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## Fitch Affirms Credem's Ratings

Fitch Ratings-London-3 February 2004: Fitch Ratings, the international rating agency, has today affirmed Credito Emiliano's ("Credem") ratings at Long-term 'A', Short-term 'F1', Individual 'B/C' and Support '3'. The Outlook remains Stable.

The affirmation reflects Credem's good revenue generation and profitability, low credit risks, adequate capital base, good management and controls. The ratings also take into account the bank's costs, which absorb a larger proportion of income than its peers, some loan concentration and moderate market risk. Credem's organic growth in selected regions of northern Italy and its reorganisation into business units have underpinned its markedly improved performance since 1999. Its leading market share in brokerage and asset management, and its good reputation should allow the bank to defend its solid revenue generation against tough domestic competition. Operating profit for 2003 should easily be able to bear the additional loan loss provisions required by slower economic growth, the default of Parmalat and the additional costs arising from the restructuring of Abaxbank, the bank's investment banking arm. The group's net income for 2003 is likely to fall short of the 2002 figure, but should be stronger for 2004.

Credem controls closely its market risk, but has some structural exposure to movements in interest rates. Following a securitisation of doubtful loans in 2000, Credem's stock of doubtful and watchlist loans is small, and its lending is fundamentally sound. Its effective credit assessment systems should allow the bank to maintain its good asset quality ratios. Following growth in lending, the bank's capital adequacy has declined, but is still acceptable. However, good internal capital generation should allow the bank to strengthen its capital position.

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