

PRESS RELEASE

CREDEM: BOARD OF DIRECTORS APPROVES FIRST QUARTER CONSOLIDATED RESULTS: EBIT 102 MILLION, +38.4%, NET PROFIT €58.6 MILLION, +9.7% ON 1Q2005 FIGURES.

The primary aggregates, compared with those at 2005 calculated proforma according with IAS¹/IFRS, show the following:

- **Consolidated Net Profit** +9.7%, at €58.6 million from €53,4 million in 1Q2005;
- **Total Income** +16% to €258 million from €222.6 million in 1Q2005;
- **EBIT** +38.4% to €102 million, compared with €73.7 million in the same period of 2005;
- **Total customer funding*** +8.4%* to €56,434 million, up from €52,070 million at 1Q 2005;
- **Net cash loans** +11.4% to €12,845 million (€11,526million in 2005);
- **Net NPL ratio** at 0.16% (0,20% at March 31st 2005);
- **Cost to income ratio** at 57.9% (64.1% at March 31st in 2005);

Today, **Credem's** Board of Directors approved statutory and consolidated financial statements for the first quarter ended 31/3/2006, prepared in accordance with new IAS/IFRS.

Consolidated income statement at 31/3/2006

Credem Group closed the first quarter 2006 with a consolidated **net profit** of €58.6 million, growing +9.7% from €53 million in 1Q2005.

Net profit, net of extraordinary contribution from capital gains on sales of participation stakes (€3,6 million in the first quarter 2006 vs. €14 million in the same period 2005), grows 39.6% to €55 million (€39.4 million in 1Q2005)

Total Income was €258.2million (+16% on the 2005 figure of €222.6 million).

Net interest income was also on the rise, growing from €92.2 million in 1Q2005 to €104.8 million (+13.7%). Volume growth was combined with the positive effect on spread due to the increased focus on retail customers and SMEs lending.

Net non-interest income came to €153.4 million, up from €130.4 million in 2005 (+17.6%). Higher contribution coming from the finance area (+30.2%) was combined with net commissions growth of +16,7%, with a relevant increase on securities trading on behalf of third parties (+42%) and traditional banking (5.2%). Commissions from mutual funds and SICAVs grew 12%, while commissions from portfolio accounts grew 35%.

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.

Operating costs totalled €149.6 million (€142.6 million in 1Q2005: +4.9%), including €91.5 million in **personnel expenses** (+7.1%) and €58.1 million in **administrative expenses** (+1.6%).

Consolidated **cost to income** was 57.9%, down from 64.1% in 1Q2005.

EBITDA climbed 35.8% to €108.6 million (€80 million in first quarter 2005), while **amortization** totalled €6.6 million (+4.8% on the first quarter 2005).

Consolidated **EBIT**, at €102 million, was 38.4% higher than the 1Q2005 figure of €73.7 million.

Provisions for risks and charges plus net writedowns of loans amounted, in first quarter 2006, to €3.2 million (€3.5 million in 2005). In particular, net writedowns of loans rose from €2.2 million in 1Q2005 figure to €4.8 million in 1Q2006.

Main component of **extraordinary income/expenses** is the capital gain for €3.6 million resulting from the sale of MTS stake, completed in the first quarter of 2006; in first quarter 2005 the main component of Extraordinary income/expenses (€14 million) came from the sale of Banca del Garda completed in first months of 2005.

Pre-tax profit was €103.5 million, (+21.5%) compared with €85.2 million in 1Q2005

Income taxes amounted to €42.4 million (€29.6 million in 1Q2005).

Consolidated balance sheet figures at 31/3/2006

Total customer funding* for Credem Group increased 8.4% in first quarter 2006, rising from €52,070 million in the same period of 2005 to €56,434.

More specifically, **direct customer funding**, net of repurchase agreements, rose by 6.2% to €12,867 million, compared with €12,111 million in first quarter 2005 (direct funding including repos totalled €13,621 million versus €12,814 million in 2005: +6.3%). In even greater detail, deposits (CDs, current accounts and savings deposits) rose 8.5% to €8,736 million (€8,050 million in first quarter 2005), bonds grew 1.7% to €4,131 million (€4,061million in the same period of 2005). Repos increased 7.3% to €754 million (€703 million for the same period of 2005)

Indirect customer funding increased 9% to €43,567 million (€39,959 million in 2005), including €17,920 million (+11% on the €16,140 million reported at March 31st 2005) in **AUM**; In even greater detail, the portfolio accounts increased 49.3%. **Assets under custody** were €25,647 million, growing from €23,819 million in 1Q2005 (+7.7%).

Net cash loans to customers rose 11.4% to €12,845 million (€11,526 million in 1Q2005) while the same figure, including repos, is +12.8% to €13,037 million (€11,561 million in 1Q2005). Medium to long term lending to families and corporate customers remained relevant so did the focus on retail customers and SMEs. **Home mortgage loans** increased 27.2% to €3.5 million with disbursements of more than €320 million (+60%).

Net **NPL ratio** was 0.16% (0.20% at March the 31st 2006). The **NPL coverage ratio** was 63.5% (79% at March 31st 2006). **Net "problem" loans** amounted to € 106.6 million (44.3

million in the first quarter 2006). The growth is almost exclusively due to the introduction of the new category of overdue loans (showing technical anomalies) for €55.4 million, according to a specific Banca d'Italia's regulation not in force in the same period of 2005.

At March 31st 2006 Group's distribution structure consisted of 456 branches, 40 corporate centers, 46 financial shops, with over 4,900 employees and over 800 financial advisors with mandate.

(*)The figures and percentage changes reported for total funding are net of repos for €754 million in 2006 and €703 million in first quarter 2005.

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

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Reclassified balance sheet (€million)

	3/2006	12/2005	3/2005	changes 3/06 - 3/05	
				amount	%
Cash and banks deposits	77.9	116.8	77.3	0.6	0.8
Loans to customers	13,037.1	12,717.6	11,561.3	1,475.8	12.8
Loans to banks	3,678.2	3,545.8	3,467.2	211.0	6.1
Other financial assets	4,161.8	3,693.7	3,328.4	833.4	25.0
Equity investments	38.5	38.7	37.5	1.0	2.7
Tangible and intangible fixed assets	384.6	392.8	392.8	-8.2	-2.1
Other assets	769.5	623.7	719.8	49.7	6.9
Total assets	22,147.6	21,129.1	19,584.3	2,563.3	13.1
Deposit from customers	9,294.3	9,521.2	8,538.9	755.4	8.8
Debt securities in issue	4,327.1	4,076.0	4,274.8	52.3	1.2
<i>Customers fundings</i>	13,621.4	13,461.2	12,813.7	807.7	6.3
Deposits from banks	4,676.9	4,115.7	3,534.3	1,142.6	32.3
Other financial liabilities	1,247.7	1,098.5	975.4	272.3	27.9
Provisions for risks and charges	68.6	70.7	78.7	-10.1	-12.8
Other liabilities	1,310.4	1,082.1	1,112.5	197.9	17.8
Minority interests	37.1	34.7	26.2	10.9	41.6
Total liabilities	20,962.1	19,862.9	18,540.8	2,421.3	13.1
Share capital	278.7	278.6	275.5	3.2	1.2
Reserves	848.2	738.1	714.6	133.6	18.7
Net profit for the year	58.6	249.5	53.4	5.2	9.7
Shareholders' equity	1,185.5	1,266.2	1,043.5	142.0	13.6
Total liabilities and shareholders' equity	22,147.6	21,129.1	19,584.3	2,563.3	13.1

Reclassified income statement (€million)

	3/2006	3/2005	% changes 3/06 - 3/05	12/2005
Net interest income	104.8	92.2	13.7	375.6
Net non-interest income	153.4	130.4	17.6	569.7
Total income	258.2	222.6	16.0	945.3
Payroll expenses	-91.5	-85.4	7.1	-370.3
Administrative expenses	-58.1	-57.2	1.6	-216.1
Operating costs	-149.6	-142.6	4.9	-586.4
EBITDA	108.6	80.0	35.8	358.9
Amortization and depreciation	-6.6	-6.3	4.8	-25.7
EBIT	102.0	73.7	38.4	333.2
Net provisions for risks and expenses	1.6	-1.3		4.3
Extraordinary income/expenses	4.7	15.0		17.5
Net loan writedowns	-4.8	-2.2		-23.3
Pre-tax profit	103.5	85.2	21.5	331.7
Minorities interest in net profit/loss	-2.5	-2.2	13.6	-19.3
Income taxes	-42.4	-29.6	43.2	-62.8
Net profit	58.6	53.4	9.7	249.6
First quarter ROE	5.8%	5.2%		23.2%
Annualized ROE	16.7%			
Net non-interest income/total income	59.4%	58.6%		60.3%
Cost to income ratio	57.9%	64.1%		62.0%

1Q figures restated according to IAS/IFRS. Non interest margin includes the whole Abaxbank margin.