CREDEM Group

Business plan

2008 2010

10 September 2008

Previous Business Plan 2006 - 2008

Business Plan 2008 - 2010

Strategy

CENTRAL ROLE OF
- CORE BUSINESS
- CUSTOMERS
- SHAREHOLDERS

Targets

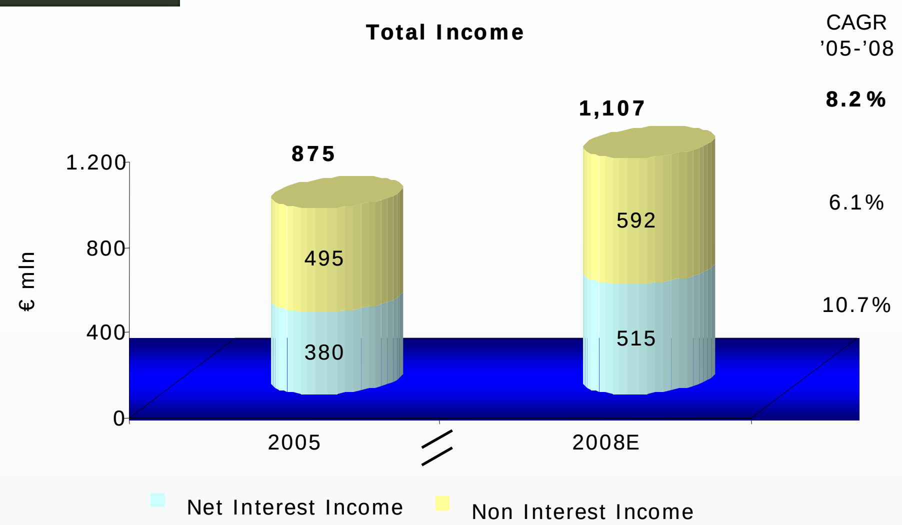
- ROE consistantly at excellent level over time
- Business volumes increase above industry growth rates

Drivers

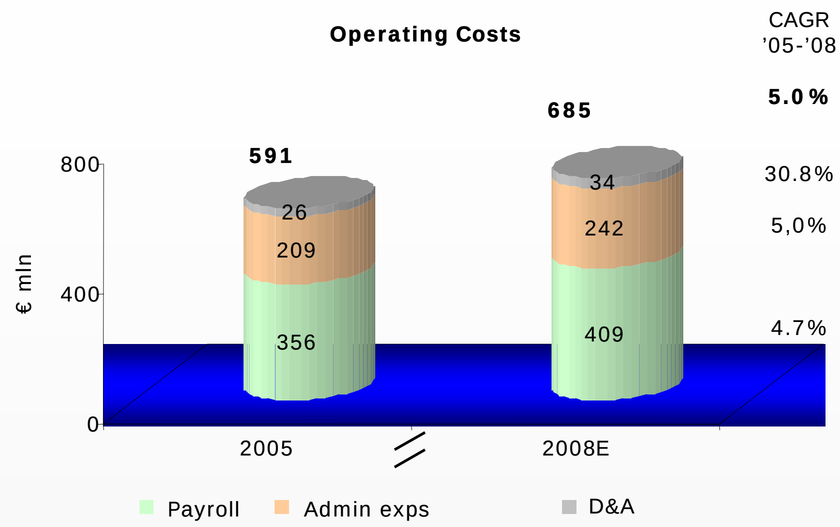
- Selective expansion of distribution network
- Strenghtening of Wealth Management and increase of customers' base
- Higher efficiency of internal policies and processes
- Optimization of capital allocation

Main Targets Business Plan 2006-2008

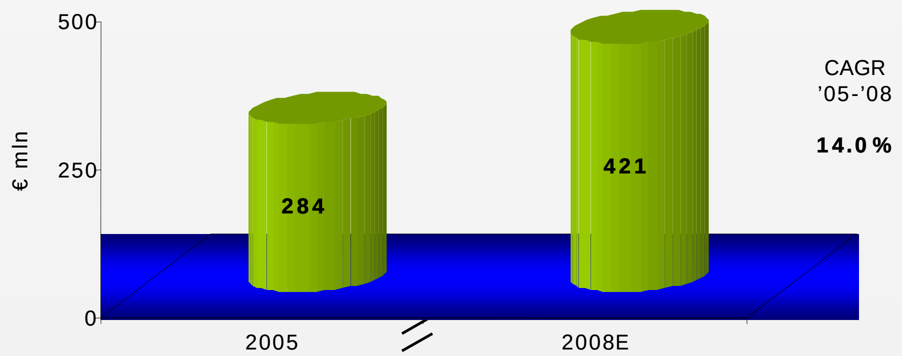
Total Income



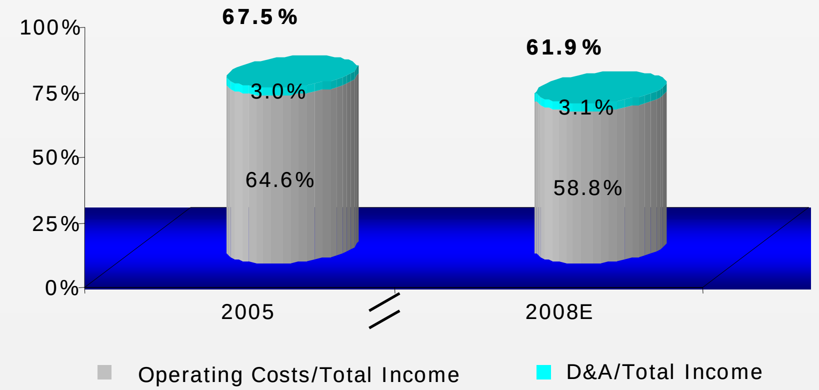
Operating Costs



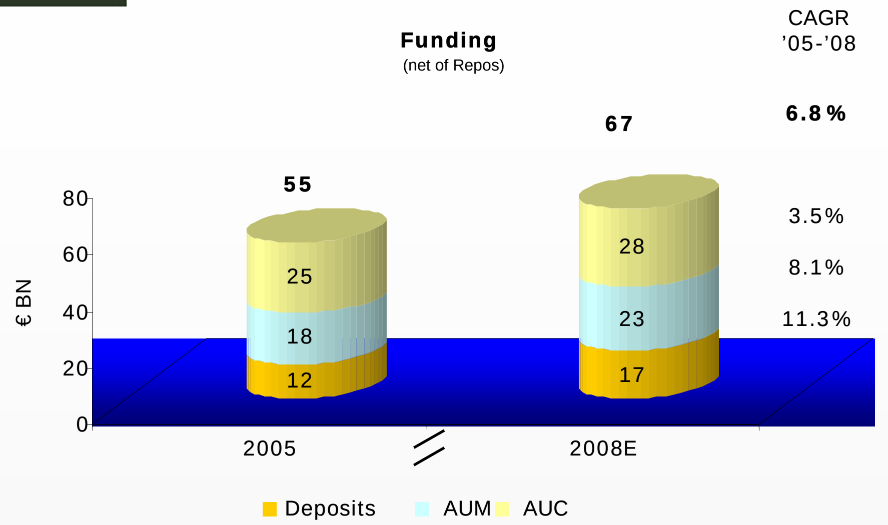
EBIT

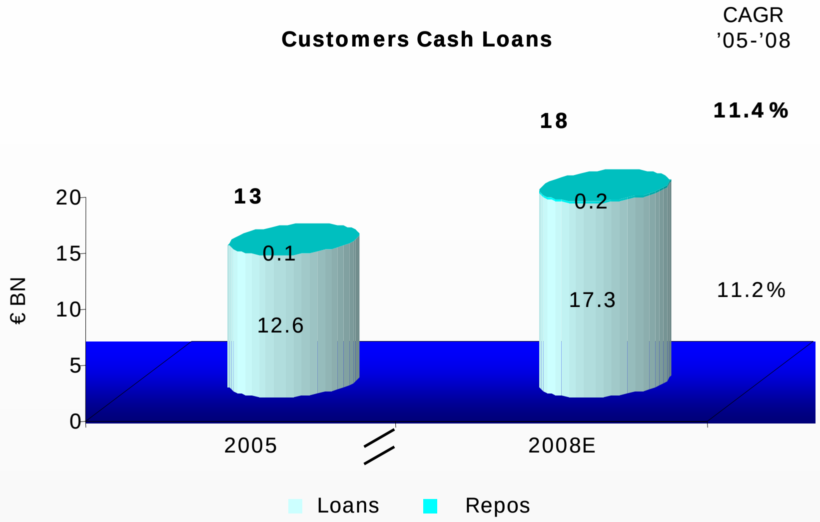


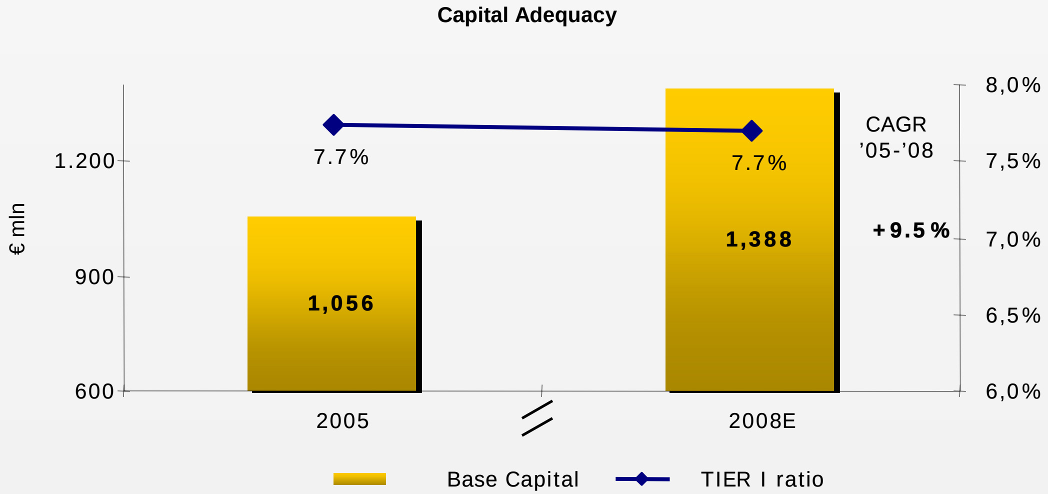
Cost to Income

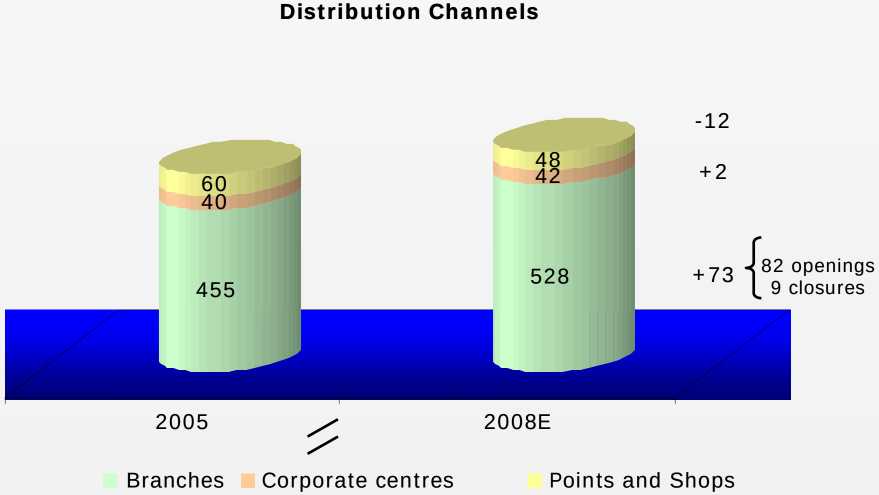


Main Targets Business Plan 2006-2008









Macro-economic scenario – Business Plan 2006-2008

Assumptions	2006	2007	2008
MIB Index	8.0%	8.0%	8.0%
	16.1%	*-8.0%*	*-27.4%(*)*
GNP Italy	1.2%	1.1%	1.4%
	1.8%	*1.4%*	*0.2%*
Customers fundings	5.7%	4.7%	4.1%
	9.2%	*7.0%*	*6.1%*
Customers fundings - Banks	4.3%	4.4%	7.8%
	-2.4%	*-8.0%*	*-9.7%*
Bank Loans	8.0%	6.6%	6.2%
	10.9%	*9.9%*	*7.0%*
Euribor 3m	3.0%	3.2%	3.4%
	3.1%	*4.3%*	*4.8%*

Plan 2006-2008 *Actual* *New Forecast at Aug 2008*

Macro-economic scenario in the triennium has been significantly different from what expected.

Particularly, the inflection point became evident starting from summer 2007, as a result of the liquidity crisis that affected financial markets worldwide.

As a consequence, it has been experienced:

•higher level in short term interes rates;

•Negative performance of financial markets;

•Significant reduction of AUM volumes paired compensated by a sharp increase in direct deposit volumes.

Main results as at 2007 year end

(mln €)	2005	2007	CAGR '05-'07	2008E	CAGR '05-'08
Net Interest Income	380	535	18.5%	515	10.7%
Non Interest Income	495	471	-2.5%	592	6.10%
Total Income	**875**	**1,006**	**7,2%**	**1,107**	**8.2%**
Operating Costs	-591	-649	4.8%	-685	5.0%
EBIT	**284**	**357**	**12.0%**	**422**	**14.0%**
Net Profit	221	249	6.1%	233	1.8%

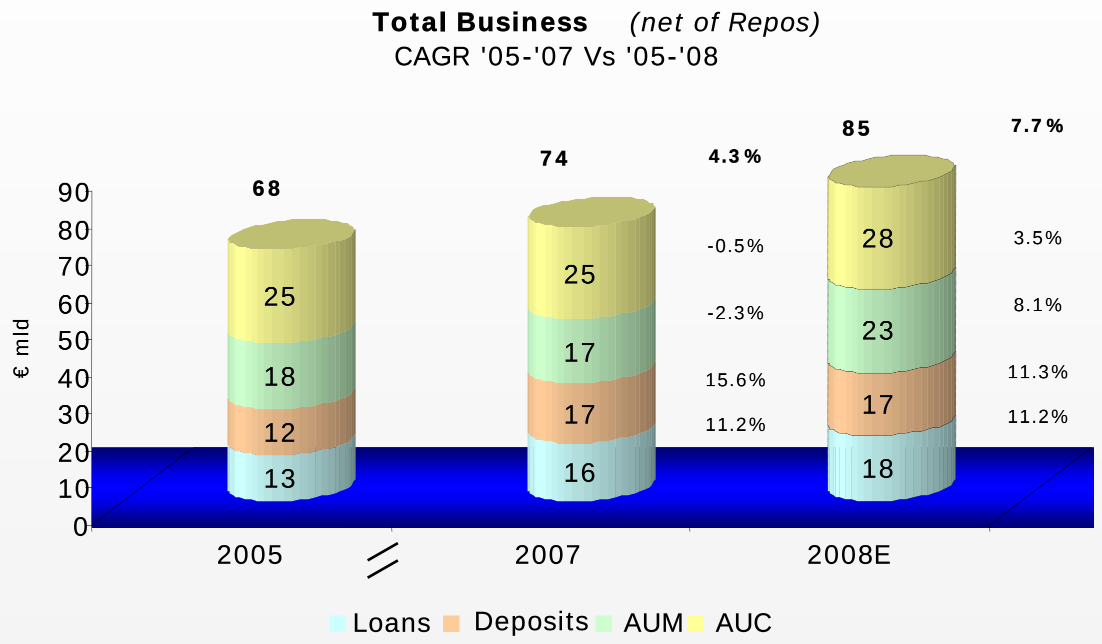
During the period 2006-2007 revenues increased 7,2% per annum vs. an average forecast for the tiennium 1 percentage point higher.

Net Interes Income was 8% higher then expected; Non Interest Income instead was far behind, mainly on the back of financial markets evolution.

Operating Costs were in line.

EBIT slightly behind because of AUM and Investment Banking performance.

Net Profit 2007 higher as a result of capital gains for partecipation disposals as well as a fovourable taxation.



Total Business developed in 2006-2007 at an average growth rate of 4,3%, vs. 7,7% expected for the triennium.

Loans growth was in line with expectations, while Direct Deposits were 4 percentage points above.

Indirect Funding, in particular AUM poor performance is a result of the negative trend experienced by financial markets.

Main results as at 2007 year end

Distribution Network	2005	2007	2008E
Credem Branches	433	479	504
B.ca Euromobiliare Branches	22	22	24
Branches	**455**	**501**	**528**
Corporate Centres	**40**	**42**	**42**
Points and Stores	**60**	**66**	**48**

Personnel and FA	2005	2007	2008E
FA Banca Euromobiliare	328	292	361
FA Credem	506	468	634
FAWith mandate	**834**	**760**	**995**
Group's Employee	**4.943**	**5.246**	**5.507**

Capital	2005	2007	2008E
Tier I capital	1,056	1,306	1,388
Tier I ratio	7.7%	8.1%	7.7%
Tier total capital	1,356	1,501	1,434
Tier total ratio	9.9%	9.3%	9.1%

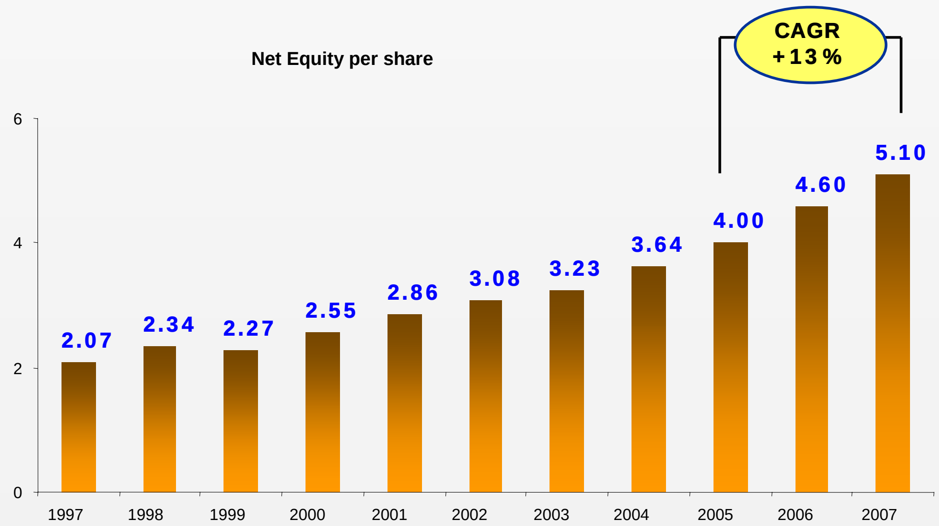
During the period 2006-2007 **54 new branches** wer opened mainly in the north-east and north-west of the country. 8 branches were closed.

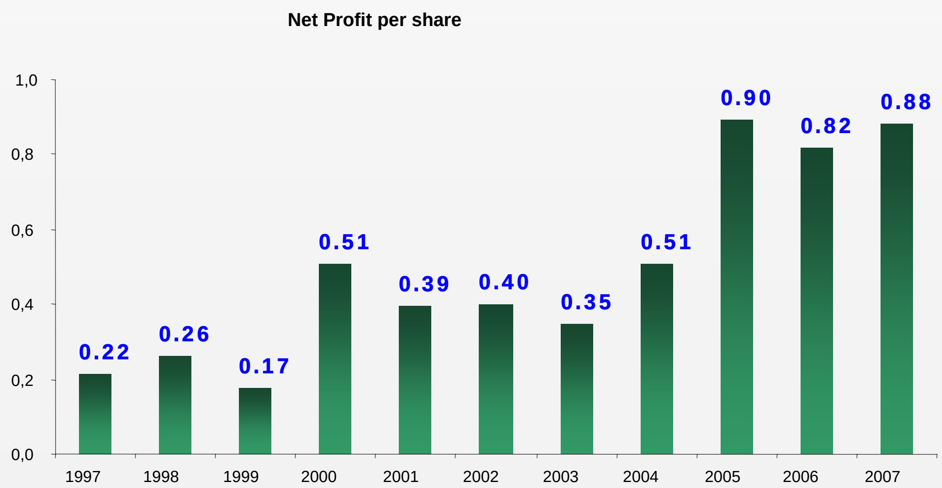
Headcount has increased accordingly. Financial Advisors network were pruned looking for a beeter asset.

Base Capital largely adequate for Group's growth targets.

Main results as at 2007 year end

Track Record	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
N. shares (/000)	225,839	253,408	265,464	270,679	272,537	273,309	274,350	275,417	278,605	281476	282,327
Net equity per share	2.07	2.34	2.27	2.55	2.86	3.08	3.23	3.64	4.00	4.60	5.10
Net Profit per share	0.22	0.26	0.17	0.51	0.39	0.40	0.35	0.51	0.90	0.82	0.88
ROE	11.6%	13.5%	8.5%	21.3%	14.6%	13.5%	11.1%	14.8%	23.2%	19.3%	18.3%
Dividend per share	0.08	0.10	0.12	0.18	0.20	0.20	0.20	0.25	0.50	0.35	0.36
. Of which extraord."									*0.20*		
Payout ratio	39.2%	37.9%	68.6%	35.3%	50.8%	50.0%	57.1%	49.0%	55.9%	42.7%	40.9%





Previous Business Plan
2006 - 2008

Business Plan
2008 - 2010

Scenario – Business Plan 2008-2010

Assumptions	2008	2009	2010
MSCI Europe	-22.5% *	Volatility and stabilization	
MIB Italy	-27.4% *	Volatility and stabilization	
GNP UEM	1.7%	1.3%	2.1%
GNP It	0.2%	0.7%	1.6%
Customers fundings	6.1%	5.6%	5.2%
Customers fundings - Banks	-9.7%	3.4%	6.2%
Bank Loans	7.0%	7.5%	7.9%
Euribor 3m	4.8%	4.4%	4.4%

(*) as at August 2008

GROWING TO KEEP BEING EXCELLENT

Steady dimensional growth of:

- Assets
- Distribution network
- Number of clients

→

- Appropriate value creation for shareholders in the medium-long term

→

Systematic attention to:

- service quality
- relation with the clientele
- close presidium of risks profile taken by the Group

Guidelines

1. Focus on distribution and exploitation of those factories coherent with group networks distribution capacity;

- Full potential achievement from investments sustained for organic growth during the last three years;
- full integration of branches acquired in 2008.

2. Risk management model further development, fine tuning of internal capital allocation model and value management practices; strong focus on maintaining **sound capital ratios.**

Focus on distribution and exploitation of those factories coherent with group networks distribution capacity

Increase of total activities with clientele by more than €18 billion within the end of 2010 with a growth average rate of 7.6%.

This challenging target stands on the back of a strong belief that group's distribution capacity is extremely effective, though optimization actions are constantly under way.

Focus on distribution and exploitation of those factories coherent with group networks distribution capacity

Within the triennium the Group will accomplish different targets:

- improvement of production procedures;
- focusing on products factories supporting "core business" coherently with group's distribution capacity (in particular, bancassurance and asset management, parabanking, loans to families);
- specialized commercial networks development (es.Creacasa - credit broker -Bank&More - new-comers branches);
- increase of business volumes per employee;
- development of commercial synergies between Credem and Reale Mutua groups' networks;
- to exploit full potential in the high number of branches opened in the last 3 years (over 70, also considering openings by the end of this year).
- value extraction from acquired branches (for a total of 72 from Citigroup, Banco Popolare and Unicredit).

Risk management model further development, fine tuning of internal capital allocation model and value management practices; strong focus on maintaining sound capital ratios.

Continues the further strengthening program of risk and capital management, in a value management view, coherently with Basel 2 Pillar I and II, to keep a low risk appetite level and solid capital ratios.

•Credem Group has started, a few years ago, a project which aims to implement advance models to calculate capital requirements, considering Pillar I risks: concerning credit risk, at June 2008, Credem Group was authorized by Bank of Italy to use the internal model (IRB Foundation) for corporate lending portfolio.

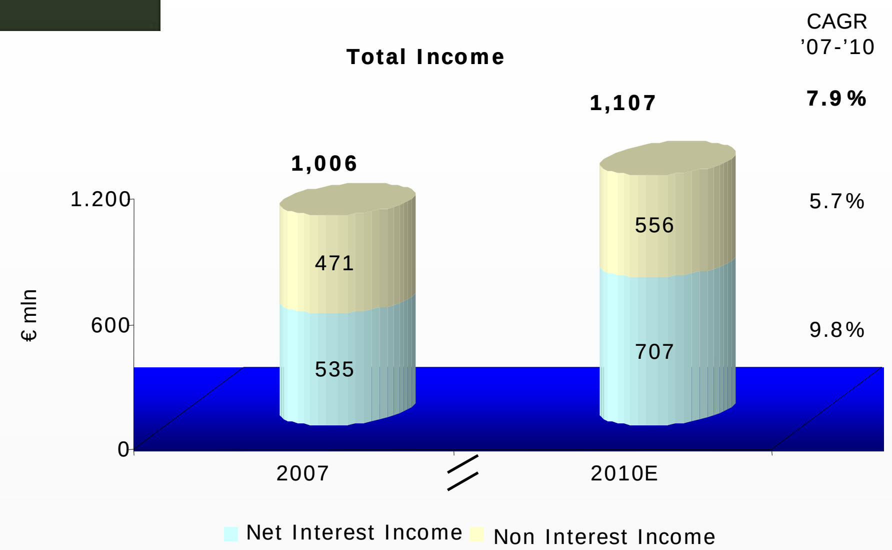
•Necessary activities for the authorization to the adoption of IRB Advanced are in process of execution, hopefully within December 2009 for Retail lending portfolios an within December 2010 for corporate lending portfolios.

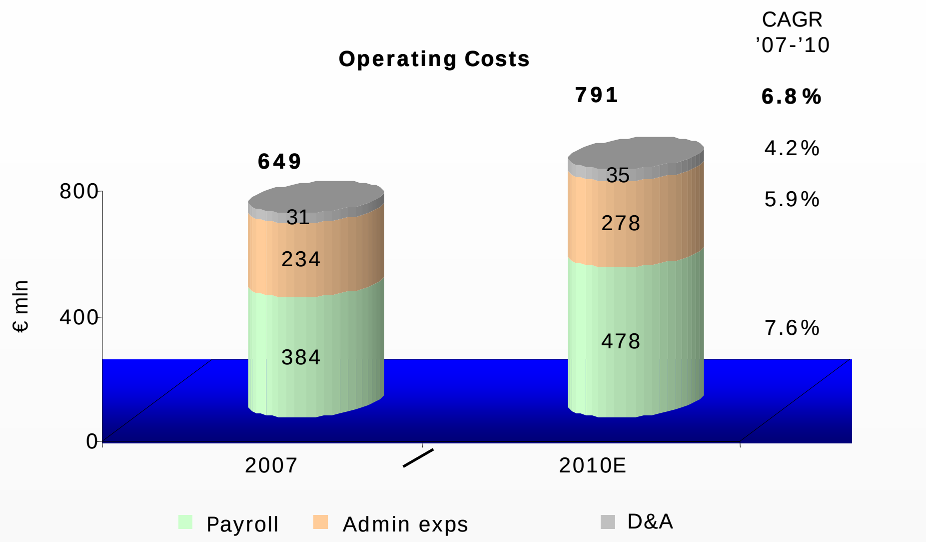
•Referring to operating risks, from June 2008, Credem Group adopts TSA model (Standardized Approach), while activities for internal model AMA (Advanced Measurement Approach) implementation, with internal management aims, are under way.

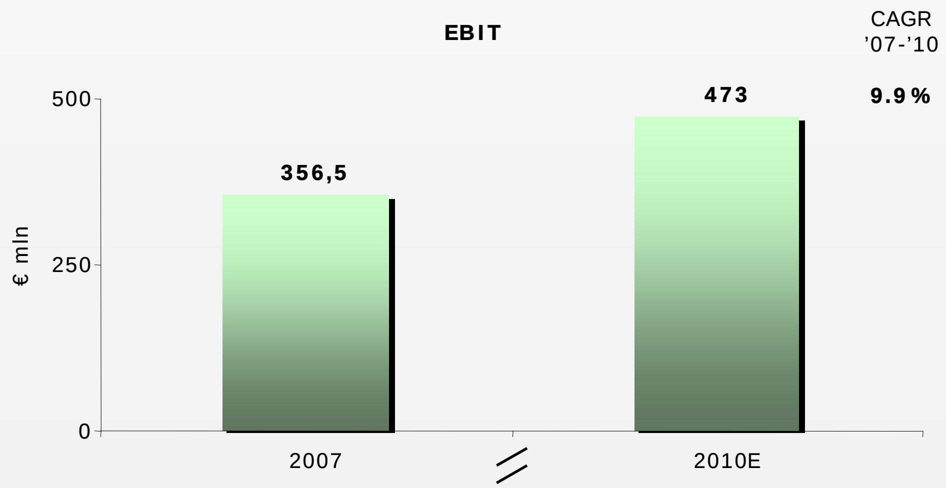
•The application of Basel 2 criteria, throughout the entire clientele internal ratings elaboration, will allow to improve capital allocation efficiency, reduce cost of risk and determine more accurately credit pricing.

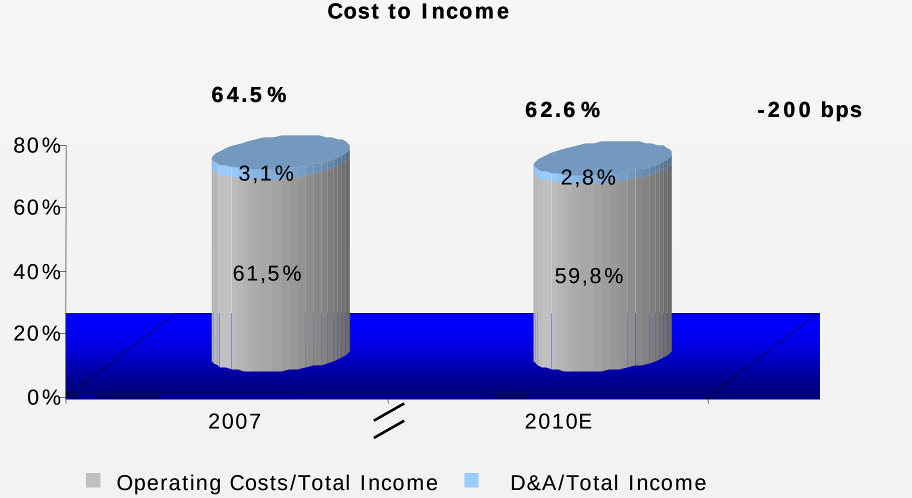
•Lastely, referring to Pillar II of the new agreement on Basel capital, initiatives through which Credem Group intend to adopt a structured procedure for actual and perspective capital assessment evaluation (Internal Capital Adequacy Assessment Process – ICAAP), in relation to risks taken and company strategies and to determine the adequate capital to face them.

Main Targets – Business Plan 2008-2010

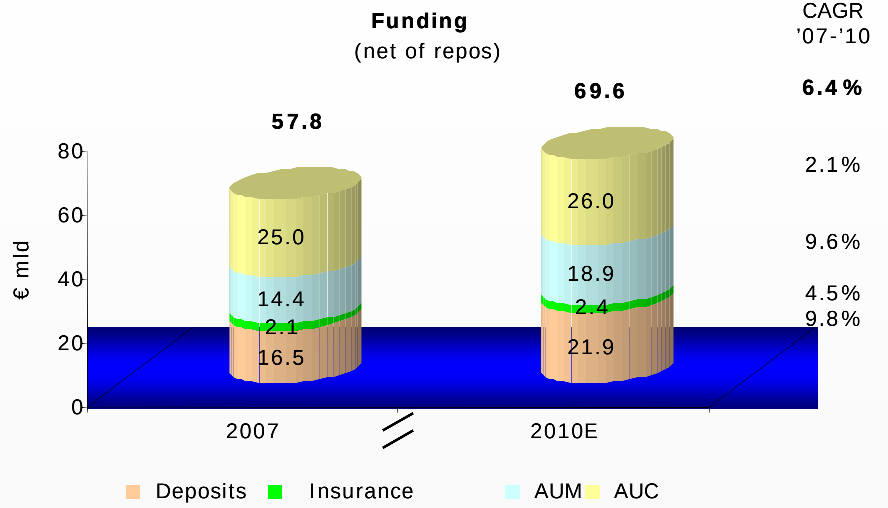


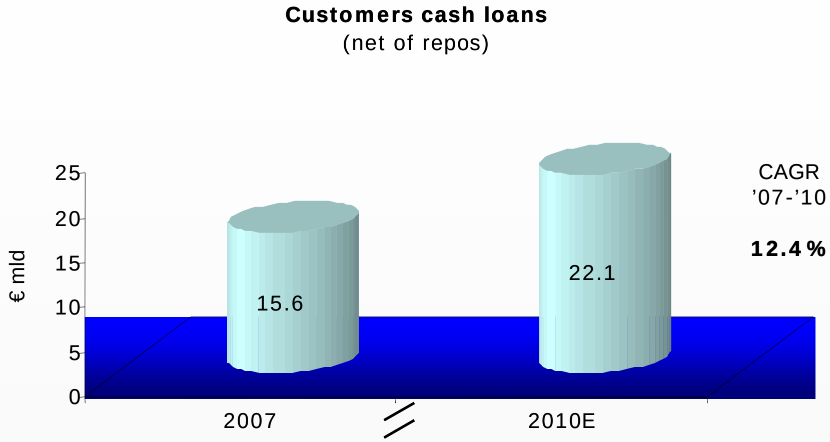


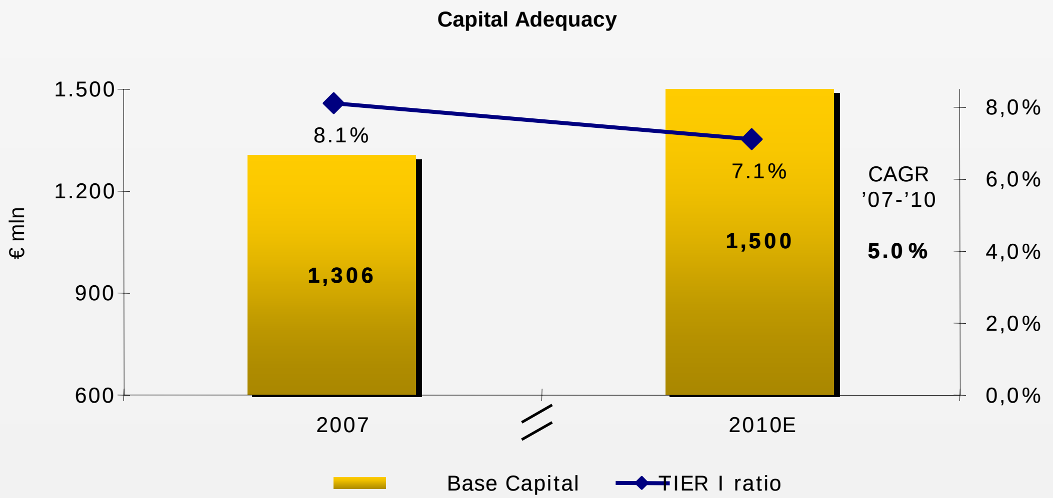


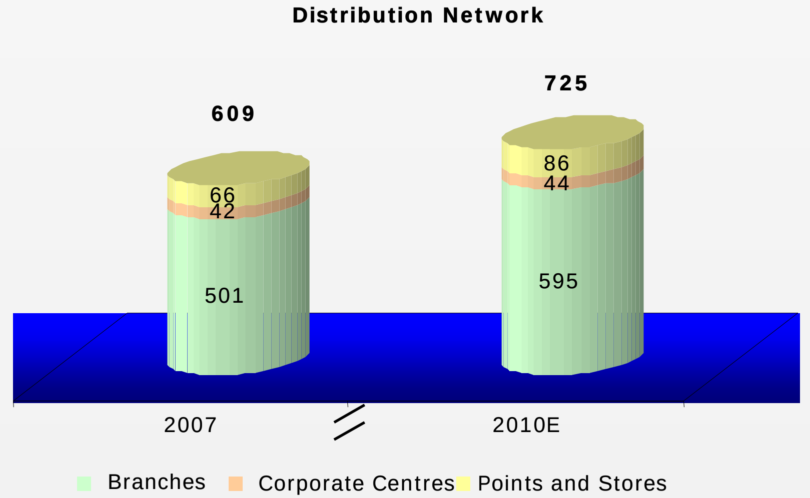


Main Targets – Business Plan 2008-2010









Income Statement – Business Plan 2008-2010

(mln €)	2007	2010E	CAGR '07-'10
Net Interst Income	**535**	**707**	**9.8%**
Commission fees	344	396	4.8%
Trading	64	107	18.6%
Other Income/Charges	63	53	-5.4%
Non Interest Income	**471**	**556**	**5.7%**
Total Income	**1,006**	**1,264**	**7.9%**
Payroll Costs	-384	-478	7.6%
Admin Ezpenses	-234	-278	5.9%
D&Ai	-31	-35	4.2%
Operating Costs	**-649**	**-791**	**6.8%**
EBIT	**357**	**473**	**9.9%**
Net Loan Writedowns	-53	-88	18.3%
Provisions for Risk and Charges	-21	-1	ns
Extraordinary Income/Expenses	41	-10	ns
Pre- Tax Profit	**324**	**374**	**4.9%**
Income Taxes	-75	-145	24.6%
Net Profit	**249**	**229**	**-2.8%**

Total Income will grow by **7.9%** cagr. Net Interest Income component will mantain a good growth trend, around 10%. Non Interest Income will start growing again (5.7%) thanks to the recovery of trading and wealth management businesses.

Operating Costs, including D&A, will grow by **6.8%** and they will sustain, in particular during biennium 2008-2009, integration charges coming from new acquired branches; without costs mentioned above, the aggregate will increase only by **4.1%** cagr.

EBIT will stay at an excellent growing pace of **9.9%** per year.

Net Loans Writedowns will remain around 0.40% of total loans (0.34% in 2007).

Net Profit at the end of 2010 will be €**229** million vs. €249 million in 2007, when result was positively affected by non recurrent components. **ROE** at the end of the triennium will be around **12%,** after absorbing the impact of acquisition deals and considering the related capital increase.

Distribution Network – Business Plan 2008-2010

Distribution Network	2007	2010E
Branches	501	595
Corporate Centres	42	44
Points and Stores	66	86

Personnel and FA	2007	2010E
FAs	760	1,142
Group's Employees	5,246	5,960

94 branches growth in the triennium will be the result of:

72 branches **acquired**
22 branches **opened**

2 new corporate centers opened.

20 new financial stores will substain the financial advisors' development, which will grow in number by more than 380 units.

The number of employees involved in distribution activities will reach 80% of the total from 76% in 2007. Total Business per employee will improve from €14 mln to €15.4 mln

Funding – Business Plan 2008-2010

(€ mln)	2007	2010E	CAGR '07-'10
Deposits & Bonds	16,530	21,886	9.8%
Insurance	2,146	2,447	4.5%
Direct Deposits *(net of Repos)*	**18,676**	**24,333**	**9.2%**
AUM	14,364	18,935	9.6%
AUC	24,733	26,353	2.1%
Indirect Deposits *(cvt)*	**39,097**	**45,288**	**5.0%**
Total	**57,773**	**69,621**	**6.4%**
Repos	735	1,257	19.6%
Total Funding	58,508	70,878	6.6%

Total funding will **grow by 6.4%** (**8,6%** considering customers contribution only, vs. an estimated market growth of 6%).

Net inflows is estimated to grow by **€6 billion** in the triennium, of which **2 billion** as contribution from **AUM**.
This strategic business is expected to grow, in particular in the biennium 2009-2010, by over **9%** (5% estimated average growth for the banking sector).

Customers Loans – Business Plan 2008-2010

(€ mln)	2007	2010E	CAGR '07-'10
Loans	**15,569**	**22,100**	**11.2%**
Repos	194	231	25.5%
Total	**15,763**	**22,331**	11.4%

Lending will keep growing steadily by **12.4%** (market is estimated to grow by 7-7.5%).

Main contribution will keep coming from "core" segments:

•**Retail** business, in its whole, which is estimate to grow by circa **16%** per year**,** equally split between short and long term;

•**Mid corporate** which will grow by **8%.**

Notes:

The strategic plan takes into consideration the acquisition of the 72 branches from Citigroup, Banco Popolare and Unicredit, which were, or will be, integrated in different steps within December 2008. Five private branches acquired from Citigroup and the 33 from Banco Popolare have been already incorporated, respectively in Banca Euromobiliare since May 2008 and in Credem since September 2008.

The assumpions concerning to macroeconomic scenario, rates dynamic, economic and financial aggregates of the credit system on which the plan is based, were formulated after elaborating main institutional national and international economic previews available in 2008. Data were afterwards internally synthesized by the management of the Group.
In particular, previews used are: “ Rapporto di Previsione” by Prometeia, April 2008 udated in May 2008, “Previsioni dei Bilanci Bancari” by Prometeia , May 2008, “Previsione dei tassi” by Prometeia, June 2008, “Finance Monitor” by Unicredit, April 2008, “La settimana macroeconomica”, by Unicredit Banca d’Impresa (UBI), June 2008 and “Consensus Forecast”, June 2008.

Relatively to economics results and in order to guarantee an homogeneous comparison, 2007 data included in this press release are considered :
- excluding contribution of Euromobiliare Sim, disposed at the end of 2007.
- including CredemVita total consolidation effects, 100% controlled since the end of March 2008.