

**CREDEM: BOARD OF DIRECTORS APPROVES FIRST QUARTER 2005 RESULTS.**

- **Consolidated net profits** up 51.1% to €52.9 million compared to €35 million for the first quarter of 2004; the figure includes income of €13.5 million resulting from extraordinary items;
- **Revenues** up 6.8% to €224.5 million compared to €210.3 million for the first quarter of 2004;
- **Operating profit** up 27% to €73.4 million compared to €57.8 million for the period to 31 March 2004;
- **Customer deposits\*** up 6.7% amount to €51,878 million compared to €48,625 million as at 31 March 2004;
- **Net cash loans** up 2.7% to €11,469 million (€11,170 million in the first quarter of the prior year);
- **Loan quality** net NPL ratio amounts to 0.21% (0.35% as at 31 March 2004);
- **Cost/income ratio** 62.3% for the period (65.3 % for the period to 31 March 2004);
- **Luigi Maramotti** confirmed as Deputy Chairman.

The Board of Directors of CREDEM, chaired by Giorgio Ferrari, has today approved the statutory and consolidated accounts for the first quarter of 2005.

**Consolidated Profit (Loss) as at 31 March 2005**

For the first quarter of 2005, **Credem** reports a 51.1% increase in consolidated **net profit** to €52.9 million (€35.0 million in the first quarter of 2004). This figure includes a gain of €14.5 million resulting from the disposal of Banca del Garda on 31 January 2005.

**Total revenues** of €224.5 million, up 6.8% compared to €210.3 million for the same period in 2004.

**Net interest income** grew to €86.5 million (up 5% compared to €82.4 million for the period ending March 2004) despite a market characterised by conservative interest rates and a further decline in spreads. The realignment of the credit portfolio has not penalised profitability.

**Net non-interest income** amounted to €138 million, recording a 7.9% increase over the €127.9 million in the first quarter of 2004. A good contribution from brokerage activities was registered in addition to an excellent result from traditional banking (+9.4%); asset management fees were stable.

**Operating expenses** totalled €139.8 million (+1.7%) compared to €137.4 million for the same period in 2004. This figures includes **payroll costs** of €81.0 million (+1.6%), while **administrative expenses** were €58.8 million (+1.9%). Cost performance to-date is in line with the Group budget for 2005.

The **Cost/income ratio** amounts to 62.3% compared to 65.3 % for the period ending 31 March 2004.

**Gross operating profit** reached €84.7 million (up 16.2%) compared to €72.9 million for the first quarter of 2004. Depreciation and amortisation amounted to €11.3 million (down 25.2%).

**Net operating profit** was €73.4 million, an increase of 27% compared to €57.8 million for the first quarter of 2004.

**Extraordinary income** totalled €13.5 million in the first quarter of 2005 (compared to -€0.3 million for the same period in the prior year); this figures includes the €14.5 million gain on the disposal of Banca del Garda, which was completed on 31 January 2005.

**Net adjustments to loans and provisions for risk and charges** amounted to €1.9 million, compared to a positive figure of €0.3 million for the same period last year.

**Profit before tax** was €83.8 million (up 45.2%) compared to €57.7 million for the first quarter of 2004.

**Income tax** was €28.7 million (€21.8 million for the period ending 31 March 2004).

#### **Balance Sheet as at 31 March 2005**

**Total customer funding\*** for the Credem Group increased during the first quarter of 2005 by 6.7% to reach €51,878 million versus €48,625 million for the same period in 2004.

**Direct customer funding**, net of repurchase agreements, increased by 3.6% to a total of €12,093 million compared to €11,671 million for the first quarter of 2004 (direct deposits including repurchase agreements reached €12,796 million versus €14,536 million as at 31 March 2004, down 12%). More specifically, deposits increased by 11.2% to €8,070 million (€7,254 million for the same period in 2004), the amount of securities in issue declined by 8.9% to €4,023 million (€4,417 million as at 31 March 2004) and the value of repurchase agreements fell 75.5% to €703 million (€2,865 million as at 31 March 2004). The latter is entirely due to a reduction in repo activity at Abaxbank.

**Indirect customer funding\*\*** recorded an increase of 7.7%, reaching €39,785 million (€36,954 million for the first quarter of 2004) with €16,140 million (+6.7% compared to €15,130 million as at 31 March 2004) in **assets under management** and €23,645 million in **assets under administration\*\*** (an increase of 8.3% over €21,824 million for the same period of the prior year).

**Net cash loans** to customers grew by 2.7% to reach €11,469 million (€11,170 million as at 31 March 2004), while the growth in net repurchase agreements was 4.4% (€11,398 million as at 31 March 2005 versus €10,922 million during the same period for the prior year). The lending activity was mainly focused on retail customers and SMEs. Particularly remarkable is the comparison between the average principal figures related to Group's traditional core customer base: in fact retail customers grew by 20% and small businesses were up 24%. Home mortgage loans (Presticasa) increased to more than €2.8 billion in stock (up 25% compared to the same period in 2004) with new disbursements of more than €200 million (up 29%).

**Net non-performing loans** stood at 0.21% (0.35% as at 31 March 2004). **Estimated losses on non-performing loans** was 79% of the total (65.9% as at 31 March 2004). **Net "problem" loans** amounted to €44.3 million (€61.4 million for the first quarter of 2004).

The **Tier 1 capital ratio** amounted to 7.5% (6.8% at the end of March 2004). The **total capital ratio** was 10.1% (9.1% at the end of March 2004).

As at 31 March 2005, the distribution network of the Group consisted of 453 retail branches, 38 business centres, and 45 financial shops. Employees totalled 4,952 and tied financial advisors totalled 865.

The Board of Directors of CREDEM has confirmed Luigi Maramotti as Deputy Chairman, following his co-opting to the Board on 20 January 2005, after the loss of Achille Maramotti.

#### **Transition to IAS/IFRS accounting principles**

The accounting principles adopted for the preparation of the financial statements for the first quarter of 2005 are the same as those adopted for the financial period ending 31 December 2004.

Approximately two years ago, the Group launched a project to study the impact and implementation of organisational and procedural changes connected to the introduction of the IAS/IFRS international accounting principles. It is estimated that reporting under the new accounting principles will begin with the reporting of the consolidated financial results for the quarter ending 30 September 2005.

**Note**

(\*) the values and percent changes for Customer deposits are stated net of securities deposits from an institutional customer equivalent to €693 million as at 31 March 2004 and €174 million at 31 March 2005 and of repurchase agreements totalling €2,865 million as at 31 March 2004 and €703 million at 31 March 2005.

(\*\*) the values and percent changes for Indirect Customer deposits are stated net of securities deposits from an institutional customer equivalent to €693 million as at 31 March 2004 and €174 million as at 31 March 2005.

Reclassified statutory and Group Consolidated Balance Sheets and Profit & Loss Accounts are included as part of this press release.

For additional information on Credem and the other companies in the Group, please visit the Group's website at: [www.credem.it](http://www.credem.it)

Reggio Emilia, 10 May 2005

CREDITO EMILIANO SPA  
(Chairman)  
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**CONSOLIDATED**  
**Reclassified balance sheet ( /million)**

	3/2005	12/2004	3/2004	changes 3/05 - 3/04	
				amount	%
Securities	2,806.4	2,666.4	3,110.8	-304.4	-9.8
Cash and banks deposits	3,395.5	3,182.1	4,599.4	-1,203.9	-26.2
Loans to customers	11,468.8	11,646.4	11,170.3	298.5	2.7
Equity investments	67.0	66.5	61.7	5.3	8.6
Intangible fixed assets	52.4	62.6	87.5	-35.1	-40.1
Tangible fixed assets	272.7	276.0	293.5	-20.8	-7.1
Other assets	1,646.4	1,582.6	1,635.4	11.0	0.7
<b>Total assets</b>	<b>19,709.2</b>	<b>19,482.6</b>	<b>20,958.6</b>	<b>-1,249.4</b>	<b>-6.0</b>
Due to banks	3,492.9	2,956.2	3,163.1	329.8	10.4
Due to customers	12,400.2	12,924.6	14,130.8	-1,730.6	-12.2
Other liabilities	2,045.7	1,815.5	2,022.6	23.1	1.1
Staff provisions	101.5	99.4	98.1	3.4	3.5
Subordinated liabilities	394.6	416.7	378.4	16.2	4.3
Provisions for risks and charges	243.0	213.3	208.5	34.5	16.5
Reserve for possible loan losses	-	-	2.6	-2.6	-100.0
Minority interests	26.2	36.4	34.8	-8.6	-24.7
<b>Total liabilities</b>	<b>18,704.1</b>	<b>18,462.1</b>	<b>20,038.9</b>	<b>-1,334.8</b>	<b>-6.7</b>
Share capital	275.5	275.4	274.4	1.1	0.4
Reserves	665.8	604.0	599.4	66.4	11.1
Reserve for general banking risks	10.9	10.9	10.9	0.0	0.0
Net profit for the year	52.9	130.2	35.0	17.9	51.1
<b>Shareholders' equity</b>	<b>1,005.1</b>	<b>1,020.5</b>	<b>919.7</b>	<b>85.4</b>	<b>9.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>19,709.2</b>	<b>19,482.6</b>	<b>20,958.6</b>	<b>-1,249.4</b>	<b>-6.0</b>

**CONSOLIDATED**  
**Reclassified income statement ( /million)**

	3/2005	3/2004	12/2004	variazioni 3/05-3/04	
				assolute	%
Interest income and similar revenues	154.4	158.8	511.0	-4.4	-2.8
Dividends and income from equity investments	0.5	1.2	3.2	-0.7	-58.3
Interest expenses and similar charges	-68.4	-77.6	-190.4	9.2	-11.9
<b>Net interest income</b>	<b>86.5</b>	<b>82.4</b>	<b>323.8</b>	<b>4.1</b>	<b>5.0</b>
Commission income	115.7	111.6	454.4	4.1	3.7
Commission expenses	-23.3	-22.5	-78.2	-0.8	3.6
Dealing profit (loss) on financial transactions and dividends on shares	30.0	26.4	80.9	3.6	13.6
Other operating income (charges), net	15.6	12.4	51.4	3.2	25.8
<b>Net non-interest income</b>	<b>138.0</b>	<b>127.9</b>	<b>508.5</b>	<b>10.1</b>	<b>7.9</b>
<b>Total revenues</b>	<b>224.5</b>	<b>210.3</b>	<b>832.3</b>	<b>14.2</b>	<b>6.8</b>
Personnel expenses	-81.0	-79.7	-324.9	-1.3	1.6
Administrative expenses	-58.8	-57.7	-222.8	-1.1	1.9
<b>Operating expenses</b>	<b>-139.8</b>	<b>-137.4</b>	<b>-547.7</b>	<b>-2.4</b>	<b>1.7</b>
<b>Gross operating profit</b>	<b>84.7</b>	<b>72.9</b>	<b>284.6</b>	<b>11.8</b>	<b>16.2</b>
Depreciation and amortization	-11.3	-15.1	-61.7	3.8	-25.2
<b>Net operating profit</b>	<b>73.4</b>	<b>57.8</b>	<b>222.9</b>	<b>15.6</b>	<b>27.0</b>
Extraordinary income (expenses), net	13.5	-0.3	-3.2	13.8	n,s,
Adjustments to loans, net	-1.9	0.3	-8.0	-2.2	n,s,
Provisions for liabilities and charges	-1.2	-0.1	-17.0	-1.1	n,s,
<b>Pre-tax profit</b>	<b>83.8</b>	<b>57.7</b>	<b>194.7</b>	<b>26.1</b>	<b>45.2</b>
Income taxes	-28.7	-21.8	-55.7	-6.9	31.7
Minorities interest in net profit/loss	-2.2	-0.9	-8.8	-1.3	144.4
<b>Net profit</b>	<b>52.9</b>	<b>35.0</b>	<b>130.2</b>	<b>17.9</b>	<b>51.1</b>

**STATUTORY**  
**Reclassified balance sheet ( /million)**

	<b>3/2005</b>	<b>12/2004</b>	<b>3/2004</b>
10. Cash and balances at central banks and post offices	75.4	87.1	57.4
20. Treasury bills and other bills	30.5	39.0	81.8
30. Due from banks	1,804.7	1,520.1	1,421.3
40. Loans to customers	10,819.7	10,647.1	10,319.6
50. Bonds and other fixed-rate securities	1,264.1	1,280.2	1,338.3
60. Shares and other floating rate securities	63.2	42.5	58.1
70. Equity investments	57.9	57.9	47.9
80. Investments in Group companies	292.8	315.1	340.1
90. Intangible fixed assets	47.1	51.0	68.6
100. Tangible fixed assets	154.8	158.4	170.9
130. Other assets	532.5	516.3	498.8
140. Accrued income and prepayments	207.9	217.7	232.6
<b>Total assets</b>	<b>15,350.6</b>	<b>14,932.4</b>	<b>14,635.4</b>

	<b>3/2005</b>	<b>12/2004</b>	<b>3/2004</b>
10. Due to banks	2,097.1	1,854.3	1,933.6
20. Due to customers	7,289.7	7,456.1	6,682.5
30. Debts represented by securities:	3,491.7	3,226.3	3,505.5
<i>a) bonds</i>	3,114.9	2,869.3	3,096.6
<i>b) certificates of deposit</i>	212.5	218.2	251.8
<i>c) other securities</i>	164.3	138.8	157.1
40. Third party funds in administration	7.3	7.0	7.7
50. Other liabilities	731.8	636.5	902.2
60. Accrued expenses and deferred liabilities	191.3	193.7	198.7
70. Staff severance indemnities	88.5	87.6	85.3
80. Provisions for liabilities and charges:	178.2	155.2	122.4
<i>a) pensions and similar commitments</i>	1.6	1.6	1.5
<i>b) taxes</i>	107.4	84.8	66.0
<i>c) other</i>	69.2	68.8	54.9
90. Provision for possible loan losses	0.0	87.8	87.5
100. Provisions for general banking risks	10.9	10.9	10.9
110. Subordinated debt	394.6	416.7	360.9
120. Share capital	275.5	275.4	274.4
130. Share premium reserve	50.7	50.4	45.5
140. Reserves:	493.4	384.8	384.3
<i>a) legal reserve</i>	213.4	195.7	195.7
<i>b) reserve for treasury shares</i>	0.0	0.0	0.0
<i>c) statutory reserves</i>	0.0	0.0	0.0
<i>d) other capital reserves</i>	280.0	189.1	188.6
Net profit for the period	49.9	177.5	34.0
<b>Total liabilities</b>	<b>15,350.6</b>	<b>14,392.4</b>	<b>14,635.4</b>

**STATUTORY**  
**Reclassified income statement ( /million)**

		<b>3/2005</b>	<b>12/2004</b>	<b>3/2004</b>
10.	Interest income and similar revenues	131.7	488.4	121.1
20.	Interest expense and similar charges	-53.1	-207.4	-51.0
30.	Dividends and other income:	15.7	67.5	13.0
	<i>a) shares</i>	<i>0.0</i>	<i>29.1</i>	<i>0.0</i>
	<i>b) equity investments</i>	<i>0.0</i>	<i>3.5</i>	<i>0.0</i>
	<i>b) investments in Group companies</i>	<i>15.7</i>	<i>34.9</i>	<i>13.0</i>
40.	Commission income	74.1	297.5	72.5
50.	Commission expenses	-10.6	-43.1	-10.0
60.	Profit from financial transactions	8.2	2.5	7.4
70.	Other operating income	14.3	54.3	14.2
80.	Administrative expenses:	-108.4	-420.8	-103.2
	<i>a) cost of personnel</i>	<i>-62.8</i>	<i>-254.5</i>	<i>-61.5</i>
	<i>b) other administrative expenses</i>	<i>-45.6</i>	<i>-166.3</i>	<i>-41.7</i>
90.	Adjustments of fixed assets	-8.3	-42.5	-10.4
100.	Provisions for risks and charges	-1.1	-4.5	0.0
110.	Other operating expenses	-2.0	-13.4	-4.6
120.	Adjustments to loans and provisions for guarantees and commitments	-3.8	-23.4	-1.9
130.	Write-back of loans and provisions for guarantees and commitments	1.8	18.2	2.3
150.	Adjustment to financial fixed assets	0.0	-0.6	0.0
160.	Write-back of financial fixed assets	0.0	0.3	0.0
<b>170.</b>	<b>Income from ordinary activities</b>	<b>58.5</b>	<b>173.0</b>	<b>49.4</b>
180.	Extraordinary income	10.9	98.3	4.2
190.	Extraordinary expenses	-2.0	-13.6	-4.0
<b>200.</b>	<b>Net extraordinary income</b>	<b>8.9</b>	<b>84.7</b>	<b>0.2</b>
210.	Income taxes	0.0	0.0	0.0
220.	Minority shareholders' income/loss	-17.5	-80.2	-15.6
<b>230.</b>	<b>Net profit for the period</b>	<b>49.9</b>	<b>177.5</b>	<b>34.0</b>