



STAMPA

Gruppo Bancario
CREDITO EMILIANO – CREDEM

PRESS RELEASE

CREDEM, THE BOARD OF DIRECTORS APPROVES RESULTS FOR THIRD QUARTER 2005¹: STRONG GROWTH IN NET PROFIT, + 48.8%.

The primary aggregates show significant increases:

- **Consolidated net profit** +48.8% at €159.6 million versus €107.3 million in 3Q 2004;
- **Operating profit** +43.3% at €241.5 million versus €168.5 million in the same period of 2004;
- **Roe**, at 30 September 2005, equal 14.8% (11% in the same period 2004);
- **Banking margin** +14.8% at €696.3 million versus €606.4 million in 3Q 2004;
- **Customer deposits*** +10.6* equal €54,083 million versus €48,900 million in 3Q 2004;
- **Net cash loans** +6.8% at €11,943 million (€11,187 million in 3Q 2004);
- **Quality of credit** net non performing loans equal 0.22% (0.39% in the same period 2004);
- **Tier 1 capital ratio** 7.9%;
- **Cost/income** equals 61.8% (67.4% in 3Q 2004).

Today **Credem's** Board of Directors approved **consolidated and individual results at 30 September 2005, prepared in accordance with new international accounting and reporting standards IAS/IFRS¹.**

Consolidated income statement at 30 September 2005

In third quarter 2005 **Credem's income statement** shows growth in **consolidated net profit** of 48.8% reaching €159.6 million (€107.3 million in the same period of 2004). Consolidated **ROE**, at 30 September 2005, equals 14.8% (11% in 3Q 2004).

Banking margin reports an increase of 14.8% to reach €696.3 million compared to €606.4 million in 3Q 2004.

Net interest income shows growth of 8.6% at €261.6 million versus €240.9 million in 3Q 2004. This increase is due, in addition to an overall growth in volumes, to the increased focus on loans to private clients, as well as small and mid-sized companies and the increase of the interest rate spread

Non-interest income grew by 18.9% to reach €434.7 million (€365.5 million in 3Q 2004). The finance area's increased contribution, that included several stock arbitrage operations and the recovery of the investment banking sector, was accompanied by an improvement in net commissions (+18% brokerage for third parties, +6.5% in traditional banking activities, +2.4% asset management).

¹ The 2004 figures were restated, for ease of comparison with 2005, in accordance with IAS/IFRS standards while the income statement does not reflect application of IAS 39 related to financial instruments.

Operating costs equal €430.5 million (+5.3%) versus €408.8 million in 3Q 2004. This includes **personnel expenses of** €273.6 million (+6.7%), while **administrative expenses** equal €156.9 million (+3%).

Cost/income shows a significant reduction at 61.8% versus 67.4% in 3Q 2004.

Gross operating profit is up 34.5% at €265.8 million versus €197.6 million in 3Q 2004.

Depreciation and amortisation equal €24.3 million (€29 million in the same period 2004).

Net operating profit increased by 43.3% to reach €241.5 million versus €168.5 million 3Q 2004.

Extraordinary items in the first nine months of 2005 amount to a total of €17.8 million that included the sale of Banca Garda, finalised in January 2005, for €14.1 million.

Net adjustments to loans and provisions for guarantees and commitments equal to €11.4 million versus €4 million in 3Q 2004.

Of note is the positive impact on the income statement of the trend in problem loans, the balance of which at 30 September 2005, equals €3.4 million. The balance sheet item includes, in fact, € 8 million for the reclassification of risks provided for in the 2004 annual report and posted to provisions for risks and charges.

Pre-tax profit equals €256.7 million (+69.9%) versus €151.1 million in 3Q 2004.

Income taxes equal €88.3 million (vs €39 million in 3Q 2004).

Consolidated balance sheet at 30 September 2005

Customer deposits* for the Credem Group are up, at 30 September 2005, by 10.6%* reaching a total of €54,083 million versus €48,900 million at the same date in 2004, with **net inflows** of about €1,265 million.

In detail, **direct funding**, net of repurchase agreements, grew by 6.3% to €12,028 million versus 11,312 million in 3Q 2004 (direct funding including repurchase agreements reached €12,788 million versus €12,691 million in 3Q 2004, +0.8%). In particular, deposits increased by 15.7% for a total of €8,189 million (€7,076 million in 3Q 2004) while bonds were down 9.4% at €3,839 million (€4,236 million in 3Q 2004). Repurchase agreements were down by 44.9% at €760 million (€1,379 million in 3Q 2004) due to Abaxbank's reduced activity in the area.

Indirect funding** showed growth of 11.9%** , reaching €42,055 million (€37,588 million 3Q 2004). **Asset management** increased by 13.3% to reach €17,629 million versus €15,553 million in 3Q 2004; in particular the portfolio management increased shows an increase of 57.4% at €4,727 million versus €3,003 million in the same period 2004. **Asset administration**** , rather, grew by 10.9%** to reach €24,426 million versus €22,035 million in 3Q 2004.

Net cash loans to ordinary customers rose by 6.8% to €11,943 million (€11,187 million in 3Q 2004), while net repurchase agreements the growth equals 7.1% (€11,716 million in 3Q 2005 versus €10,939 million in the same period 2004). **Endorsement credits**, rather, came in at €688 million versus €765 million in 3Q 2004.

Overall family mortgage loans increased by 24.4% and are now worth more than €3.1 billion and disbursements reached around €695 million (+22.8%).

Excellent loan quality was also confirmed with **net non performing loans** equal to 0.22% (0.39% in the same period of the previous year) and is largely below the industry figure.

Total net problem loans equals €104,5 million (€72 million in 3Q 2004). The increase is almost exclusively due to the introduction of the category of expired loans, that represents €46.2 million, as per Banca d'Italia regulations not in force in 2004.

Tier 1 capital ratio equals 7.9%. **Total capital ratio** came in at 10.5%.

At 30 September 2005 the group's distribution structure consisted of 455 branches, 40 corporate centers, and 57 financial shops with 5,000 employees and 870 financial advisors with mandates.

The foreseeable business development for the last part of the year indicates that the results should show profitability up over both the group's industrial plan and FY 2004.

Note

(*) The figures and percentage changes reported for total funding are net a securities deposit made by an institutional customer that amounted to €44 million in 3Q 2005 and €693 million in 3Q 2004, as well as repurchase agreements of €760 million in 3Q 2005 and €1,379 million in 3Q 2004.

() The figures and percentage changes reported for indirect funding are net a securities deposit made by an institutional customer of €44 million 3Q 2005 and €693 million in 3Q 2004.**

Attached please find the reclassified consolidated balance sheet and income statement schedules.

Reggio Emilia, 14 November 2005

CREDITO EMILIANO SPA
(II Presidente)
Giorgio Ferrari

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Balance sheet (€million)

| | Assets | 9/2005 | 12/2004 | 9/2004 |
|-------------|--|-----------------|-----------------|-----------------|
| 10. | Cash and balances with central banks | 73.5 | 88.2 | 72.4 |
| 20. | Financial assets held for trading | 3,717.6 | 2,958.3 | 3,191.3 |
| 30. | Financial assets at fair value | 171.9 | 177.2 | 173.4 |
| 40. | Financial assets available for sale | 36.8 | 32.7 | 33.7 |
| 50. | Financial assets held to maturity | - | - | - |
| 60. | Loans and advances to banks | 3,483.3 | 3,090.9 | 3,144.3 |
| 70. | Loans and advances to customers | 11,943.3 | 11,541.5 | 11,187.4 |
| 80. | Hedging derivatives | 64.8 | 79.8 | - |
| 90. | Remeasurement of financial assets backed by general hedges | - | - | - |
| 100. | Equity investments | 36.9 | 35.0 | 31.8 |
| 110. | Technical reserves borne by reinsurers | - | - | - |
| 120. | Property, plant and equipment | 344.3 | 364.8 | 350.6 |
| 130. | Intangible assets | 63.1 | 67.1 | 69.5 |
| | of which: goodwill | 31.2 | 31.2 | 37.0 |
| 140. | Tax assets | 205.1 | 269.9 | 214.8 |
| | <i>a)</i> current | 121.8 | 186.1 | 145.8 |
| | <i>b)</i> deferred | 83.3 | 83.8 | 69.0 |
| 150. | Non-current assets held for sale | - | 183.9 | - |
| 160. | Other assets | 877.2 | 503.9 | 611.8 |
| | Total assets | 21,017.8 | 19,393.2 | 19,081.0 |

Balance sheet (€million)

| | Equity and liabilities | 9/2005 | 12/2004 | 9/2004 |
|------|---|-----------------|-----------------|-----------------|
| 10. | Deposits from banks | 4.026.6 | 2.949.3 | 2.841.2 |
| 20. | Deposits from customers | 8.948.9 | 8.999.1 | 8.455.1 |
| 30. | Debt securities in issue | 3.839.2 | 4.227.7 | 4.236.0 |
| 40. | Financial liabilities held for trading | 1.342.1 | 539.5 | 762.0 |
| 50. | Financial liabilities at fair value | - | - | - |
| 60. | Hedging derivatives | 9.7 | 21.6 | - |
| 70. | Remeasurement of financial liabilities backed by general hedges | - | - | - |
| 80. | Tax liabilities | 248.9 | 174.8 | 182.2 |
| | a) current | 109.9 | 53.3 | 85.0 |
| | <i>a) deferred</i> | 139.0 | 121.5 | 97.2 |
| 90. | Liabilities associated with non-current assets held for sale | - | 153.1 | - |
| 100. | Other liabilities | 1,229.3 | 1,045.3 | 1,352.6 |
| 110. | Provision for severance indemnities | 105.5 | 95.5 | 95.7 |
| 120. | Provisions for risks and charges: | 69.7 | 79.8 | 72.2 |
| | a) pensions and similar commitments | 1.7 | 1.7 | 1.6 |
| | <i>b) other</i> | 68.0 | 78.1 | 70.6 |
| 130. | Technical reserves | - | - | - |
| 140. | Revaluation reserves | 53.0 | 54.3 | 52.9 |
| 150. | Redeemable shares | - | - | - |
| 160. | Equity instruments | - | - | - |
| 170. | Reserves | 625.4 | 550.9 | 570.9 |
| 180. | Share premium | 58.6 | 50.4 | 45.6 |
| 190. | Share capital | 277.2 | 275.4 | 274.4 |
| 200. | Treasury shares | - | - | - |
| 210. | Minority interests | 24.1 | 36.5 | 32.9 |
| 220. | Net profit (loss) for the period | 159.6 | 140.0 | 107.3 |
| | Total equity and liabilities | 21,017.8 | 19,393.2 | 19,081.0 |

Income statement (€million)

| | | 9/2005 | 9/2004 (*) | 12/2004(*) |
|------|--|---------------|---------------|---------------|
| 10. | Interest and similar income | 518.6 | 479.9 | 632.9 |
| 20. | Interest expense and similar charges | -267.2 | -247.1 | -323.4 |
| 30. | Net interest income | 251.4 | 232.8 | 309.5 |
| 40. | Fee and commission income | 365.6 | 342.3 | 463.5 |
| 50. | Fee and commission expense | -67.3 | -77.4 | -102.4 |
| 60. | Net fee and commission income | 298.3 | 264.9 | 361.1 |
| 70. | Dividend and similar income | 165.4 | 84.7 | 90.7 |
| 80. | Net trading income | -71.3 | -10.2 | 7.0 |
| 90. | Net hedging gains (losses) | 7.5 | - | - |
| 100. | Gains (losses) on disposal or repurchase of: | - | 0.2 | 0.2 |
| | <i>a)</i> loans and advances | - | - | - |
| | <i>b)</i> financial assets available for sale | - | 0.2 | 0.2 |
| | <i>c)</i> financial assets held to maturity | - | - | - |
| | <i>d)</i> financial liabilities | - | - | - |
| 110. | Net change in value of financial assets at fair value | -0.1 | - | -0.5 |
| 120. | Net change in value of financial liabilities at fair value | - | - | - |
| 130. | Banking margin | 651.2 | 572.4 | 768.0 |
| 140. | Net impairment adjustments on: | -11.4 | -4.0 | -7.3 |
| | <i>a)</i> loans and advances | -11.4 | -4.0 | -7.3 |
| | <i>b)</i> financial assets available for sale | - | - | - |
| | <i>c)</i> financial assets held to maturity | - | - | - |
| | <i>d)</i> other financial transactions | - | - | - |
| 150. | Net income from financial activities | 639.8 | 568.4 | 760.7 |
| 160. | Net premium income | - | - | - |
| 170. | Other insurance income/charges, net | - | - | - |
| 180. | Net income from financial and insurance activities | 639.8 | 568.4 | 760.7 |
| 190. | Administrative expenses: | -430.5 | -408.8 | -546.1 |
| | <i>a)</i> payroll | -273.6 | -256.5 | -326.6 |
| | <i>b)</i> other | -156.9 | -152.3 | -219.5 |
| 200. | Net increases in provisions for risks and charges | 8.9 | -7.4 | -16.5 |
| 210. | Net adjustments to property, plant and equipment | -14.5 | -16.5 | -21.8 |
| 220. | Net adjustments to intangible assets | -9.8 | -12.5 | -14.3 |
| 230. | Other operating income (charges) | 46.9 | 27.0 | 45.1 |
| 240. | Operating costs | -399.0 | -418.2 | -553.6 |
| 250. | Share of profit (loss) from equity investments | 1.4 | 1.5 | 2.0 |

| | | | | |
|------|--|--------------|--------------|--------------|
| 260. | Net change in property, plant and equipment and intangible assets measured at fair value | - | - | - |
| 270. | Adjustments to goodwill | - | - | - |
| 280. | Gains (losses) on disposal of investments | 14.5 | -0.6 | 0.6 |
| 290. | Profit (loss) from current operations before tax | 256.7 | 151.1 | 209.7 |
| 300. | Income taxes on current operations | -88.3 | -39.0 | -60.7 |
| 310. | Profit (loss) from current operations after tax | 168.4 | 112.1 | 149.0 |
| 320. | Profit (loss) after tax on non-current assets held for sale | - | - | -0.1 |
| 330. | Net profit (loss) for the period | 168.4 | 112.1 | 148.9 |
| 340. | Minority interests | -8.8 | -4.8 | -8.9 |
| 350. | Net profit (loss) for the period attributable to the parent bank | 159.6 | 107.3 | 140.0 |

(*)(*) figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Reclassified balance sheet (€/million)

| | 9/2005 | 12/2004 | 9/2004 | changes 9/05-9/04 | |
|---|-----------------|-----------------|-----------------|-------------------|-------------|
| | | | | amount | % |
| Cash and balances with central banks | 73.5 | 88.2 | 72.4 | 1.1 | 1.5 |
| Loans and advances to customers | 11,943.3 | 11,541.5 | 11,187.4 | 755.9 | 6.8 |
| Loans and advances to banks | 3,483.3 | 3,090.9 | 3,144.3 | 339.0 | 10.8 |
| Other financial assets | 3,991.1 | 3,248.0 | 3,398.4 | 592.7 | 17.4 |
| Equity investments | 36.9 | 35.0 | 31.8 | 5.1 | 16.0 |
| Property, plant and equipment and intangible assets | 407.4 | 431.9 | 420.1 | -12.7 | -3.0 |
| Other assets | 1,082.3 | 957.7 | 826.6 | 255.7 | 30.9 |
| Total assets | 21,017.8 | 19,393.2 | 19,081.0 | 1,936.8 | 10.2 |
| Deposits from customers | 8,948.9 | 8,999.1 | 8,455.1 | 493.8 | 5.8 |
| Debt securities in issue (including subordinated liabilities) | 3,839.2 | 4,227.7 | 4,236.0 | -396.8 | -9.4 |
| <i>Sub-total</i> | <i>12,788.1</i> | <i>13,226.8</i> | <i>12,691.1</i> | <i>97.0</i> | <i>0.8</i> |
| Deposits from banks | 4,026.6 | 2,949.3 | 2,841.2 | 1,185.4 | 41.7 |
| Other financial liabilities | 1,351.8 | 561.1 | 762.0 | 589.8 | 77.4 |
| Provisions for specific risks | 175.2 | 175.3 | 167.9 | 7.3 | 4.3 |
| Other liabilities | 1,478.2 | 1,373.2 | 1,534.8 | -56.6 | -3.7 |
| Minority interests | 24.1 | 36.5 | 32.9 | -8.8 | -26.7 |
| Total liabilities | 19,844.0 | 18,322.2 | 18,029.9 | 1,814.1 | 10.1 |
| Share capital | 277.2 | 275.4 | 274.4 | 2.8 | 1.0 |
| Reserves | 737.0 | 655.6 | 669.4 | 67.6 | 10.1 |
| Net profit for the period | 159.6 | 140.0 | 107.3 | 52.3 | 48.8 |

| | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|----------------|-------------|
| Equity | 1,173.8 | 1,071.0 | 1,051.1 | 122.7 | 11.7 |
| Total equity and liabilities | 21,017.8 | 19,393.2 | 19,081.0 | 1,936.8 | 10.2 |

Reclassified income statement (€/million)

| | 9/2005 | 9/2004 (*) | 12/2004 (*) | Change 9/05-9/04(*) | |
|--|---------------|---------------|---------------|---------------------|-------------|
| | | | | amount | % |
| Net interest | 251.4 | 232.8 | 309.5 | 18.6 | 8.0 |
| Share of profit (loss) from equity investments valued under the equity method | 1.4 | 1.5 | 2.0 | -0.1 | -6.7 |
| Net fee and commission income | 298.3 | 264.9 | 361.1 | 33.4 | 12.6 |
| Net trading income | 94.1 | 74.5 | 97.7 | 19.6 | 26.3 |
| Net hedging gains (losses) | 7.5 | - | - | 7.5 | n.s. |
| Other operating income (charges) | 43.6 | 32.7 | 49.3 | 10.9 | 33.3 |
| Banking margin | 696.3 | 606.4 | 819.6 | 89.9 | 14.8 |
| Payroll costs | -273.6 | -256.5 | -326.6 | -17.1 | 6.7 |
| Other costs | -156.9 | -152.3 | -219.5 | -4.6 | 3.0 |
| Administrative expenses | -430.5 | -408.8 | -546.1 | -21.7 | 5.3 |
| Gross operating profit | 265.8 | 197.6 | 273.5 | 68.2 | 34.5 |
| Amortisation and depreciation | -24.3 | -29.0 | -36.1 | 4.7 | -16.2 |
| Net increases in provisions for risks and charges | 8.9 | -7.4 | -16.5 | 16.3 | -220.2 |
| Net adjustments to loans | -11.4 | -4.0 | -7.3 | -7.4 | 185.0 |
| Net adjustments to other assets | -0.1 | - | -0.5 | -0.1 | n.s. |
| Gains (losses) on financial instruments held to maturity and other investments | 14.5 | -0.4 | 0.8 | 14.9 | n.s. |
| Other extraordinary income (charges) | 3.3 | -5.7 | -4.2 | 9.0 | n.s. |
| Profit before taxes | 256.7 | 151.1 | 209.7 | 105.6 | 69.9 |
| Income taxes on current operations | -88.3 | -39.0 | -60.7 | -49.3 | 126.4 |
| Profit (loss) after tax on non-current assets held for sale | - | - | -0.1 | - | - |
| Minority interests | -8.8 | -4.8 | -8.9 | -4.0 | 83.3 |
| Net profit (loss) | 159.6 | 107.3 | 140.0 | 52.3 | 48.8 |

(*) figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments