

CREDEM: BOARD OF DIRECTORS APPROVES FY 2004 CONSOLIDATED RESULTS

- **Consolidated net profit** +35.8%, at €130.2 million from €95.9 million in 2003;
- **ROE** 14.2% (11.1% in 2003);
- **Proposed dividend** €0.25 per share (€0.20 in 2003);
- **Total revenues** +5.3% to €832.3 million (€790.7 million in 2003);
- **Net operating profit** +10.6% to €222.9 million, compared with €201.6 million in 2003;
- **Total customer funding*** +5.7%* to €50,754 million, up from €48,005 million in 2003;
- **Net cash loans** +4.4% to €11,646 million (€11,151 million in 2003);
- **NPL ratio** at 0.28% (0.34% in 2003);
- **Tier 1 capital ratio** at 7.2% (6.6% in 2003);
- **Cost/income ratio** at 65.8% (66.0% in 2003).

At today's meeting, the Board of Directors of **Credem** approved the statutory and consolidated financial statements for the year ended 12/31/2004, which will be submitted to the shareholders' meeting called for April 29th, 2005. The proposed **dividend** amounts to €0.25 per share (€0.20 in 2003), payable as from 5/26/2005, with the shares going ex-div on 5/23/2005. The total payout comes to €68.9 million (€54.9 in 2003).

Consolidated income statement figures at 12/31/2004

The **Credem Group** closed the year with a consolidated **net profit** of €130.2 million, up from €95.9 million in 2003 (+ 35.8%). **Earnings per share** came to €0.47 (€0.35 in 2003). Consolidated **ROE** was 14.2% (11.1% in 2003).

Total revenues were €832.3 million (+5.3% on the 2003 figure of €790.7 million). **Net interest income** was on the rise, growing from €307.3 million in 2003 to €323.8 million (+5.4%), because of the positive trend of credit intermediation, despite very low interest rates in the market and the further decrease of spreads.

Net non-interest income came to €508.5 million, up from €483.4 million in 2003 (+5.2%). Although net financial income made less of a contribution, this was offset by the significant rise in net commission income (€376.2 million versus €342.8 million in 2003: +9.7%), especially from asset management (+13.5%), traditional banking activities (+10.9%) and brokerage for third parties (+13.7%).

Operating expenses totalled €547.7 million (€521.7 million in 2003: +5.0%), including €324.9 million in **personnel expenses** (+3.6%) and €222.8 million in **administrative expenses** (+7.0%). The rise in overheads, in line with the financial planning, was caused by the renewal of the national collective employment contract and by the start of some projects design to improve the efficiency of the structure as well as to increase the group profitability. Consolidated **cost/income** was 65.8%, compared with 66.0% in 2003.

Gross operating profit climbed 5.8% to €284.6 million (€269.0 million in 2003), while **depreciation and amortization**, down by 8.5%, totalled €61.7 million. Specifically, **adjustments on consolidation differences** amounted to €6.9 million, unchanged since 2003.

Consolidated **Net operating profit**, at €222.9 million, was 10.6% higher than the 2003 figure of €201.6 million.

Provisions for risks and charges amounted to €17.0 million (€23.0 million in 2003: -26.1 %) and cover potential litigation costs.

Net writedowns of loans returned to normal (€8.0 million), falling sharply compared to the €74.7 million (primarily due to the writedowns of loans to Parmalat Group) charged in 2003.

The pre-tax profit was €194.7 million, compared with €117.4 million in 2003 (+65.8%).

Income taxes amounted to €55.7 million (€15.9 million in 2003). Taxes increased in absolute terms in parallel with profitability gains.

Consolidated balance sheet figures at 12/31/2004

Total customer funding* for the Credem Group increased by 5.7%* in 2004, rising from €48,005 million in 2003 to €50,754 million in 2004, with **net inflows** of about €1,700 million.

More specifically, **direct customer funding**, net of repurchase agreements, rose by 2.7% to €11,906 million, compared with €11,592 million in 2003 (direct funding including repos totalled €13,341 million versus €14,454 million in 2003: -7.7%). In even greater detail, deposits (CDs, current accounts and savings deposits) rose 13.3% to €7,922 million (€6,991 million in 2003), bonds fell by 13.4% to €3,984 million (€4,601 million in 2003). Repurchase agreements decreased by 49.9% to €1,435 million (€2,862 million in 2003) due to the reduced activities of Abaxbank.

Indirect customer funding** increased by 6.7%** to €38,848 million (€36,413 million in 2003), including €15,894 million (+7.2% on the €14,827 million reported in 2003) in **assets under management** (discretionary accounts, mutual funds, SICAVs and life insurance products) and €22,954 million in **assets under administration****, which grew from € 21,586 million in 2003 (+6.3%**).

Net cash loans to ordinary customers rose by 4.4% to €11,646 million (€11,151 million in 2003) while the same figure, net of repos, is +4.5% to €11,554 million (€11,052 million in 2003). **Lending** was mainly focused on retail customers (+20%), small businesses (+25%) and SMEs, while loans to large corporate customers decreased in accordance with plans.

Leasing made also a significant contribution, with €612.1 million in new disbursements (€601.6 in 2003) and €1,662 million in total assets (€1,472 million in 2003). Considerable efforts were made to support real estate transactions. **Mortgage loans** as a whole increased by a total of 22%; home mortgage loans are now worth over €2.7 billion (+25%) and saw disbursements of €830 million for the year (+31%).

Endorsement credits went from €634 million in 2003 to €612 million (-3.5%) in 2004.

The trend was also positive for **net non-performing loans**, which came to 0.28% of total loans (0.34% the previous year) and were far less than the industry average (2.1%). **Estimated losses on non-performing loans amount to** 74.1% of the total (66.2% in 2003). **Total net problem loans** amount to €58.5 million (€64.0 million the previous year). Loans due from the Parmalat Group have been written off in full.

The **Tier 1 capital ratio** is 7.2% (6.6% in 2003). The **Total capital ratio** is 9.9% (9.0% the previous year).

Group results are essentially in line with the 2004-2006 three-year plan.

Other data and information

At December 31st, 2004, the group's distribution network consisted of 463 branches, 39 corporate centres and 45 financial stores. It had 4,986 employees and 864 financial advisors with mandate.

On January 31st, 2005, the group finalized the sale of its 51.163% stake in Banca del Garda (2.2 million shares for a total of €33 million) to Veneto Banca, resulting in a capital gain.

Transition to IAS/IFRS

For approximately two years the group has been working on a project to analyse the impact and effect of the organizational and procedural changes connected with the use of international accounting standards (IAS/IFRS), including with regard to business issues, information processing and reporting.

The most significant effort has gone into the creation of an IT infrastructure, now being finalized and tested, to support the one currently in place for the production of financial statements according to Italian accounting standards. The two systems will coexist until the end of 2005.

The system for producing the new income statements, balance sheets and notes is still in the design phase, since their definitive format has not yet been established. In that light, and since some important options associated with IAS 39 have been defined only recently by the European Union, the Credem Group estimates that periodic reporting will resume as from the consolidated quarterly accounts at September 30th, 2005. This is especially likely in consideration of the consultation document "Principi Contabili Internazionali: rendicontazioni periodiche, prospetti di sollecitazione/quotazione, definizione della nozione di parti correlate" issued by CONSOB on February 17th, 2005.

Notes

(*) The figures and percent changes reported for total funding do not include: a sizable securities deposit by an institutional customer which amounted to €2,164 million as of 12/31/2003 and €18 million at the end of 2004; repurchase agreements for an amount of €2,862 million as of 12/31/2003 and €1,435 million at the end of 2004.

(**) The figures and percent changes reported for indirect funding do not include a sizable securities deposit by an institutional customer, which amounted to €2,164 million at 12/31/2003 and €18 million at the end of 2004.

Attached below are the reclassified balance sheet and income statement for Credito Emiliano S.p.A. and the Credem Group. Figures for 2003 have been restated for the sake of comparison.

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Reggio Emilia, March 24th, 2005

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**CONSOLIDATED
Reclassified balance sheet (€/million)**

	2004	2003	changes 12/04 - 12/03	
			amount	%
Securities	2,666.4	2,764.1	-97.7	-3.5
Cash and banks deposits	3,182.1	4,549.4	-1,367.3	-30.1
Loans to customers	11,646.4	11,150.9	495.5	4.4
Equity investments	66.5	60.4	6.1	10.1
Intangible fixed assets	62.6	83.1	-20.5	-24.7
Tangible fixed assets	276	290.7	-14.7	-5.1
Other assets	1,582.6	1,484.2	98.4	6.6
Total assets	19,482.6	20,382.8	-900.2	-4.4
Due to banks	2,956.2	3,032.7	-76.5	-2.5
Due to customers	12,924.6	14,022.0	-1,097.4	-7.8
Other liabilities	1,815.5	1,653.9	161.6	9.8
Staff provisions	99.4	94.6	4.8	5.1
Provisions for risks and charges	213.3	192.4	20.9	10.9
Reserve for possible loan losses	-	2.6	-2.6	-100.0
Subordinated liabilities	416.7	411.2	5.5	1.3
Minority interests	36.4	33.8	2.6	7.7
Total liabilities	18,462.1	19,443.2	-981.1	-5.0
Share capital	275.4	274.4	1.0	0.4
Reserves	604.0	558.4	45.6	8.2
Reserve for general banking risks	10.9	10.9	-	-
Net profit for the year	130.2	95.9	34.3	35.8
Shareholders' equity	1,020.5	939.6	80.9	8.6
Total liabilities and shareholders' equity	19,482.6	20,382.8	-900.2	-4.4

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

	31.12.2004	31.12.2003*	changes 12/04 - 12/03	
			amount	%
Interest income and similar revenues	511.0	496.3	14.7	3.0
Dividends and income from equity investments	3.2	4.0	-0.8	-20.0
Interest expenses and similar charges	-190.4	-193.0	2.6	-1.3
Net interest income	323.8	307.3	16.5	5.4
Commission income	454.4	414.0	40.4	9.8
Commission expenses	-78.2	-71.1	-7.1	10.0
Dealing profit (loss) on financial transactions and dividends on shares**	80.9	91.9	-11.0	-12.0
Other operating income (charges), net	51.4	48.6	2.8	5.8
Net non-interest income	508.5	483.4	25.1	5.2
Total revenues	832.3	790.7	41.6	5.3
Personnel expenses	-324.9	-313.5	-11.4	3.6
Administrative expenses	-222.8	-208.2	-14.6	7.0
Operating expenses	-547.7	-521.7	-26.0	5.0
Gross operating profit	284.6	269.0	15.6	5.8
Depreciation and amortization	-61.7	-67.4	5.7	-8.5
Net operating profit	222.9	201.6	21.3	10.6
Adjustments to loans, net	-8.0	-74.7	66.7	-89.3
Provisions for liabilities and charges	-17.0	-23.0	6.0	-26.1
Extraordinary income (expenses), net	-3.2	13.7	-16.9	-123.4
Wrtiedowns of equity investments, net	-	-0.2	0.2	-100.0
Pre-tax profit	194.7	117.4	77.3	65.8
Income taxes	-55.7	-15.9	-39.8	250.3
Minorities interest in net profit/loss	-8.8	-5.6	-3.2	57.1
Net profit	130.2	95.9	34.3	35.8

* pro-forma

** Including the banking margin of Abaxbank

**INDIVIDUAL
Reclassified balance sheet (€/million)**

	2004	2003	changes 12/04 - 12/03	
			amount	%
Securities	1,361.6	1,338.9	22.7	1.7
Cash and banks deposits	1,607.2	1,351.2	256.0	18.9
Loan to customers	10,647.1	10,290.7	356.4	3.5
Equity investments	373.0	387.6	-14.6	-3.8
Intangible fixed assets	51.0	62.2	-11.2	-18.0
Tangible fixed assets	158.4	164.7	-6.3	-3.8
Other assets	734.1	731	3.1	0.4
Total assets	14,932.4	14,326.3	606.1	4.2
Due to banks	1,854.3	1,958.5	-104.2	-5.3
Due to customers	10,543.6	9,915.4	628.2	6.3
Other liabilities	976.0	1,002.3	-26.3	-2.6
Staff provisions	89.2	85.2	4.0	4.7
Provisions for risks and charges	153.6	201.2	-47.6	-23.7
Subordinated liabilities	416.7	393.7	23.0	5.8
Total liabilities	14,033.4	13,556.3	477.1	3.5
Share capital	275.4	274.4	1.0	0.4
Reserves	435.2	403.3	31.9	7.9
Reserve for general banking risks	10.9	10.9	-	-
Net profit for the period	177.5	81.4	96.1	118.0
Shareholders' equity	899.0	770.0	129.0	16.8
Total liabilities and shareholders' equity	14,932.4	14,326.3	606.1	4.2

**INDIVIDUAL
Reclassified income statement (€/million)**

	2004	2003*	changes 12/04 - 12/03	
			amount	%
Interest income and similar revenues	488.4	479.6	8.8	1.8
Dividend and income from equity investments	38.4	29.7	8.7	29.3
Interest expenses and similar charges	-207.4	-211.7	4.3	-2.0
Net interest income	319.4	297.6	21.8	7.3
Commission income	297.5	275.2	22.3	8.1
Commission expenses	-43.1	-39.6	-3.5	8.8
Dealing profit (loss) on financial transactions and dividends on shares	31.7	51.4	-19.7	-38.3
Other operating income (charges), net	40.8	43.0	-2.2	-5.1
Net non-interest income	326.9	330.0	-3.1	-0.9
Total revenues	646.3	627.6	18.7	3.0
Personnel expenses	-254.5	-236.2	-18.3	7.7
Administrative expenses	-166.3	-151.8	-14.5	9.6
Operating expenses	-420.8	-388.0	-32.8	8.5
Gross operating profit	225.5	239.6	-14.1	-5.9
Depreciation and amortization	-42.4	-46.1	3.7	-8.0
Net operating profit	183.1	193.5	-10.4	-5.4
Adjustments to loans, net	-5.2	-57.2	52.0	-90.9
Provisions for liabilities and charges	-	-2.8	-2.8	-100.0
Provisions for other risks	-4.5	-15.5	11.0	-71.0
Extraordinary income (expenses), net	84.7	10.1	74.6	n.a.
Writedowns of equity investments, net	-0.3	-1.7	1.4	-82.4
Profit before tax	257.8	126.4	131.4	104.0
Income tax	-80.3	-45	-35.3	78.4
Net profits	177.5	81.4	96.1	118.0

* pro-forma