

CREDEM, THE BOARD OF DIRECTORS APPROVES:

- **BUSINESS PLAN 2006-2008: IN THE TRIENNIUM, FOCUS ON CORE BUSINESS, EXCELLENT AND STABLE ROE, SELECTIVE NETWORK EXPANSION;**
- **FIRST HALF 2006 RESULTS: NET PROFIT at €125.8 million, EBIT +32.1%**

Business plan 2006-2008 will be presented to the financial community and media by CEO Adolfo Bizzocchi on September the 18th;

First half 2006 main consolidated results, according with IAS¹/IFRS, show significant increases:

- ***EBIT +32.1% at €220 million, versus €166.7 million for the same period in 2005;***
- ***Consolidated net profit +4.2% at €125.8 million, versus €120.7 million in 1H05; Pre-tax profit adjusted with extraordinary components shows a growth rate of 26.5% (to €206 million in first half 2006);***
- ***Total Income +14.8% at €530.5 million, versus €462.2 million in 1H05;***
- ***Customers fundings +4.5% equal to €56,839 million versus €54,405 million in 1H05;***
- ***Net cash loans +11.3% at €13,243 million (vs. €11,197 million in 1H 2005);***
- ***Credit quality (NPL ratio) equal to 0.18% (0.22% in 1H 2005);***
- ***Cost/income equal to 56.2% (61.3% in 1H 2005);***
- ***Tier 1 capital ratio 7.6%, total capital ratio at 9.5%***

Credem's Board of Directors approved today 2006-2008 Business Plan that will be presented to the financial community and media on September the 18th in Milan at Borsa Italiana, Palazzo Mezzanotte, Piazza degli Affari, 6.

BoD also approved today, 1H06 individual and consolidated results.

BUSINESS PLAN 2006-2008

Business plan 2006-2008, prepared on the back of the forecasted macroeconomic scenario, is consistent with group's long term strategy outlined in the last plan (2004-2006) whose objectives have been achieved one year in advance. New planning for the three year period sees a great focus on core business which consists in **commercial banking activity and wealth management**, paying particular attention to the Group traditional customer targets, retail customers, small businesses and SMEs.

Main business plan 2006-2008 targets: excellent and stable ROE, business growth rate above the market, strong Wealth Management and a larger customer base, refine of organization process, efficient capital allocation.

¹ First Quarter 2006 figures have been recalculated in accordance with International Accounting Standards enacted by the International Accounting Standard Board and the International Financial Reporting Interpretations Committee explanations thereof, in force at December 31st and approved by the European Commission according to EU procedure n. 1606/2002. March 31st 2005 figures have been recalculated accordingly.

FIRST HALF 2006 RESULTS

Consolidated income statement at June 30th, 2006

Credem's income statement for the first half 2006 presents a **consolidated net profit** of €125.8 million, up 4.2% (€120.7 million in the same period of 2005). Pre-tax profit before extraordinary positive items (€7.7 million in the first half 2006 and €26.1 million in the same period 2005) shows an increase of +26.5% to €206 million in the first half 2006 compared to €162.9 million in first half 2005.

Total income grew by 14.8% to €530.3 million, compared to €462.2million in 1H05.

Net interest income is up by 16.3% at €208.3 million vs. €179.1 million in 1H05. The growth is due to the overall increase in spreads, determined mainly by a deep repositioning of the loan portfolio as well as increased volumes.

Net non interest income is up by 13.8% at €322.2 million (€283.1 million in 1H05). In addition to the contribution made by the finance area, there was also an increase in net commissions (up +6.5% for third party brokerage, up 6.3% for traditional banking services, +12.5% in asset management (up 27.9% single securities portfolio management and 9.1% in funds and Sicav portfolio management).

Operating expenses equal €298 million (+5.6%) compared to the €282.2 million in 1H05. In particular, **personnel expenses** equal €184.7 million (+3.3%), while **administrative expenses** come in at €113.3 million (+9.6%).

Cost/income comes in at 56.2%, down from 61.3% at 1H05.

EBITDA reached €232.5 million (+29.2%) compared to €180 million in 1H05. **Amortization and depreciation** equal €12.3 million (down 7.5% from 2005).

EBIT is up by 32.1% at €220.2 million compared to the €166.7 million in 1H05.

Provisions for risk and expenses equal, in first half 2006, €4.7 million. Net loan writedowns increase from €7.2 million in 1H05 to €8.1 million in first half 2006.

Net extraordinary items impact first half 2006 for a total of €6.2 million (€22 million in first half 2005). In particular, main positive items for an aggregate amount of €7.7 million, is attributable to the capital gain from the sale of the stakes in MTS, SI Holding and Carisma.

Pre-tax profit equals €213.7 million (+13.1%) versus €189 million in 1H05.

Income taxes comes in at €80.5 million (vs. €61.9 million in 1H05).

Consolidated balance sheet at June 30th, 2006

Group customers funding increased by 4.5% to €56,839 million at 6/30/2006, from €54,405 million in the same period of 2005.

Direct deposits, net of repos, are 9.1% higher at €13.668 million, up from €12.524 million in 1H05 (direct deposits including repurchase agreements have reached €14,667 million compared with €13.516 million in 1H05, +8.5%). In detail, deposits have climbed by 8.8% to €9.323 million (€8.565 million in 1H05), while bonds have grown by 9.7% to €4,345 million (€3.959 million in 1H05). Repurchase agreements are stable at €999 million (€992 million in 1H05).

Indirect funding increased by 3.1% to €42.172 million (€40.839 million in 1H05). In particular, **assets under management** increased by 1.5% at €17,078 million compared to

€16,820 million in 1H05 and in particular portfolio management grew by 27.7%, while assets under custody grew by 4.3% reaching €25.094 million compared to €24.068 million in 1H05.

Net cash loans to ordinary customers rose by 11.3% to €13.243 million (€11.897 million in 1H05), while the increase, net of repurchase agreements, was 10.9% (€13.300 million at 6/30/2005 versus €11.996 million at the same date of 2005).

As for as retail customers, medium-long term funding grew significantly in private sector (+27% on 1H05) and small businesses (+14% on 1H05). Corporate area shows a focus on middle corporate whose short term funding shows a remarkable increase (+11% on 1H05).

Total mortgage loans increased over €3.8 billion and disbursement increased by +41.6% to €678 million.

NPL ratio come in at 0.18% of total loans (0.22% in the same period of 2005).

Percentage estimates of bad debts on non performing loans slides down to 61.8% (77% in first half 2006).

Total net problem loans equal €101.2 million (€94.8 million in 1H05). The growth is almost exclusively due to the introduction of the new category of overdue loans (showing technical anomalies) for €50.6 million, according to a specific Banca d'Italia's regulation not in force in the same period of 2005.

Tier 1 capital ratio is 7.6%. The **total capital ratio** is 9.5%.

On 6/30/2005 Credem's distribution network counts 457 branches, 41 corporate centres, 62 financial stores with over employees 4,970 and financial advisors with mandate over 820.

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

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

Reggio Emilia, 13 September 2006

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Consolidated Balance Sheet (€/000)

	Assets	30.06.2006	31.12.2005	30.06.2005
10	Cash and balances with central banks	82,460	116,753	68,679
20	Financial assets held for trading	4,211,578	3,612,735	3,604,921
40	Financial assets available for sale	66,071	72,878	53,996
60	Loans and advances to banks	4,814,405	3,545,794	4,130,886
70	Loans and advances to customers	13,300,056	12,717,552	11,996,388
80	Hedging derivatives	8,887	8,074	9,216
100	Equity investments	34,532	38,726	36,251
120	Property, plant and equipment	337,901	342,884	347,408
130	Intangible assets	48,375	49,893	44,007
	of which:			
	goodwill	<i>31,188</i>	<i>31,188</i>	<i>31,188</i>
140	Tax assets	164,952	174,289	214,308
	<i>a) current</i>	<i>58,141</i>	<i>79,751</i>	<i>101,991</i>
	<i>b) deferred</i>	<i>106,811</i>	<i>94,538</i>	<i>112,317</i>
150	Non-current assets held for sale	-	332	-
160	Other assets	511,636	449,174	595,888
	Total assets	23,580,852	21,129,084	21,101,949

	Liabilities	30.06.2006	31.12.2005	30.06.2005
10	Deposits from banks	4,523,442	4,115,732	3,827,978
20	Deposits from customers	10,315,890	9,521,189	9,494,830
30	Debt securities in issue	3,086,253	2,549,046	2,294,140
40	Financial liabilities held for trading	1,603,066	1,092,186	1,176,815
50	Financial liabilities at fair value	1,448,046	1,526,957	1,874,575
60	Hedging derivatives	3,870	6,335	9,409
80	Tax liabilities	288,432	223,471	295,541
	a) current	144,378	89,978	199,918
	a) deferred	144,054	133,493	95,623
90	Liabilities associated with non-current assets held for sale	-	1,457	-
100	Other liabilities	846,222	617,639	815,490
110	Provision for severance indemnities	98,546	103,534	103,385
120	Provisions for risks and charges:	71,254	70,691	68,227
	a) pensions and similar liabilities	1,642	1,645	1,703
	b) other	69,612	69,046	66,524
140	Revaluation reserves	62,995	61,167	53,142
170	Reserves	732,295	611,616	610,339
180	Share premium	71,999	65,296	58,576
190	Share capital	280,039	278,605	277,169
210	Minority interests	22,668	34,615	21,598
220	Net profit (loss) for the period	125,835	249,548	120,735
	Total equity and liabilities	23,580,852	21,129,084	21,101,949

* IH figures restated according to IAS/IFRS.

CONSOLIDATED INCOME STATEMENT (€/000)

		30.06.2006	30.06.2005(*)	31.12.2005
10	Interests and similar incomes	430,082	312,262	716,694
20	Interest expenses and similar charges	(233,359)	(141,416)	(350,529)
30	Net interest income	196,723	170,846	366,165
40	Fee and commission income	257,012	234,735	495,795
50	Fee and commission expense	(48,363)	(44,746)	(90,262)
60	Net fee and commission income	208,649	189,989	405,533
70	Dividend and similar income	207,870	164,850	202,473
80	Net trading income	(115,681)	(99,686)	(78,900)
100	Gains (losses) on disposal or repurchase of:	7,426	69	4,156
	a) credits	(1)	-	-
	b) financial assets available for sale	7,689	69	4,252
	d) financial liabilities	(262)	-	(96)
110	Net change in value of financial a/l at fair value	4,453	8,270	(7,479)
120	Total income	509,440	434,338	891,948
130	Net impairment adjustments on:	(8,089)	(7,238)	(23,271)
	a) loans and advances	(9,458)	(7,740)	(22,802)
	b) financial assets available for sale	(-)	(4)	-
	c) financial assets held to maturity	-	-	-
	d) other financial assets	1,369	506	(469)
140	Net income from financial activities	501,351	427,100	868,677
180	Administrative expenses:	(298,002)	(282,183)	(586,384)
	a) payroll	(184,656)	(178,809)	(370,250)
	b) other	(113,346)	(103,374)	(216,134)
190	Net increases in provisions for risks and charges	(4,724)	7,579	4,310
200	Net adjustments to property, plant and equipment	(8,824)	(9,683)	(19,450)
210	Net adjustments to intangible assets	(3,441)	(3,653)	(6,250)
220	Other operating income (charges)	27,648	35,115	54,794
230	Operating costs	(287,342)	(252,825)	(552,980)
240	Share of profit (loss) from equity stakes	(719)	513	863
270	Share of profit (loss) from sale of investments	378	220	1,044
280	Profit (loss) from current operations before tax	213,668	175,008	317,604
290	Income taxes on current operations	(80,484)	(61,847)	(62,758)
300	Profit (loss) from current operations after tax	133,183	113,161	254,846
310	P/L after tax on non-current assets held for sale	-	14,007	14,007
320	Net profit (loss) for the period	133,183	127,168	268,853
330	Minority interests	(7,348)	(6,433)	(19,305)
340	Net profit (loss) for the period attributable to the parent bank	125,835	120,735	249,548

*1H figures restated according to IAS/IFRS,

Consolidated reclassified income statement (€/000)

	1Q06	2Q06	06/2006	06/2005(*)	2005	change %
Net interest income	104.8	103.6	208.3	179.1	375.7	16.4
Net non-interest income	153.4	168.8	322.2	283.1	569.7	13.8
Total income	258.2	272.4	530.6	462.2	945.4	14.8
Payroll expenses	-91.5	-93.2	-184.7	-178.8	-370.3	3.3
Administrative expenses	-58.1	-55.2	-113.3	-103.4	-216.1	9.6
Operating costs	-149.6	-148.4	-298.0	-282.2	-586.4	5.6
EBITDA	108.6	124.0	232.5	180.0	359.0	29.2
Amortization and depreciation	-6.6	-5.7	-12.3	-13.3	-25.7	-7.5
EBIT	102.0	118.3	220.2	166.7	333.3	32.2
Net provisions for risks and expenses	1.6	-6.3	-4.7	7.5	4.3	-162.7
Extraordinary income/expenses	4.7	1.4	6.2	22.0	17.4	-72.3
Net write downs	-4.8	-3.3	-8.1	-7.2	-23.3	12.5
Pre-tax profit	103.5	110.1	213.7	189.0	331.6	13.0
Minorities interest in net profit/loss	-2.5	-4.8	-7.4	-6.4	-19.3	14.1
Income taxes	-42.4	-38.1	-80.5	-61.9	-62.8	30.0
Net profit	58.6	67.2	125.8	120.7	249.5	4.2

*1H figures restated according to IAS/IFRS, Non interest margin includes the whole Abaxbank margin,

Reclassification rules:

Net Interest income

+ Item 30 + Item 240 + Item 70 - Abaxbank total income

Non interest income

+ Item 60 + Item 70 + Item 80 + Item 110 + Item 220 + Abaxbank total income

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

Extraordinary income/losses

+ Item 100 + Item 130 + Item 220 + Item 270 + Item 310

Pre-tax profit

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

