



Banking Group
CREDITO EMILIANO - CREDEM

PRESS RELEASE

CREDEM: SHAREHOLDERS' MEETING APPROVES 2004 FINANCIAL STATEMENTS; DIVIDEND €0.25 PER SHARE

- **Financial statements at December 31st, 2004 approved;**
- **dividend of €0.25 per share (+25% on 2003) for a total of €68.9 million;**
- **Luigi Maramotti confirmed as director.**

During the ordinary part of today's shareholders' meeting chaired by Giorgio Ferrari, Credem shareholders approved the statutory and consolidated financial statements for the year 2004, which closed with a consolidated net profit of €130.2 million (+35.8% on the 2003 profit of €95.9 million) in accordance with the draft results prepared by the Board of Directors and announced on March 24th.

The shareholders' approved a **dividend of €0.25** per share (€0.20 in 2003: +25%), payable as from May 26th, 2005 with the shares going ex-div on May 23rd. The total payout will be €68.9 million (€54.9 million the previous year).

Luigi Maramotti was elected to the Board of Directors, having been co-opted on January 20th, 2005 following the death of Achille Maramotti. The Board now consists of 12 members.

The contract to audit Credem's statutory and consolidated financial statements for 2005, 2006 and 2007 went to Deloitte & Touche S.p.A., as the PricewaterhouseCoopers assignment had expired.

The shareholders were also informed, as mentioned in a press release dated March 24th, that for approximately two years the group has been working on a project to analyze the impact and effect of the organizational and procedural changes connected with the use of international accounting standards (IAS/IFRS). The group therefore estimates that periodic reporting will resume, according to the new accounting standards, as from the consolidated quarterly accounts at September 30th, 2005.

2004 results

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 the previous year). 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%), thanks to positive trend in lending vs. borrowing and despite very low interest rates in the market and a slimmer-than-ever spread.

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 9.7% rise in net fee and commission income (€376.2 million compared

with €342.8 million the previous year), especially from asset management (+13.5%), traditional banking activities (+10.9%) and brokerage for third parties (+13.7%).

Operating expenses went from €521.7 million to €547.7 million (+5%), consisting of €324.9 million in **payroll costs** (+3.6%) and €222.8 million in **administrative expenses** (+7%). The rise in overheads, which was in line with business planning, was caused primarily by the renewal of the national collective employment contract and the start of projects to modernize the organizational and commercial structure and boost profitability.

Consolidated **cost/income** was 65.8%, compared with 66% in 2003.

Funding from customers* at the Credem Group increased by 5.7%, rising from €48,005 million in 2003 to €50,754 million in 2004, with **net inflows** of €1,700 million.

More specifically, **direct funding** net of repurchase agreements rose by 2.7% to €11,906 million, compared with €11,592 million in 2003 (direct funding including repos totaled €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), and bonds fell by 13.4% to €3,984 million (€4,601 million the previous year). Repurchase agreements decreased by 49.9% to €1,435 million (€2,862 million in 2003) due to the reduced activities of Abaxbank.

Indirect 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 the previous year) in **asset management** (portfolio management schemes, mutual funds, SICAVs and life insurance policies) and €22,954 million in **asset 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 increase net of repurchase agreements was 4.5% (from €11,052 million to €11,554 million). **Lending** was focused mainly on retail customers (+20%) and small businesses (+25%); loans to large corporate customers decreased in accordance with plans.

Leasing made a significant contribution, with €612.1 million in new disbursements (€601.6 million the previous year) and €1,662 million in total assets (€1,472 million in 2003). Considerable efforts were made to support real estate transactions. **Mortgage loans** 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%).

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 lower than the industry average of 2.1%. **Estimated losses on non-performing loans** amount to 74.1% of the total (66.2% in 2003). **Total net problem loans** come to €58.5 million (€64 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% the previous year).

At December 31st, 2004 the group's distribution structure consisted of 463 branches, 39 corporate centers and 45 financial shops. It had 4,986 employees and 864 financial advisors with mandates.

(*) The figures and percent changes reported for total funding do not include a sizable securities deposit made by an institutional customer which amounted to €2,164 million in 2003 and to €18 million in 2004, and repurchase agreements of €2,862 million in 2003 and €1,435 million in 2004.

(**) The figures and percent changes reported for indirect funding do not include a sizable securities deposit made by an institutional customer which amounted to €2,164 million in 2003 and €18 million in 2004.

Credem's statutory and consolidated financial statements are available at www.credem.it in the Investor Relations section (financial data: financial statements and reports). Figures for 2003 have been restated for the sake of comparison.

Reggio Emilia, April 29th, 2005

Giorgio Ferrari
Chairman
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