



Gruppo Bancario
"CREDITO EMILIANO – CREDEM"

PRESS RELEASE

17 January 2008

STANDARD & POOR'S UPGRADES CREDEM

Standard & Poor's has today upgraded Credito Emiliano's ("Credem"), raising its Long term and Short term credit ratings to **A / A-1** with **Stable** outlook and **A- / A-2** with **Positive** Outlook.

Find here attached, the original S&P's press release.

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RESEARCH

Research Update:

Italy-Based Credito Emiliano SpA Upgraded To 'A/A-1' On Resilient Financials; Outlook Stable

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Rationale

On Jan. 17, 2008, Standard & Poor's Ratings Services raised its long- and short-term counterparty credit ratings on Italian regional bank Credito Emiliano SpA (Credem) to 'A/A-1' from 'A-/A-2'. The outlook is stable. The upgrade reflects our expectation that Credem will sustain its current good profitability in a more difficult economic environment while maintaining a conservative risk management and profile, and preserve sound capitalization.

The ratings on Credem reflect a sound financial profile, strong risk management, and excellent asset quality. The ratings also take into account the bank's only adequate market position, and constraints on efficiency resulting from its medium size and costs relating to organic growth.

Credem is a midsize bank with an adequate 4% market share in its wealthy home base, the Region of Emilia-Romagna (A+/Stable/--), but a market share below 1% in the other major northern Italian regions. It is controlled by a founder-shareholder base of entrepreneurial families.

The bank's risk management is considered strong, based on a conservative risk appetite, and centralized and efficient risk procedures and monitoring. Liquidity has remained good in the difficult 2007 context and the bank has avoided exposures to U.S. subprime lending, collateralized debt obligations, and structured investment vehicles. Credit risk metrics are very strong, while sector and single-party concentrations are much lower than peers'.

In recent years, Credem has focused on organically expanding its retail banking franchise. Investment banking has been downsized and the brokerage subsidiary was sold in 2007. The shift in activity mix toward a higher margin retail clientele has paid off, resulting in a much improved cost-to-income ratio of 62% on average over the past three years, compared with 72% in the 2002-2004 period. We consider Credem's shift in activity mix to have reduced the bank's historical sensitivity to stock market fluctuations.

With a ratio of adjusted total equity to risk-weighted assets of 7.6%, capitalization is sound in light of the bank's low risk profile. Quality of capital is high, with an absence of hybrid debt in regulatory Tier 1 capital. The adoption of the Basel II foundation internal ratings-based method (IRB) for the corporate portfolio in 2008, when approved by the Bank of Italy, should have a positive impact of about 50 basis points on the regulatory Tier 1 capital ratio. We expect that the positive impact of Basel II will be absorbed by a rise in business volumes and small add-on acquisitions.

Outlook

The stable outlook reflects our expectations that Credem's strong risk management will allow the bank to sustain its current good profitability in a more difficult economic environment, and that the bank will maintain a sound capitalization policy with a core Tier 1 ratio of more than 7% in the coming years. We already take into account a modest leveraging following a partial transition to the Basel II IRB method in 2008.

The ratings could be raised if Credem were to materially expand its business position and earnings base while avoiding a deterioration of its capitalization and current risk profile.

The ratings could come under pressure if the organic growth strategy in retail and midsize corporate lending were to unexpectedly lead to a material

deterioration in margins or in credit risk costs. A more aggressive capital policy would also put pressure on the ratings.

Ratings List

	To	From
Counterparty credit ratings	A/Stable/A-1	A-/Positive/A-2

NB: This list does not include all ratings affected.

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