



Banking Group
CREDITO EMILIANO – CREDEM

PRESS RELEASE

Reggio Emilia, 21 December 2005

CREDEM: FITCH UPGRADES ITALY'S CREDEM INDIVIDUAL RATING TO 'B' FROM 'B/C'

Today, Fitch Ratings has upgraded Credito Emiliano's ("Credem") individual rating to 'B' from 'B/C', while confirmed the other ratings:

- long term "A"
- short term "F1"
- outlook "stable"
- support "3"

Find here attached, the original Fitch press release.

CREDITO EMILIANO S.p.A.
Chairman
(Giorgio Ferrari)

Media Relation
Tel. +39 0522/582075 – 582546
Fax. +39 0522/582087
E-mail: rel@credem.it
www.credem.it

FITCH UPGRADES ITALY'S CREDEM INDIVIDUAL RATING TO 'B' FROM 'B/C'

Fitch Ratings-London/Milan-21 December 2005: Fitch Ratings has today upgraded Italy's Credito Emiliano's ("Credem") Individual rating to 'B' from 'B/C'. The Long-term 'A', Short-term 'F1' and Support '3' ratings are affirmed. The Outlook remains Stable.

The upgrade reflects progress in management efforts to contain Credem's above-average costs and to increase the diversification of its loan portfolio, the quality of which is healthier than other Italian mid-sized regional banks. The ratings also reflect the bank's good revenue generation and profitability, adequate capital base, good management and controls. The Outlook on the ratings is Stable and reflects Fitch's view of Credem as a well-managed, profitable bank with a modest appetite for risk. Where risks are taken, adequate controls are in place, which should maintain ratings at their current levels.

Credem is increasingly concentrating on serving small and medium-sized enterprises, mortgages and personal lending. It intends to continue concentrating on traditional lending.

The bank benefits from a good level of net income, generated by well-balanced interest and net commission income. While operating costs have been a burden on revenues as a result of Credem's acquisitions of many small banks in the past, the bank is demonstrating its capacity to control and contain costs, which is reflected in a decreasing cost/income ratio. Credem generates a good ROE, equal to about 19% at end-September 2005. Fitch considers that Credem is well positioned to continue generating satisfactory results.

Credit risk in Credem is sound, with 0.5% net doubtful and watchlist loans at end-June 2005, and reserve coverage levels are appropriate.

Capital adequacy is at comfortable levels. Credem reported a Tier 1 ratio of c.8% at end-September 2005 under IFRS. Capital adequacy ratios are strengthening as lending growth is slowing down and the bank is retaining earnings. They are likely to continue to rise in the medium term.

Contact: Francesca Vasciminno, Milan, Tel: +39 02 87 90 87 225; Matthew Taylor, London, + 44 207 417 4345.

Media Relations: Jon Laycock, London, Tel: +44 20 7417 4327.

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