CREDEMHOLDING
Capogruppo del Gruppo Bancario
"CREDITO EMILIANO – CREDEM"

CREDEM
Gruppo Bancario
CREDITO EMILIANO – CREDEM

PRESS RELEASE

CREDEM: THE BOARD OF DIRECTORS APPROVES 1H08 GROUP'S RESULTS: NET PROFIT AT €149,3 MILLION (+24.9%)[1]

- **Consolidated net profit** +24.9% in 1H08 at €149.3 million (€119.5 million in 1H07)
- **Customers lending** (net of repos) +9.1% at €16,271 million (vs. €14,914 million at 30 June 2007);
- **Direct Deposits**, net of repos, up by 16.4% at €18,383 million vs. € 15,793 million at 30 June 2007)
- **Total Income** at €533.3 million in 1H08 versus €535.1 million in 1H07 (-0.3%)
- **Operating profit** -8.5% at €194.4 million versus €212.4 million in the same period of 2007.
- **Net NPL ratio** at 0.36% of total loans (0.24% in the same period of 2007);
- **Tier 1 Capital Ratio[2]** 7.29%, **Total Capital Ratio** at 9.39%;
- **Cost/income[3]** to 60.5% (57.7% in 1H07).
- Signed two agreements respectively with Banco Popolare and Unicredit for the acquisition of 67 branches.

Today, Credem's Board of Directors, chaired by Giorgio Ferrari, approved the 1H08 consolidated results.

Consolidated income statement at 30 June 2008

As at 30 June 2008, Credem presents a consolidated net profit of €149.3 million (24.9% vs. €119.5 million in 1H07).

Total Revenues were €533.3 million in 1H08, compared to €535.1 million in 1H07 (-0.3%). In particular, **Net interest income[4]** is up by 13.8% at €286.9 million vs. €252.0 million in 1H07 mostly due to volumes increase. In particular concerning retail business, planned repositioning of risk-performance combinations in lending contributed to income growth more

[1] relatively to economics results and in order to guarantee an homogeneous comparison, 2007 data included in this press release are considered :
- excluding contribution of Euromobiliare Sim, disposed at the end of 2007.
- including CredemVita total consolidation effects, 100% controlled since the end of March 2008.

[2] First elaborations according to Basel 2 IFRS methodology (standard methodology - FIRB). Final data will be announced to the market on September the 30th, contextually to the publication of the disclosure of "Pillar 3".

[3] calculated as operating costs on total income;

[4] comprehensive of dividends of financials activities held for sale (non qualified participations) and gain/losses from consolidated participations calculated with the net equity method.

than correlated risk's cost growth. **Non interest income**[5] is down 13% at €246.4 million (€283.1 million in 1H07). The caption is affected by the current scenario on financial markets which impact either trading and hedging activity and commissions of brokerage and asset management; in particular the downturn affected contribution of discretionary accounts, mutual fund and Sicav's (circa -26%) and negotiation on behalf of third parties (circa -25%). Banking services contribution are substantially stable.

Operating costs in 1H08 equal €322.4 million (+4.4% compared to the €308.7 million in 1H07). This increase refers to personnel expenses, branch opening and branches' staff strengthening. In detail, personnel expenses were €201.5 million (+6.8%), while administrative expenses were €120.9 million (+0.8%).

Cost/income comes in at 60.5% vs. 57.7% in the same period of 2007.

Gross Operating Income in 1H08 is down by 6.8% to €210.9 million compared to €226.4 million in 1H07**.** Amortization and depreciation amount to €16.5 million vs. €14.0 million in 1H07 (+17.9%).

Net Operating Income is at €194.4 million, down by 8.5% compared to the €212.4 million in 1H07.

Provisions for risk and charges are positive at €3.1 million due to the favourable outcome of some legal disputes. **Net loan writedowns** are €24.0 million in 1H08 (€16.5million in 1H07).

Net extraordinary items in 1H08, are negative for €1.4 million (versus a positive balance of €2.4 million in 1H07).

Pre-tax profit in 1H08 is €172.1million (-13.1%) versus €198.0 at the end of June 2007.

Income taxes amount to €22.8 million in 1H08 (€78.6 million in 1H07). Lower taxation was positively affected, for €30.1 million by a benefit connected with the deferred tax liabilities which has been generated by a changing of the Italian Fiscal law that allows the alignment of statutory and fiscal values of exceeding credit risk provisions/reserves and tangible assets, throughout the payment of a lump-sum amount.

Consolidated balance sheet at 30 June 2008 (1)

Total Customers Fundings were €55,929 million at 30 June 2008, vs. €59,520 million at the end of 1H07 (-6.0%). Net inflows in the semester amount to €134.0 million.

Direct Customer Deposits, net of repos, are up by 16.4% to €18,383 million vs. €15,793 million at the end of June 2007 (Direct Deposits including repurchase agreements reach €18,958 million compared with €16,629 million at the end of 1H07, +14.0%). In detail, sight deposits climb by 28.9% to €13,196million (€10,239 million at the end of 1H07). Bonds and subordinated debts are at €5,187 million (€5,554 million at the end of 1H07). Repurchase agreements are at €575 million vs. €836 million in the same period of 2007 (-31.2%).

Insurance deposits are at €2,003 million vs. €1,999 million in the same period of 2007.

Indirect Fundings at the end of 1H08 were €34,968 million compared to €40,892 million at the end of 1H07 (-14.5%). **Assets Under Management** amount to €12,845 million compared to €15,113 million at the end of June 2007 (-14.5%). In particular, Discretionary Accounts are at €4,045 million (-34%). Mutual Funds are down by 23.7% to €4,292 million while Sicavs

[5] comprehensive of the total income of Abaxbank and the item " other operating income/charges" net of extraordinary income/charges.

grew by 17.7% to €3,657 million. **Assets Under Custody** at the end of June 2008 is down by 13.5% to €22,123 million compared to €25,579 million at the end of 1H07.

Net Cash Loans, net of repurchase agreements to customers rose by 9.1% to €16,271 million at the end of 1H08 (€14,914 million at the end of 1H07), while the increase, including repurchase agreements, was 9.9% (€16,397 million at the end of 1H08 versus €14,922 million at the end of 1H07). Lending growth mainly regarded "middle corporate" lending and long term lending, either to private clientele and small business activities.

At the end of 1H08 **Total Mortgage Loans** stock was more than €4.8 billion (+5.4%) and €411 million disbursements (-25.6%).

Net NPL ratio comes in at 0.36% of total loans (0.24% in the same period of 2007). **Coverage Ratio** is 64.6% (59.5% at the end of 1H07). **Total Net Problem Loans** equal €183.0 million (€119.2 million at the end of 1H07).

Tier 1 Capital Ratio is 7.29% (2). **Total Capital Ratio** is 9.39% (2).

As at 30 June 2008 Credem's distribution network consisted of 515 branches, 42 corporate centres, 55 financial stores with 5,459 employees and 971 financial advisors with mandate.

As for 2008 perspective there is no evidence whatsoever of any material change in the macroeconomic scenario able to substantially affect the further trend in the Group business. A new three-years strategic plan (2008 – 2010) will be approved in September.

Other informations

On March the 14Th, Credem signed an agreement with Reale Mutua Assicurazioni which aims to develop general insurance business. The agreement, realized on July the 30th 2008 after competent authorities released necessary authorizations provides the acquisition by Reale Mutua Assicurazioni of the 50% of Credemassicurazioni for €18 million. The Insurance company is thus jointly participated by both Groups and represents the vehicle through which bancassurance business will be developed allowing Credem to wide the general insurance products offer to clientele (private and corporate).

On March the 28th Credem signed an agreement for the acquisition from Banca Popolare di Verona e S.Geminiano e S.Prospero (Banco Popolare Group) of 33 branches and 2 corporate centers as well as the structures supporting the commercial activity (retail, Sme's e corporate). The deal, which was closed on August the 28th, provides for the complete transfert of more than 220 employees. The provisional price set for the transaction was €155 million.

On May the 16th Credem signed an agreement for the acquisition from UniCredit Group of 34 branches and the transfer of 200 employees. The provisional price set for the transaction was €150.6 million, which will be subject to adjustments depending on volumes at the date of the closing, which is expected within the end of 2008.

On June the 24th, Credem Group obtained authorizations by Bank of Italy to use the internal model for credit risks' capital requirements determination. Credem Group numbers among first Italian banking groups which have been authorized to use internal models provided by Basel 2. The approval represents an important acknowledgment of the effectiveness of the rating systems which have been used by Credem long since supporting the clientele relationship management and a further recognition of the group propensity to adopt efficient monitoring and management procedures of risks linked to the banking and financial activity.
The internal method mentioned above, provided by the new regulations, compared to the standard method, allows Credem to reduce the capital absorption coming from credit risk for

over €100.0 million; to this saving is associated a capital penalization of circa €19 million, equally divided between Tier 1 capital and surplus capital.

On July the 3rd, following the resolution approved by General Shareholders' Meeting on 26 June 2008, CREDEM's Board of Directors, chaired by Giorgio Ferrari, deliberated to increase share capital, through payment in cash for an amount of €250 million (including share premium). The rights issue will be realized by issuing ordinary shares (dividend entitlement rights as from 1 January 2009) having the same characteristics of currently outstanding shares, at a nominal value of 1€ each, to be offered with a subscription right to CREDEM shareholders at the date of the beginning of the offer, in proportion to the number of shares owned at that date. Presumably at the beginning of October 2008, immediately before the rights issue offer is expected to take place, the Board of Directors will determine the terms and conditions of the transaction, including the issue share price as well as the number of shares to be issued, the nominal value of the capital increase and the option allocation ratio.
The transaction, as already previously highlighted, is aimed to maintain more then adequate capital ratios during the expansion strategy in which CREDEM Group is currently involved, through the acquisition of branches and distribution networks. Credemholding, CREDEM's majority shareholder, committed itself in a capital increase of €110 million, declaring its availability to take up its portion of rights issue increase (circa 73%), as well as any share remained unsubscribed at the end of the offer.

Since the beginning of the year distribution network was further strengthened throughout the opening of 9 branches.

On September the 10th, the new strategic plan for the three years period 2008 – 2010 will be approved by the Board of Directors and will be also presented to the financial community during a conference call taking place on September the 11th.

In accordance with section 2, Article 154-bis of the consolidated Law on Finance TUF), the Financial Reporting Manager Paolo Tommasini, declares that the accounting information contained in this press release correspond to documentary records, ledgers and accounting entries.

Attached please find the consolidated Balance Sheet and income statement as well as the reclassified consolidated Income Statement.

Reggio Emilia, 29 August 2008

CREDITO EMILIANO SPA
(Chairman)
Giorgio Ferrari

Contacts:
Investor Relations Team
Credem
Tel. +39 0522 583029-2351
Fax +39 0522 582087

e-mail: investor@credem.it
www.credem.it

Consolidated Balance Sheet (€,000)

	Assets	30.6.2008	31.12.2007
10.	Cash and Balances with Central Banks	90,447	152,071
20.	Financial assets held for trading	5,168,508	4,690,986
30.	Financial assets at fair value	1,636,574	467,257
40.	Financial assets available for sale	1,043,253	283,711
60.	Loans and advances to banks	4,173,947	3,637,378
70.	Loans and advances to customers	16,397,316	15,763,047
80.	Hedging derivatives	58,579	14,154
100.	Equity investments	20,129	40,555
110.	Actuarial Reserves	88	-
120.	Property plant and equipment	326,344	331,783
130.	Intangible assets	106,279	56,559
	of which: goodwill	83,053	31,187
140.	Tax assets	152,180	155,374
	a) current	73,252	102,029
	b) prepaid	78,928	53,345
150.	Non-current assets to be dismissed	2,026	2,026
160.	Other assets	610,440	637,629
	Total assets	**29,786,110**	**26,232,530**

Consolidated Balance Sheet (€,000)

	Liabilities	30.6.2008	31.12.2007
10.	Deposits from banks	4.354.776	4,735,665
20.	Deposits from customers	11,363,923	11,239,911
30.	Debt securities in issue	6,961,424	5,181,496
40.	Financial liabilities held for trading	1,466,736	1,468,618
50.	Financial liabilities at fair value	1,979,094	844,145
60.	Hedging derivatives	108,503	19,453
80.	Tax liabilities	116,768	247,959
	a) current	53,317	113,712
	b) deferred	63,451	134,247
100.	Other liabilities	994,541	784,478
110.	Provision for severance indemnities	85,889	87,494
120.	Provisions for risks and charges:	103,337	80,811
	a) pensions and similar liabilities	1,541	1,544
	b) other	101,796	79,267
130.	Actuarial Reserves	657,366	-
140.	Revaluation reserves	76,916	69,086
170.	Reserves	1,000,736	858,467
180.	Share premium	84,096	83,051
190.	Share capital	282,533	282,327
210.	Minority interests	206	206
220.	Net profit (loss) for the period	149,266	249,363
	Total equity and liabilities	**29,786,110**	**26,232,530**

Consolidated Income Statement (€,000)

		30.6.2008	30.6.2007
10.	Interests and similar incomes	685,914	652,808
20.	Interest expenses and similar charges	(404,414)	(426,235)
30.	**Net interest income**	**281,500**	**226,573**
40.	Fee and commission income	189,576	254,174
50.	Fee and commission expense	(43,246)	(41,635)
60.	**Net fee and commission income**	**146,330**	**212,539**
70.	Dividend and similar income	286,828	274,217
80.	Net trading income	(213,824)	(173,775)
90.	Hedging activity income	(1,091)	32
100.	Gains (losses) on disposal or repurchase of:	467	2,694
	a) credits	-	(1)
	b) financial assets available for sale	154	2,582
	d) financial liabilities	313	113
110.	Net change in value of financial a/l at fair value	4,769	(2,042)
120.	**Total income**	**504,979**	**540,238**
130.	Net impairment adjustments on:	(23,971)	(16,546)
	a) loans and advances	(24,049)	(16,555)
	d) other financial assets	78	9
140.	**Net income from financial activities**	**481,008**	**523,692**
150.	Net insurance premium	33,105	-
160.	Other operating income (charges) from insurance activities	(35,810)	-
170.	**Net Income from insurance activities**	**478,303**	**523,692**
180.	Administrative expenses:	(322,352)	(323,462)
	a) payroll	(201,480)	(199,939)
	b) other	(120,872)	(123,523)
190.	Net increases in provisions for risks and charges	3,100	(573)
200.	Net adjustments to property. plant and equipment	(9,025)	(8,617)
210.	Net adjustments to intangible assets	(7,433)	(5,335)
220.	Other operating income (charges)	28,814	29,820
230.	**Operating costs**	**(306,896)**	**(308,167)**
240.	Share of profit (loss) from equity stakes	853	4,384
270.	Share of profit (loss) from sale of investments	(105)	(33)
280.	**Profit (loss) from current operations before**	**172,155**	**219,876**
290.	Income taxes on current operations	(22,887)	(82,765)
300.	**Profit (loss) from current operations after**	**149,268**	**137,111**
320.	**Net profit (loss) for the period**	**149,268**	**137,111**
330.	Minority interests	(2)	(5,333)
340.	**Net profit (loss) for the period attributable to the parent bank**	**149,266**	**131,778**

Consolidated reclassified income statement (€,million)

	1Q08	2Q08	1H08	1H07	change %y/y	2Q07	FY07
Net Interest Income	145.4	141.5	286.9	249.3	15.1	124.4	534.5
Non Interest Income	91.9	154.4	246.3	322.4	(23.6)	172.7	503.7
Total Income	**237.3**	**295.9**	**533.2**	**571.7**	**(6.7)**	**297.1**	**1.038.2**
Payroll Expenses	(99.9)	(101.6)	(201.5)	(199.9)	0.8	(99.0)	(393.9)
Administrative Expenses	(60.6)	(60.3)	(120.9)	(123.5)	(2.1)	(64.1)	(237.1)
Operating Costs	**(160.5)**	**(161.9)**	**(322.4)**	**(323.4)**	**(0.3)**	**(163.1)**	**(631.0)**
EBITDA	**76.8**	**134.0**	**210.8**	**248.3**	**(15.1)**	**134.0**	**407.2**
Depreciation and Amortization	(8.1)	(8.3)	(16.4)	(14.0)	17.1	(7.3)	(30.8)
EBIT	**68.7**	**125.7**	**194.4**	**234.3**	**(17.0)**	**126.7**	**376.4**
Net Provisions for Risks and Charges	4.4	(1.3)	3.1	(0.6)	n.s.	(0.3)	(20.6)
Extraordinary Income/Expenses	(0.2)	(1.1)	(1.3)	2.7	n.s.	0.7	24.3
Net Loans Adjustments	(10.0)	(14.0)	(24.0)	(16.5)	45.5	(10.5)	(53.2)
Pre-Tax Profit	**62.9**	**109.3**	**172.2**	**219.9**	**(21.7)**	**116.6**	**327.0**
Minority Interests	0.0	0.0	0.0	(5.3)	(100.0)	(3.3)	0.0
Income Taxes	(15.5)	(7.4)	(22.9)	(82.8)	(72.3)	(41.4)	(77.6)
Net Profit	**47.4**	**101.9**	**149.3**	**131.8**	**13.3**	**71.9**	**249.4**
Earning per share	**0.17**	**0.36**	**0.53**	**0.47**	**12.8**	**0.26**	**0.88**
Diluted earning per share	**0.17**	**0.36**	**0.53**	**0.47**	**12.8**	**0.25**	**0.88**

Reclassification:

Net Interest income
+ Item 30 + Item 240 + Item 70 dividends and similar incomes (on stakes dividends) - Abaxbank Total Income and Credemvita Total Income
Non Interest Income
+ Item 60 + Item 70 (net of stake dividends)+ Item 80 + Item 90 + Item 100 + Item 150 + Item 160 + Item 220 (net of extraordinary components) + Abaxbank Total Income and Credemvita Total Income
Total Income
Net Interest income+ Non interest income
Operating Costs
+ Item 180
EBITDA
(Total income – Operative costs)
Depreciation and Amortization
+ Item 200+ Item 210
EBIT
(Ebitda – Depreciation and Amortization)
Net Provisions for Risk and Charges
+ Item 190
Net Loans Adjustment
+ Item 130 (“a” and “d”)
Extraordinary Income/Expenses
+ Item 100 (“a” and “b” and “c”)+ Item 130 (“b” and “c”)+ Item 220 (only extraordinary components) + Item 270 + Item 310
Pre-Tax Profit
(EBIT +/- Net Provisions for Risk and Charges - Net Loans Adjustments+/- Extraordinary Income/Expenses)