

PRESS RELEASE**CREDEM: BOARD OF DIRECTORS APPROVES FY 2005 CONSOLIDATED RESULTS: NET PROFIT €249.5 MILLION, +73.1%, ROE 23.2%**

The primary aggregates, compared with those at 2004 calculated proforma according with IAS, show significant increases:

- **Consolidated Net Profit** +73.1%, at €249.5 million from €144.1 million in 2004;
- **EBIT** +35,7% to €333.3 million, compared with €245.6 million in the same period of 2004;
- **ROE** 23.2% (14.8% in 2004);
- **Proposed dividend** €0.50 per share (€0.25 in 2004);
- **Total Income** +15.9% to €945.4 million from €815.6 million in 2004;
- **Total customer funding*** +9.8%* to €55,326 million, up from €50,396 million in 2004;
- **Net cash loans** +9.1% to €12,718 million (€11,652 million in 2004);
- **Net NPL ratio** at 0.18% (0.28% in 2004);
- **Cost to income ratio** at 62.0% (66.2% in 2004).

Today **Credem's** Board of Directors approved statutory and consolidated financial statements for the year ended 12/31/2005, prepared in accordance with new International Accounting Standards¹, which will be submitted to the general shareholders' meeting called for April 28th, 2006. The net profit for the period allows to propose the distribution of a dividend of €0.50 per share (€0.25 in 2004), with a payout level in line with the past. The proposed dividend will be payable in two tranches in order to reinforce shareholders loyalty as well. The first tranche of €0.30 per share, will be payable as from May 25, 2006, with the shares going ex-div on May 22, 2006. The second extraordinary tranche (€0.20 per share) will be payable from September 28, 2006 with the shares going ex-div on September 25, 2006.

The total amount of dividends was €139,3 million (€68.9 million in 2004)

Consolidated income statement at 12/31/2005

Credem Group closed the year with a consolidated **net profit** of €249.5 million, growing +73,1% from €144.1 million in 2004). Consolidated **ROE** was 23.2% (14.8% in 2004).

Total Income was €945.4 million (+15.9% on the 2004 figure of €815.6 million).

Net interest income was on the rise, growing from €316.9 million in 2004 to €375.7 million (+18.6%) This growth is mainly due to the increased focus on individuals and SMEs that generated a higher commercial spread combined with volumes expansion.

Net non-interest income came to €569.7 million, up from €498.7 million in 2004 (+14,2%). Higher contribution coming from the finance area was combined with a 26% improvement in

¹ FY2004 figures have been recalculated considering International Accounting Standards impact. As for the income statement figures, they are not affected by IAS 32 and IAS 39. Balance sheet figures, instead, are compared with those in the opening balance as at January 1st, 2005 that considers also IAS 32 and 39.

net commissions for third parties brokerage vs. a slightly lower increase in commissions for traditional banking and asset management.

Operating costs totaled €586.4 million (€539.9 million in 2004: +8.6%), including €370.3 million in **personnel expenses** (+12.1%) and €216.1 million in **administrative expenses** (+3,1%). The rise in overheads was also caused by the renewal of the national collective employment contract and by provisions made in accordance with personnel incentive plans.

Consolidated **cost to income** was 62.0%, significantly down from 66.2% in 2004.

EBITDA climbed 30.2% to €359.0 million (€275.7 million in 2004), while **depreciation and amortization** totaled €25.7 million (€30.1 million in 2004).

Consolidated **EBIT** at €333.3 million, was 35.7% higher than the 2004 figure of €245.6 million.

Provisions for risks and charges plus net writedowns of loans amounted, in 2005, to €19.0 million (€24.0 million in 2004). In particular, net writedowns of loans rose up to €15.3 million from 2004 figure of €7.4 million (including €8 million for the reclassification of risks provided for 2004 annual report and posted to provisions for risks and charges). The excellent credit quality is confirmed with a net NPL ratio of 0.18% (0.28% in the same period of 2004) significantly below system average.

Extraordinary income/expenses, in 2005, amounted to €17.4 million.

Main components are:

- the capital gain from the sale of Banca del Garda finalized in January 2005 for €14.0 million and €4.1 million as a result of the sale of MTS stake, completed in the first months of 2006 with a further capital gain of €3.5 million;
- a €11.0 million benefit coming from a recalculation on 2004 Abaxbank taxation.

Pre-tax profit was €331.6 million, compared with €215.4 million in 2004 (+53.9%).

Income taxes amounted to €62.8 million (€62.3 million in 2004) stable with 2004 figure, due to reduced taxation income components.

Consolidated balance sheet figures at 12/31/2005

Total customer funding* for Credem Group increased 9.8% in 2005, rising from €50,396 million in 2004 to €55,326 million in 2005, with **net inflows** of about €2,170 million.

More specifically, **direct customer funding**, net of repurchase agreements, rose by 7.2% to €12,360 million, compared with €11,530 million in 2004 (direct funding including repos totaled €13,461 million versus €12,965 million in 2004: +3.8%). In even greater detail, deposits (CDs, current accounts and savings deposits) rose 10.7% to €8,622 million (€7,787 million in 2004), bonds are stable to €3,738 million (€3,743 million in 2004). Repos decreased by 23.3% to €1,101 million (€1,435 million in 2004) due to the reduced activity of Abaxbank in this area.

Indirect customer funding increased by 10.5% to €42,966 million (€38,866 million in 2004), including €17,995 million (+13.2% on the €15,894 million reported in 2004) in **AUM**; In even greater detail, the portfolio management increased by 55.5% to €5,046 million

compared to €3,245 million in the same period of 2004. **Assets under custody** was €24,971 million, which grew from €22,972 million in 2004 (+8.7%).

Net cash loans to customers rose by 9.1% to €12,718 million (€11,652 million in 2004) while the same figure, net of repos, is +9.0% to €12,601 million (€11,560 million in 2004). The loan book repositioning, which is almost over, shows a volume growth in the SME's segment and higher exposures toward small businesses and individuals.

Home mortgage loans increased by 24.5% to €3,370 million with disbursements of €1,030 million (+24.1%).

At the end of 2005 Group's distribution structure consisted of 455 branches, 40 corporate centers, 46 financial shops, with over 4,900 employees and 834 financial advisors with mandate.

Main guidelines of the activity of the Group for the time being, concern the client base growth, selective network expansion, further improvement in cost governance, optimization of capital allocation in line with the New Basel Agreement, the strengthen of Wealth Management's activity.

As far as the P&L trend in the first months of 2006, figures show a moderate increase in the ordinary operations of the Group.

(*)The figures and percentage changes reported for total funding are net of repos for €1,101 million in 2005 and €1,435 million in 2004.

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

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Reggio Emilia, March 29th, 2006

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Consolidated Balance sheet (€000)

	Assets	2005	2004
10.	Cash and balances with central banks	116,753	88,210
20.	Financial assets held for trading	3,612,735	3,232,089
30.	Financial assets at fair value	-	-
40.	Financial assets available for sale	72,878	54,845
50.	Financial assets held to maturity	-	-
60.	Loans and advances to banks	3,545,794	3,097,516
70.	Loans and advances to customers	12,717,552	11,614,255
80.	Hedging derivatives	8,074	-
90.	Remeasurement of financial assets backed by general hedges	-	-
100.	Equity investments	38,726	35,370
120.	Property, plant and equipment	342,884	351,791
130.	Intangible assets	49,893	43,092
	of which: goodwill	<i>31,188</i>	<i>31,188</i>
140.	Tax assets	174,289	255,272
	<i>a)</i> current	<i>79,751</i>	<i>187,063</i>
	<i>b)</i> deferred	<i>94,538</i>	<i>68,209</i>
150.	Non-current assets held for sale	332	183,919
160.	Other assets	449,174	626,236
	Total assets	21,129,084	19,582,595

FY 2004 figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Consolidated Balance sheet (€'000)

	Equity and liabilities	2005	2004
10.	Deposits from banks	4,115,732	2,948,313
20.	Deposits from customers	9,521,189	9,046,027
30.	Debt securities in issue	2,549,046	4,263,222
40.	Financial liabilities held for trading	1,092,186	775,249
50.	Financial liabilities at fair value	1,526,957	-
60.	Hedging derivatives	6,335	-
70.	Remeasurement of financial liabilities backed by general hedges	-	-
80.	Tax liabilities	223,471	170,137
	a) current	89,978	47,656
	a) deferred	133,493	122,481
90.	Liabilities associated with non-current assets held for sale	1,457	153,091
100.	Other liabilities	617,639	927,680
110.	Provision for severance indemnities	103,534	95,527
120.	Provisions for risks and charges:	70,691	76,441
	a) pensions and similar commitments	1,645	1,706
	b) other	69,046	74,735
140.	Revaluation reserves	55,017	46,930
150.	Redeemable shares	-	-
160.	Equity instruments	-	-
170.	Reserves	617,766	573,541
180.	Share premium	65,296	50,427
190.	Share capital	278,605	275,417
200.	Treasury shares	-	-
210.	Minority interests	34,615	36,477
220.	Net profit (loss) for the period	249,548	144,116
	Total equity and liabilities	21,129,084	19,582,595

FY 2004 figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Consolidated Income statement (€000)

		2005	2004
10.	Interest and similar income	716,694	625,013
20.	Interest expense and similar charges	(350,529)	(316,518)
30.	Net interest income	366,165	308,495
40.	Fee and commission income	495,795	467,199
50.	Fee and commission expense	(90,262)	(103,348)
60.	Net fee and commission income	405,533	363,851
70.	Dividend and similar income	202,473	90,739
80.	Net trading income	(78,900)	7,028
90.	Net hedging gains (losses)	-	-
100.	Gains (losses) on disposal or repurchase of:	4,156	188
	<i>b)</i> financial assets available for sale	4,252	188
	<i>d)</i> financial liabilities	(96)	-
110.	Net change in value of financial a/l at fair value	(7,479)	-
120.	Banking margin	891,948	770,301
130.	Net impairment adjustments on:	(23,271)	(7,398)
	<i>a)</i> loans and advances	(22,802)	(7,430)
	<i>b)</i> financial assets available for sale	-	32
	<i>c)</i> financial assets held to maturity	-	-
	<i>d)</i> other financial transactions	(469)	-
140.	Net income from financial activities	868,677	762,903
180.	Administrative expenses:	(586,384)	(539,899)
	<i>a)</i> payroll	(370,250)	(330,253)
	<i>b)</i> other	(216,134)	(209,646)
190.	Net increases in provisions for risks and charges	4,310	(16,611)
200.	Net adjustments to property, plant and equipment	(19,450)	(21,251)
210.	Net adjustments to intangible assets	(6,250)	(8,838)
220.	Other operating income (charges)	54,794	37,240
230.	Operating costs	(552,980)	(549,359)
240.	Share of profit (loss) from equity interests	863	1,676
270.	Share of profit (loss) from sale of investments	1,044	79
280.	Profit (loss) from current operations before tax	317,604	215,299
290.	Income taxes on current operations	(62,758)	(62,316)
300.	Profit (loss) from current operations after tax	254,846	152,983
310.	P/L after tax on non-current assets held for sale	14,007	-
320.	Net profit (loss) for the period	268,853	152,983
330.	Minority interests	(19,305)	(8,867)
340.	Net profit (loss) for the period attributable to the parent bank	249,548	144,116

FY 2004 figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Statutory Balance sheet (€)

	Assets	2005	2004
10.	Cash and balances with central banks	112,175,823	87,061,302
20.	Financial assets held for trading	1,354,277,634	1,186,602,286
30.	Financial assets at fair value	-	-
40.	Financial assets available for sale	43,684,508	31,041,715
50.	Financial assets held to maturity	-	-
60.	Loans and advances to banks	2,459,885,033	1,620,110,224
70.	Loans and advances to customers	11,672,832,435	10,722,112,116
80.	Hedging derivatives	8,028,592	-
90.	Remeasurement of financial assets backed by general hedges	-	-
100.	Equity investments	323,720,309	320,057,859
110.	Property, plant and equipment	233,476,607	239,806,519
120.	Intangible assets	42,310,378	36,970,011
	of which:		
	goodwill	<i>25,692,101</i>	<i>25,692,101</i>
130.	Tax assets	101,861,001	186,756,584
	<i>a) current</i>	<i>61,372,115</i>	<i>142,937,494</i>
	<i>b) deferred</i>	<i>40,488,886</i>	<i>43,819,090</i>
140.	Non-current assets held for sale	331,593	22,297,700
150.	Other assets	377,079,903	570,494,637
	Total assets	16,729,663,816	15,023,310,953

FY 2004 figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Statutory Balance sheet (€)

	Equity and liabilities	2005	2004
10.	Deposits from banks	2,656,030,965	1,854,333,673
20.	Deposits from customers	8,036,676,957	7,479,849,525
30.	Debt securities in issue	2,469,351,380	3,642,976,388
40.	Financial liabilities held for trading	198,867,951	-
50.	Financial liabilities at fair value	1,456,771,933	-
60.	Hedging derivatives	6,329,972	-
70.	Remeasurement of financial liabilities backed by general hedges	-	-
80.	Tax liabilities	161,306,570	115,075,810
	a) current	63,279,721	25,749,969
	a) deferred	98,026,849	89,325,841
90.	Liabilities associated with non-current assets held for sale	1,456,638	-
100.	Other liabilities	530,281,285	840,064,870
110.	Provision for severance indemnities	91,633,165	84,725,398
120.	Provisions for risks and charges:	58,792,680	58,061,766
	a) pensions and similar commitments	1,565,700	1,624,308
	b) other	57,226,980	56,437,458
130.	Revaluation reserves	41,271,309	33,318,886
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	492,493,459	456,712,934
170.	Share premium	65,296,311	50,426,761
180.	Share capital	278,605,392	275,416,892
190.	Treasury shares	-	-
200.	Net profit (loss) for the period	184,497,849	132,348,050
	Total equity and liabilities	16,729,663,816	15,023,310,953

FY 2004 figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Statutory Income statement (€)

		2005	2004
10.	Interest and similar income	603,220,559	488,373,891
20.	Interest expense and similar charges	(269,254,542)	(208,028,114)
30.	Net interest income	333,966,017	280,345,777
40.	Fee and commission income	303,934,206	297,451,143
50.	Fee and commission expense	(39,664,760)	(43,096,228)
60.	Net fee and commission income	264,269,446	254,354,915
70.	Dividend and similar income	120,661,484	67,564,080
80.	Net trading income	(32,921,480)	2,532,138
90.	Net hedging gains (losses)	-	-
100.	Gains (losses) on disposal or repurchase of:	4,144,734	187,646
	<i>a)</i> loans and advances	-	-
	<i>b)</i> financial assets available for sale	4,240,139	187,646
	<i>d)</i> financial liabilities	(95,405)	-
110.	Net change in value of financial a/l at fair value	(5,320,022)	-
120.	Banking margin	684,800,179	604,984,556
130.	Net impairment adjustments on:	(11,544,903)	(5,465,675)
	<i>a)</i> loans and advances	(13,723,906)	556,206
	<i>b)</i> financial assets available for sale	-	32,005
	<i>d)</i> other financial transactions	2,179,003	(6,050,886)
140.	Net income from financial activities	673,255,276	599,518,881
150.	Administrative expenses:	(457,713,092)	(417,876,039)
	<i>a)</i> payroll	(292,696,928)	(259,711,379)
	<i>b)</i> other	(165,016,164)	(158,164,660)
160.	Net increases in provisions for risks and charges	(789,522)	(4,310,840)
170.	Net adjustments to property, plant and equipment	(14,303,312)	(15,407,429)
180.	Net adjustments to intangible assets	(4,148,948)	(3,907,403)
1900.	Other operating income (charges)	36,774,163	28,608,464
200.	Operating costs	(440,180,711)	(412,893,247)
210.	Share of profit (loss) from equity investments	(128,266)	(293,181)
220.	Net change in ppe and intangibles at fair value	-	-
230.	Net change in goodwill	-	-
240.	Share of profit (loss) from sale of investments	585,585	453,635
250.	Profit (loss) from current operations before tax	233,531,884	186,786,088
260.	Income taxes on current operations	(59,736,335)	(54,438,038)
270.	Profit (loss) from current operations after tax	173,795,549	132,348,050
280.	P/L after tax on non-current assets held for sale	10,702,300	-
290.	Net profit (loss) for the period	184,497,849	132,348,050

FY 2004 figures restated under IAS/IFRS excluding IAS 32 and 39 relating to financial instruments

Reclassified Income Statement (€million)

	2005	2004	%
- Net Interest Income	375.7	316.9	18.6
- Net Non Interest Income (*)	569.7	498.7	14.2
Total Income	945.4	815.6	15.9
- Personnel expenses	-370.3	-330.3	12.1
- Administrative expenses	-216.1	-209.6	3.1
Operatine Costs	-586.4	539.9	8.6
EBITDA	359.0	275.7	30.2
- Depreciation & Amortization	-25.7	-30.1	-14.6
EBIT	333.3	245.6	35.7
- Provisions for risks and charges	4.3	-16.6	n.s.
- Extraordinary income (expenses)	17.4	-5.9	n.s.
- Net Adjustments on equità investments	-0.1	-0.3	-66.7
- Net loan writedowns	-23.3	-7.4	214.9
Pre-tax profit	331.6	215.4	53.9
- Minority interests	-19.3	-9.0	114.4
- Income taxes	-62.8	-62.3	0.8
Net profit	249.5	144.1	73.1
(*) includes Abaxbank Total Income			

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