

CREDEM HOLDING

Capogruppo del Gruppo Bancario
"CREDITO EMILIANO – CREDEM"



Gruppo Bancario
CREDITO EMILIANO – CREDEM

PRESS RELEASE

CREDEM, THE BOARD OF DIRECTORS APPROVES FIRST HALF 2007 RESULTS: NET PROFIT at €131.8 MILLION (+4.8%), EBIT+6.4%.

- **Total Income** +7.8% at €571.7 million, versus €530.5 million in 1H06;
- **EBITDA** +6.8% at 248.3 versus 232.5 million in the same period of 2006;
- **EBIT** +6.4% at €234.3 million, versus €220.2 million at 30 June 2006;
- **Consolidated Net Profit** +4.8% at €131.8 million (125.8% million at 30 June 2006)
- **Customers Lending** (net of repos)+12.6% at €14,914 million (vs. €13,243 million at the end of June 2006);
- **Credit Quality** (NPL ratio) equals to 0.2% (stable on the end of June 2006).
- **Customers Fundings** +5% equal to €59,745 million versus €56,881 million at the end of June 2006;
- **Cost/Income**¹ reducing to 56.6% (56.2% at 30 June 2006);
- **Tier 1 capital ratio** 7.6%, **Total capital ratio** at 9%
- **Creacasa Srl was constituted in May 2007. Creacasa is a Credem fully controlled distribution company born in order to increase the group market share on mortgages, loans to families financing and insurance products related to mortgage.**

Credem's Board of Directors, chaired by Giorgio Ferrari, approved today 1H07 individual and consolidated results.

First Half 2007 RESULTS

Consolidated Income Statement at 30 June, 2007

At 30 June 2007 **Credem's** profit and loss shows a consolidated net profit at €131.8million (€125.8 million at the end of June 2006) increasing by 4.8%.

Total Income grew by 7.8% to €571.7 million, compared to €530.5 million in the same period of 2006. In particular, **Net Interest Income** is up by 19.7% at €249.3 million (€208.3 million at June 2006) due to the overall increase in spreads and volumes; **Net Non Interest Income** is at €322.4 million, stable on first half 2006 (€322.2 million).

Asset management commissions, considering the difficult market scenario, decreased by 6% mainly due to mutual funds and SICAV's. Gains on portfolio managed accounts (+17%), including proceeds from distribution of third parties funds and group's insurance products (+10%) raised, pulled both by the increase of premiums on unit linked products and the

¹ Calculated as operative costs/total income

higher yield of portfolio managed accounts beneath traditional products. Custodian banking services decreased, while commission on trading for third parties increase (6%) and banking services fees went up by 9%.

Operating Costs equal €323.4 million (+8.5%) compared to the €298 million in the same period of 2006. The item increase is attributable to branch openings plan that is progressing according to schedule, staff strengthening, specific commercial initiatives, provisions for medium term incentive plans and the national contract renewal. Personnel Costs were positively affected by the change of accounting policies, following the introduction of the pension fund reform.

In particular, personnel expenses equal €199.9 million (+8.2%), while administrative expenses come in at €123.5 million (+9%).

Cost/Income (1) comes in at 56.6%, essentially stable on the end of June 2006 (56.2%)

EBITDA grew by 6.8% to €248.3 million compared (€232.5 million in the same period of 2006). Depreciation and Amortization equal €14 million (€12.3 million in the same period of 2006).

EBIT is up by 6.4% at €234.3 million (€220.2 million at the end of June 2006).

Provisions for Risk and Expenses equal, at 30 June 2007, €0.6 million (€4.7 in the same period last year). Net loan writedowns equal €16.5 million at the end of June 2007 (€8.1 at 30 June 2006).

Net Extraordinary Items impact 1H07 for a total of €2.4 million (€6.2 million in the same period of 2006). In particular, the main positive extraordinary items is attributable to the capital gain from the disposal of the stake in SIA.

Pre-tax Profit equals €219.9 million (+2.9%) versus €213.7 million at the end of first half 2006.

Income taxes comes in at €82.8 million (€80.5 million at 30 June 2006).

Consolidated Balance Sheet at June the 30th , 2007

Group Customers Funding rose by 5% to €59,745 million at 30 June 2007, vs. €56,881 million in the same period of 2006.

Direct Deposits, net of repos, are 14% higher at €15,793 million, up from €13,851 million at the end of 1H06 (direct deposits including repurchase agreements is up by +12% to €16,629 million compared with €14,850 at the end of June 2006). In detail, deposits have climbed by 7.7% to €10,239 million (€9,506 million in the same period of 2006), while bonds have grown by 27.8% to €5.554 million (€4,345 at 30 June 2006). In particular, Credem issued €1.5 billion to institutionals within the EMTN programme.

Repurchase agreements are at €836 million vs. €999 million at 30 June of 2006).

Indirect Funding increased by 2.6% to €43,116 million (€42,031 million at the end of 1H06).

Assets under Management equals €17,536 million compared to €16,937 million in the same period of 2006 (+3.5%). In particular portfolio management grew by 23% (to €6,358 million) and Mutual Funds and Sicav's are at €8,734 million (-8.2%).

Assets under Custody grew by 1.9% reaching €25,580 million compared to €25,094 million in the same period last year.

Net Cash Loans (net of repos) to customers rose by 12.6% to €14,914 million (€13,243 million as at 30 June 2006), while the increase, comprehensive of repurchase agreements, was 12.2% (€14,992 million at 30 June 2007 versus €13.3 million in the same period of 2006). As for retail customers, medium-long term lending grew significantly in private sector (+17%) and small businesses (+26% on 2006); within this area short term loans show a remarkable increase of 16%. **Total Mortgage Loans** totalled at 30 June 2007 €4.5 billion (+19.3%), while disbursements decreased by 18.5% to €552 billion.

Corporate short term lending to “middle corporate” clientele grew by 10% compared to first half 2006.

NPL ratio at 30 June 2007 comes in at 0.2% of total loans (0.2% in the same period of 2006). The **percentage estimate of losses on non performing loans** slides down to 59.5% (61.8% in the same period of 2006). **Total Net Problem Loans** equal €119.2 million (€101.2 million at the end of 1H06).

Shareholders Equity, including net profit, is up to €1,446.5 million (€1,273.2 million at the end of 1H06).

Tier 1 capital ratio is 7.6%. **Total capital ratio** equals 9%.

During the 1H07 Credem setup a fully controlled new company, Creacasa Srl, a specialized company in home mortgages, loans and insurance products mortgage related to families. Creacasa operates as a distributor of mortgages, loans to families and insurance products related to mortgage. Creacasa aims at the development of a distribution network formed by exclusively mandated agents in order to increase Group’s market shares in this business area. The company will also operate throughout agreements and partnerships with real estate agencies, independent professionals, networks of financial advisors. Creacasa will focus on exploring all possible synergies with group’s sale networks, also through the creation of specific corners inside the most important Credem branches.

In the month of June, Credem has signed an agreement for the disposal of Euromobiliare Sim, that will be executed at the closing after all Bank of Italy required authorizations will be obtained; therefore the accounting effects of the deal have not been posted in the 1H07 results. The disposal has been finalized in spite of a strategy oriented to find the best asset of Group’s investment banking activities.

Also, during 1H07, Credimmobili SpA has been merged in Credem to pursue a more efficient management of the real estate Group properties.

As at 6/30/2007 Credem’s distribution network accounted on 483 branches, 41 corporate centres, 66 financial stores with 5,252 employees and financial advisors with mandate over 759.

With reference to what requested by CONSOB on 8/30/2007, as a consequence of the subprime mortgages issue, the Credem Group declares not to have sold mortgages to subprime customers nor to have commitments to do so in the future.

Credem Group did not invest directly or indirectly in US subprime mortgage related securities. Credem exposure in funds that allocated a portion of their portfolio to subprime sector related derivatives, amounts to €0.6 million equal to 0.01 % of its proprietary trading book. Clientele direct and indirect exposure in AUM and AUC subprime mortgage related products amounts to €5.1 million equal to 0.01% of the Group’s entire indirect funding.

Declaration by the senior Manager in charge of drawing up Company Accounts

The undersigned, Paolo Tommasini, in his capacity as senior manager in charge of drawing up the Credem Group Spa company accounts

DECLARES

as prescribed by §154bis, 2 of the Testo Unico delle disposizioni in materia di intermediazione finanziaria (The "Single Financial Service Act") that, to the best of his knowledge and belief, the Consolidated Quarterly Report at 30 June 2007 agrees with the documentary records, ledgers and accounting data.

Attached please find the individual and consolidated balance sheets and income statements as well as the reclassified consolidated P&L and the reclassification rules.

Interim consolidated report is still under certification by the Independent Auditors.

Interim consolidated report at 30 June 2007 will be at public disposal within law terms.

For additional information about Credem and the other companies in the Group, please visit Group's website: www.credem.it

Reggio Emilia, 13 September 2007

CREDITO EMILIANO SPA
(Chairman)
Giorgio Ferrari

Contacts:

Investor Relations Credem
Tel. +39 0522 583029-2351
Fax +39 0522 582087
e-mail: investor@credem.it
www.credem.it

Consolidated Balance Sheet (€/000)

	Assets	6.30.2007	12.31.2006
10	Cash and balances with central banks	87,848	126,524
20	Financial assets held for trading	5,948,957	4,901,710
30	Financial assets valued at fair value	456,406	-
40	Financial assets available for sale	79,685	83,910
60	Loans and advances to banks	5,279,321	3,575,988
70	Loans and advances to customers	14,922,447	14,386,083
80	Hedging derivatives	22,192	9,754
100	Equity investments	36,925	37,464
120	Property, plant and equipment	333,194	337,115
130	Intangible assets	52,803	54,619
	of which:		
	goodwill	31,187	31,187
140	Tax assets	115,978	168,157
	<i>a)</i> current	53,677	94,756
	<i>b)</i> deferred	62,301	73,401
150	Non-current assets held for sale	352,211	-
160	Other assets	1,164,653	569,588
	Total assets	28,861,620	24,250,912

	Liabilities	6.30.2007	12.31.2006
10	Deposits from banks	6,734,575	4,494,247
20	Deposits from customers	10,905,156	10,917,324
30	Debt securities in issue	4,677,282	3,248,192
40	Financial liabilities held for trading	2,126,525	1,557,630
50	Financial liabilities at fair value	1,047,056	1,363,955
60	Hedging derivatives	3,569	6,171
80	Tax liabilities	249,049	281,704
	a) current	87,164	130,227
	b) deferred	161,885	151,477
90	Liabilities associated with non-current assets held for sale	236,279	-
100	Other liabilities	1,266,657	815,301
110	Provision for severance indemnities	89,861	101,586
120	Provisions for risks and charges:	62,248	63,647
	a) pensions and similar liabilities	1,499	1,503
	b) other	60,749	62,144
140	Revaluation reserves	103,931	74,673
170	Reserves	847,506	713,067
180	Share premium	81,281	78,728
190	Share capital	281,980	281,476
210	Minority interests	16,887	21,149
220	Net profit (loss) for the period	131,778	232,062
	Total equity and liabilities	28,861,620	24,250,912

CONSOLIDATED INCOME STATEMENT (€/000)

		6.30.2007	6.30.2006
10	Interests and similar incomes	652,808	430,082
20	Interest expenses and similar charges	(426,235)	(223,359)
30	Net interest income	226,573	196,723
40	Fee and commission income	254,174	257,012
50	Fee and commission expense	(41,635)	(48,363)
60	Net fee and commission income	212,539	208,649
70	Dividend and similar income	274,217	207,870
80	Net trading income	(173,775)	(115,681)
90	Hedging activity income	32	-
100	Gains (losses) on disposal or repurchase of:	2,694	7,426
	a) credits	(1)	(1)
	b) financial assets available for sale	2,582	7,689
	d) financial liabilities	113	(262)
110	Net change in value of financial a/l at fair value	(2,042)	4,453
120	Total income	540,238	509,440
130	Net impairment adjustments on:	(16,546)	(8,089)
	a) loans and advances	(16,555)	(9,458)
	d) other financial assets	9	1,369
140	Net income from financial activities	523,692	501,351
170	Net income from financial and insurance activities	523,692	501,351
180	Administrative expenses:	(323,462)	(298,002)
	a) payroll	(199,939)	(184,656)
	b) other	(123,523)	(113,346)
190	Net increases in provisions for risks and charges	(573)	(4,724)
200	Net adjustments to property, plant and equipment	(8,617)	(8,824)
210	Net adjustments to intangible assets	(5,335)	(3,441)
220	Other operating income (charges)	29,820	27,648
230	Operating costs	(308,167)	(287,343)
240	Share of profit (loss) from equity stakes	4,384	(719)
270	Share of profit (loss) from sale of investments	(33)	378
280	Profit (loss) from current operations before tax	219,876	213,667
290	Income taxes on current operations	(82,765)	(80,484)
300	Profit (loss) from current operations after tax	137,111	133,183
320	Net profit (loss) for the period	137,111	133,183
330	Minority interests	(5,333)	(7,348)
340	Net profit (loss) for the period attributable to the parent bank	131,778	125,835

Consolidated reclassified income statement (€/million)

	1Q07	2Q07	1H07	1H06	change %/y	2Q06	FY06
Net interest income	124,9	124,4	249,3	208,3	19,7	103,6	440,3
Net commissions	149,7	172,7	322,4	322,2	0,1	168,8	620,6
Total income	274,6	297,1	571,7	530,5	7,8	272,4	1.060,9
Payroll expenses	(100,9)	(99,0)	(199,9)	(184,7)	8,2	(93,2)	(600,5)
Administrative expenses	(59,4)	(64,1)	(123,5)	(113,3)	9,0	(55,2)	(230,3)
Operating costs	(160,3)	(163,1)	(323,4)	(298,0)	8,5	(148,4)	(618,8)
EBITDA	114,3	134,0	248,3	232,5	6,7	124,0	442,1
Amortization and depreciation	(6,7)	(7,3)	(14,0)	(12,3)	13,8	(5,7)	(25,9)
EBIT	107,6	126,7	234,3	220,2	6,4	118,3	416,2
Net provisions for risks and expenses	(0,3)	(0,3)	(0,6)	(4,7)	(87,2)	(6,3)	(8,6)
Extraordinary income/expenses	2,0	0,7	2,7	6,3	(57,1)	1,4	7,6
Net write downs	(6,0)	(10,5)	(16,5)	(8,1)	103,7	(3,3)	(25,6)
Pre-tax profit	103,3	116,6	219,9	213,7	2,9	110,1	389,6
Minorities interest in net profit/loss	(2,0)	(3,3)	(5,3)	(7,4)	(28,4)	(4,8)	(9,6)
Income taxes	(41,4)	(41,4)	(82,8)	(80,5)	2,9	(38,1)	(147,9)
Net profit	59,9	71,9	131,8	125,8	4,8	67,2	232,1
Earning per share	0.21	0.26	0.47	0.45	4.4	0.24	0.83
Diluted earning per share	0.21	0.25	0.47	0.45	4.4	0.24	0.82

Reclassification rules:

Net Interest income

+ Item 30 + Item 240 + Item 70 dividends and similar incomes (on stakes dividends) - Abaxbank interest margin

Non interest income

+ Item 60 + Item 70 (net of stake dividends)+ Item 80 + Item 90 + Item 220 (net of extraordinary components)+ Abaxbank interest margin

Total income

Net Interest income+ Non interest income

Operative costs

+ Item 180

EBITDA

(Total income – Operative costs)

Depreciation and admortization

+ Item 200+ Item 210

EBIT

(Ebitda – depreciation&admortization)

Net provisions for risk and charges

+ Item 190

Net adjustment on credits

+ Item 130 ("a" and "d")

Extraordinary income/losses

+ Item 100 + Item 130 ("b" and "c")+ Item 220 (only extraordinary components) + Item 270 + Item 310

Pre-tax profit

(EBIT +/- Net provisions for risk and charges+/- Net provisions for risk and charges/ Extraordinary income/losses)

