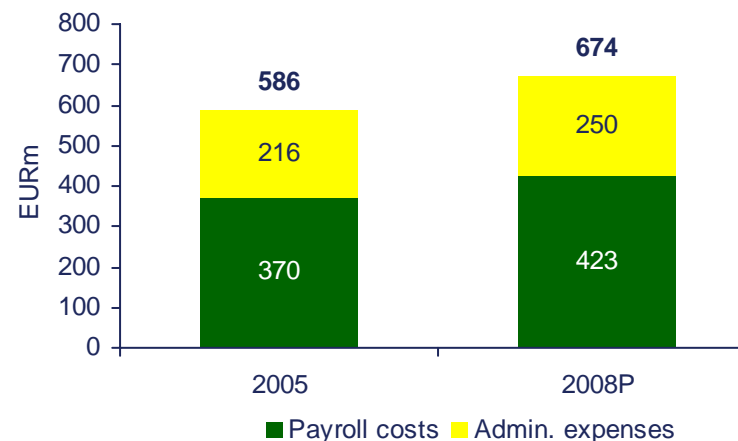
Total Income



CAGR

7.0%
4.5%
10.6%

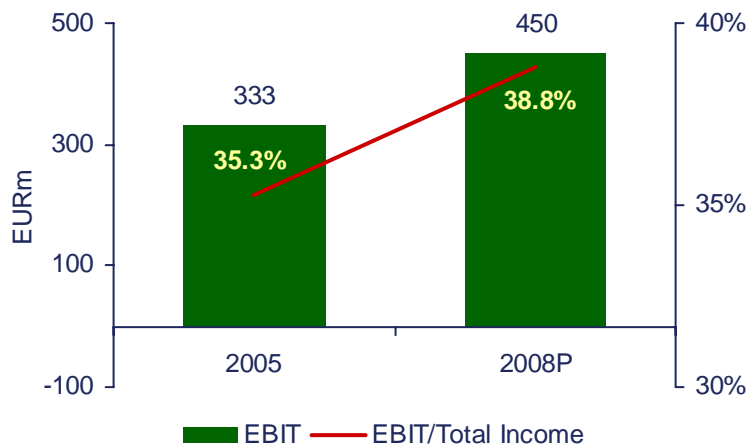
Operating Costs



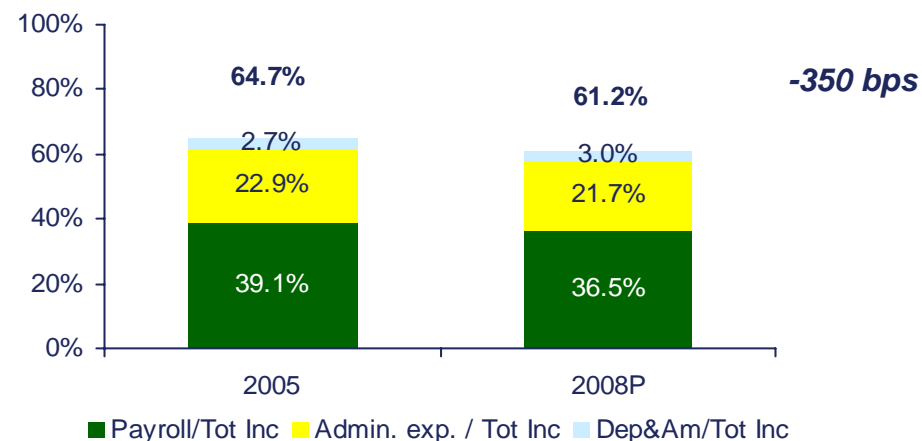
CAGR

4.7%
5.0%
4.6%

Profitability



Cost to Income



Customer Cash Loans

CAGR

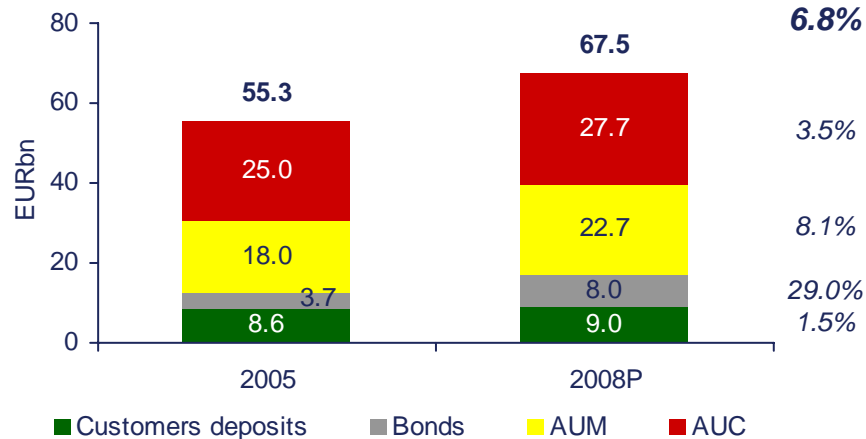
11.2%



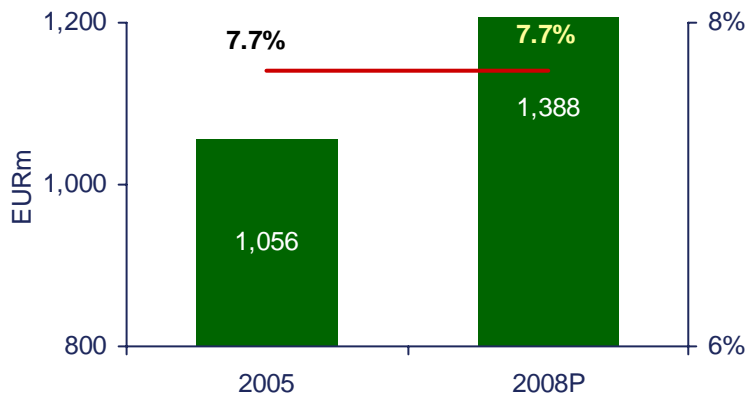
Funding from Customers

CAGR

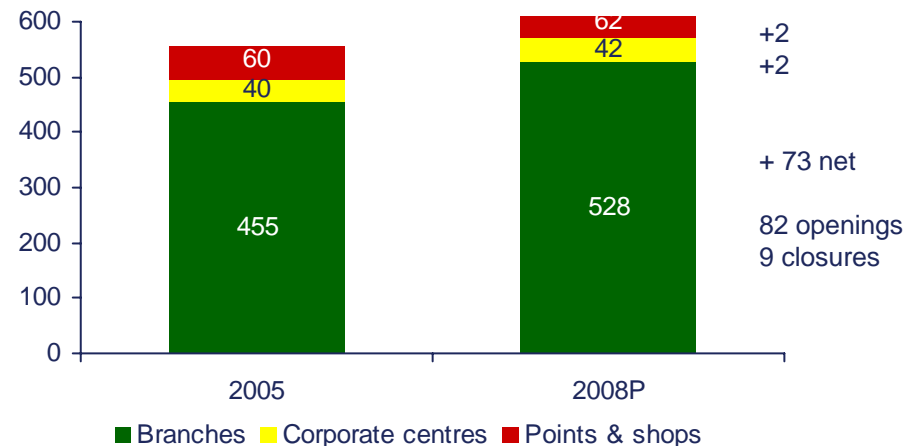
6.8%



TIER I



Distribution Channels



EURm	2005	2008P	CAGR 05-08
Net Interest Income	376	509	10.6%
Net Commissions	415	474	4.6%
Trading	101	123	6.8%
Other	54	52	-1.4%
Non Interest Income	570	649	4.4%
Total Income	945	1,158	7.0%
Payroll	-370	-423	4.6%
Administrative Expenses	-216	-250	5.0%
Operating Costs	-586	-674	4.7%
EBITDA	359	484	10.5%
Amortization and Depreciation	-26	-34	10.1%
EBIT	333	450	10.5%
Net Loan Writedowns	-23	-26	3.1%
Provisions for Risks and Expenses	4	-1	n.a.
Extraordinary Income (Expenses)	17	-10	n.a.
Pre-tax Profit	332	414	7.6%
Income Taxes	-63	-163	37.5%
Minority Interests	-19	-7	-28.1%
Net Profit	250	243	-0.8%

Total Income CAGR will reach 7% with a strong contribution from the interest income.

Operating Costs, including D&A are expected to increase by 5% reflecting increasing commercial investments estimated in the triennium.

EBIT is predicted to increase by approximately 10.5% annually. At the end of the three-year term will exceed ROE will exceed 17%, with a net profit around EURm 250.

Normalized Pre-tax Profit which is predicted to increase by 11.5% annually, reflects the effects of the group cautious lending policy.

EURm	2003*	2004	2005	2008P	CAGR 05-08
Pre-tax Profit	117	215	332	414	7.6%
Parmalat loan Writedowns	55	6	-4		
Extraordinary Provisions	25	18			
Corporate Bonds Write-downs	21				
Extraordinary Incomes/Expenses	-9		-29		
General Banking Risks reserve adj.	-11	-11			
Renewal of collective labour contract		5			
Used Tax Provision		-2			
Normalization Adjustments	81	15	-33		
Normalized Pre-tax Profit	199	231	299	414	11.5%

	2004	2005*	2008P
Credem Branches	441	433	504
B.ca Euromobiliare Branches	22	22	24
Total Branches	463	455	528
Corporate Centres	39	40	42
Credem Points	24	24	24
Banca Euro Financial Stores	30	36	38

Distribution networks will grow through:

- 73 new Branches net increase (**82 new openings and 9 branches closings**)
- 2 new Corporate Centres
- 2 new Financial Stores

	2004	2005*	2008P
Credem FA	508	506	634
Banca Euromobiliare FA	356	328	361
Financial Advisors with mandate**	864	834	995
Financial Advisors with employee status	232	218	185
Total FA	1,096	1,052	1,180
Credem Group Employees	4,986	4,943	5,507

Group staff will increase by around **550** units dedicted mainly to strenghtening the commercial network.

The number of **Financial Advisors** with mandate will increase by **160** units.

* in jan 2005 Banca del Garda (10 branches) was sold

** not on group's payroll