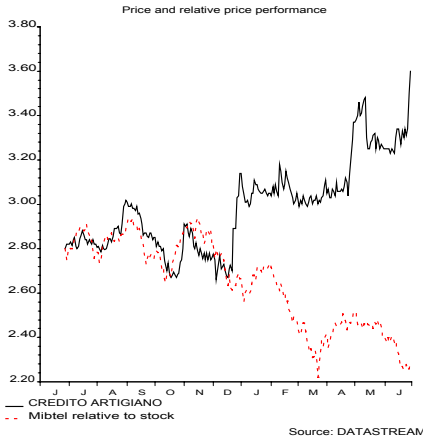


Company Report

Credito Artigiano

Price Ord: €3.48



Dec 31	1999A (1)	2000A	2001E(2)	2002E(2)	2003E(2)
Adjusted Net Income (€ mil)	8.3	16.6	17.5	22.3	30.1
Adj. EPS (€)	0.057	0.115	0.122	0.155	0.210
Adj. BVPS (€)	1.455	1.483	2.002	2.078	2.192
Adj. P/E	60.6	30.1	28.6	22.4	16.6
Adj. P/BVPS	2.4	2.3	1.7	1.7	1.6
Dividend, Ord (€)	0.08	0.12	0.13	0.15	0.15
Div. Yield	2.2%	3.3%	3.8%	4.2%	4.4%

Source: Caboto SIM estimates (1) Parent company only- SpA- (2) Includes latest acquisition of Banca Regionale Sant'Angelo

Price Ord (June 27, 2001)	€3.48	
Sector	Banking	
Reuters	CRA.MI	
Bloomberg	CRA IM	
Mibtel Index	25,740	
Market Cap. (€ mil)	361	
No. Shares, Ord (mil)	103.8	
No. Shares, fully diluted (mil)	143.8	
Free Float	33%	
<i>Major Shareholder</i>		
Credito Valtellinese	55.0%	
Adj.BVPS 2001E (€)	2.002	
P/BVPS	1.7 x	
52-Week Range (€)	3.480 / 2.660	
Avg Volume (30-day)	21,800	
Exchange Rate	US\$/€ 0.8581	
	L/€ 1,936.27	
<i>Relative Performance – Mibtel Index</i>		
1 mo.	3 mo.	12 mo.
14.3%	20.8%	43.4%

REPORT ACCORDING TO SPONSOR ROLE OF INTESABCI GROUP

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Still room for improvement.

- Credito Artigiano is a retail bank with 74 branches predominantly in Lombardy, plus some presence in Tuscany and Rome. So far its profitability has been below sector average. We expect that Adjusted Roe should move to 9.8% by 2003E including the latest acquisition (8.5% excluding it) versus 7.9% of 2000. This improvement should be feasible thanks to: (1) the bank's base in one of the richest areas of the country; (2) a solid capital structure, with an 8.3% Tier I at end 2000-; (3) a good credit quality, with Net NPLs/Net customer Loans of 1.8% at end 2000.
- The recent cash acquisition of 54.45% of Banca Regionale Sant'Angelo should enable the bank and the overall Credito Valtellinese group to strengthen their presence in Sicily, also through potential synergies with the two other banks –Banca Santa Venera and San Giacomo- owned by the group in the region. Total consideration for the acquisition was € 113 million, representing an implicit multiple of 60.9 times 2000 P/E and 2.6 times 2000 P/BV. We expect the acquisition to be earnings dilutive for the next 3 years.
- The bank's current market prices point to multiples of 25.5 times adjusted P/E FY01E and 20.7 times FY02E pre acquisition (and 28.6 times FY01 and 22.4 times FY02 post acquisition), higher than the peer average of 16.9 times adjusted P/E FY01E (12.1 times FY02E). In terms of adjusted book value, the stock is trading at a multiple of 1.4 times 2001 and 2002 projections pre acquisition (and 1.7 times 2001 and 2002 projections post acquisition).

June 29, 2001

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Investment Opinion

The stock's current market multiples of 25.5 times adjusted P/E FY01E and 20.7 times FY02E pre acquisition (and 28.6 times FY01 and 22.4 times FY02 post acquisition), are higher than the peer average of 16.9 times adjusted P/E FY01E (12.1 times FY02E). In terms of adjusted book value, the stock is trading at a multiple of 1.4 times 2001 and 2002 projections pre acquisition (and 1.7 times 2001 and 2002 projections post acquisition).

Positives

Credito Artigiano is a retail bank with 74 branches, concentrated predominantly in Lombardy, with some presence in Tuscany and Rome. Thanks to its strong local ties, the bank has about 105,000 retail clients, mostly individuals and small and medium sized companies in various industrial and commercial sectors.

So far, the bank's profitability has been below sector average. We believe that there is room for improvement: Adjusted RoE should move to 9.8% by 2003E including the latest acquisition (8.5% excluding it) versus 7.9% of 2000. This should be made possible thanks to the following positive factors: (1) the bank is based in one of the richest areas of the country; (2) it has a solid capital base, with a Tier I of 8.3% at end 2000¹; (3) it has a good credit quality, with Net Non performing Loans/Net customer Loans of 1.8% at end 2000.

Credito Artigiano's joint stock company structure is a distinctive feature of the bank as opposed to the cooperative structure of most peer companies of similar size (Banche Popolari). It allows for a clearer corporate structure and favours the bank in structuring potential alliances.

The recent cash acquisition of 54.45% Banca Regionale Sant'Angelo should enable the bank and the whole Credito Valtellinese group to strengthen their presence in Sicily, also by exploiting potential synergies with the two other banks – Banca Santa Venera and San Giacomo - owned by the group in the region. Total consideration for the acquisition was € 113 million, representing an implicit multiple of 60.9 times 2000 P/E and 2.6 times 2000 P/BV. We expect the acquisition to be earnings dilutive for the next 3 years. Banca Regionale Sant'Angelo has a network of 61 branches all in Sicily and 494 employees serving individuals and small and medium-sized enterprises.

Open Questions - Issues

After the 1999 IPO, Credito Valtellinese owns 55% of current shareholders' equity, a Catholic Foundation owns 6.7% and Cattolica Assicurazioni owns 5.0%. The free float is only 33%. The Board is composed of 9 members, 5 of which are Credito Valtellinese representatives. This seems to leave Credito Artigiano limited opportunities for an independent strategy. Unlike the cooperative structure of the group head Credito Valtellinese, Credito Artigiano has a lean joint stock company structure which gives the bank the "mission" of being a potential aggregating pole for strategic commercial partners for the whole Valtellinese's

¹ The goodwill generated by the latest acquisition should not be accounted in Credito Artigiano's Tier I but should directly impact the consolidated Tier I of Credito Valtellinese.

Retail Banking in a rich area

Profitability can improve

A lean joint stock company structure

Acquisition of Banca Regionale Sant'Angelo

Credito Valtellinese Owns 55% And the Majority of The Board

group. On the other hand, we underline that the future potential entry of a strategic partner in the bank's capital may risk to minimise the stock's free float.

Capital structure

Credito Artigiano has 100,000 convertibles outstanding exercisable by 1/1/2005. The full conversion would increase shareholders' equity by € 100 million, or 40 million shares (39% of current shares outstanding). The total conversion has a dilution impact of around 28 % on 2001E EPS before the latest acquisition, but only of 14% on 2003E EPS. In this report, our adjusted calculations are based on a fully diluted basis.

Valuation

Market Multiples Are higher Than Its Major Peers'

Credito Artigiano is trading at higher earnings multiples than sector peers (see Table below). Current multiples are 25.5 times adjusted P/E FY01E and 20.7 times FY02E pre acquisition (and 28.6 times FY01 and 22.4 times FY02 post acquisition), higher than the peer average of 16.9 times adjusted P/E FY01E (12.1 times FY02E). In terms of adjusted book value, the stock is trading at a multiple of 1.4 times 2001 and 2002 projections pre acquisition (and 1.7 times 2001 and 2002 projections post acquisition), higher than peers'.

Table 1: Peer Group Market Multiples

	Price (€) June 27, 2001	Mkt Cap (€ mil)	Adj. P/E		Adj. P/BVPS		Adj. ROE	
			2001E	2002E	2001E	2002E	2001E	2002E
Credito Artigiano Pre Acquisition	3.48	361	25.5	20.7	1.4	1.4	7.0%	6.9%
Credito Artigiano Post Acquisition	3.48	361	28.6	22.4	1.7	1.7	6.9%	7.6%
Average Top 6 Banks (1)	NM	NM	17.5	14.3	2.5	2.3	16.4%	17.8%
Banca Pop. Bergamo	18.8	2,491	11.0	10.2	1.4	1.3	12.9%	13.0%
Banca Pop. Milano	4.5	1,227	7.3	6.2	1.0	0.9	13.7%	14.5%
Banca Pop. Novara	7.6	2,205	31.7	17.8	1.4	1.3	4.5%	7.7%
Total Avg. ex. Cr. Artigiano	NM	NM	16.9	12.1	1.6	1.4	11.9%	13.2%

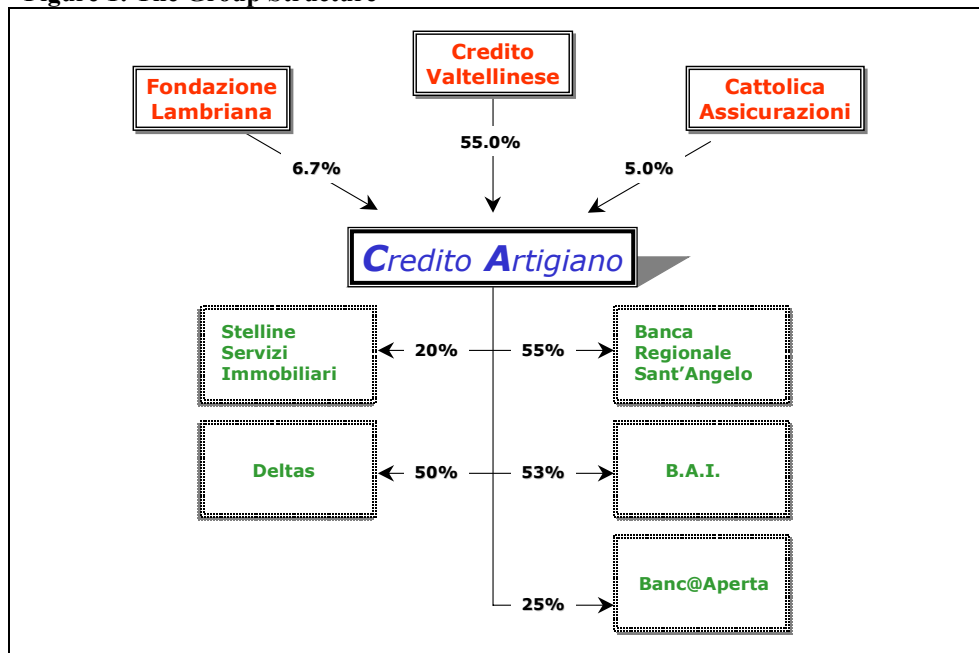
NM = Not Meaningful. Source: Caboto SIM estimates Note 1: Excluding IntesaBCI

Company description

A retail bank present in an interesting area

Credito Artigiano is a retail bank with 74 branches, concentrated predominantly in Lombardy, with some presence also in Tuscany and Rome. Thanks to its strong local ties, the bank has about 105,000 retail clients, mostly individuals and small and medium sized companies in various industrial and commercial sectors. In many cases the bank leverages on the knowledge it has of its clients in order to establish a closer relationship with the companies that these individuals own or manage.

Figure 1: The Group Structure



Source: Company data

***Integrated part of
Credito Valtellinese's
group***

Credito Artigiano is an important part of Credito Valtellinese's group: under its umbrella are concentrated the group's banking operations outside the historical territory of Valtellina (Northern Lombardy), which are expanding throughout Italy. In addition to the purely commercial banking operations, the bank owns minority participations in support companies which are participated by Credito Valtellinese as well. These serve as product and service companies for the group, so that the majority of non-staff costs are related to functions that are fully outsourced. In detail: Stelline Servizi Immobiliari manages the group's real estate interests, Deltas is in charge of human resources, management and administrative functions, and Banc@perta is the group's virtual bank, which also concentrates the group's financial activities.

***Strategy encompasses
further expansion***

The bank aims to pursue further growth both organically and throughout acquisitions. Targets include the opening of approximately 6 branches per year in the next few years. Moreover, Credito Artigiano is pursuing external growth through acquisitions, and in March 2001 it increased its participation in B.A.I. (a single-branch company in Brescia – Lombardy) to 53%. Also, few weeks ago the bank successfully completed the acquisition of 54.45% of Banca Regionale Sant'Angelo (Sicily), thus raising the Valtellinese's group's presence in the island to number two by number of branches.

Latest acquisition – Banca Regionale Sant' Angelo

***Banca Regionale
Sant'Angelo***

Banca Regionale Sant'Angelo is a retail bank present in Sicily with 61 branches and 494 employees, with a strong client focus on individuals and small enterprises. Credito Artigiano recently acquired 54.45% through a cash bid for a total of € 113 million, representing a 2.6 times 2000 P/BV and 60.9 times 2000 P/E.

Credito Artigiano expects to restructure Banca Regionale Sant'Angelo by improving its efficiency through the exploitation of synergies deriving from common IT and product systems used by the Credito Valtellinese's group banks in Sicily, i.e. Santa Venera and San Giacomo. One of the measures to be taken will

be that of opening new branches by transferring exceeding personnel from present branches and implement early retirement processes. Short-term profitability is expected to be sacrificed at the expense of a clean-up of the loan book, which at end 2000 had a Net NPLs/Net Loans ratio of 9.1% - high but in line with the specific geographical area.

Table 2: Banca Regionale Sant'Angelo – Key Indicators and Estimates

(€ mil)	1999PF	2000PF	2000/1999
Total Assets	842.4	855.3	1.5%
Customer Loans	563.2	602.8	7.0%
Customer Deposits	730.4	725.4	-0.7%
Shareholders' Equity	68.8	80.0	16.3%
Net Interest Income	38.4	38.8	1.1%
Non-Interest Income	18.7	20.8	11.2%
Cost/Income	76%	73%	-4.0%
Net Income	1.0	3.4	242.7%
ROE	NA	4.6%	NM

Note 1: excluding duplications from Funds of Funds (GPF). NA = Not available. NM = Not meaningful.
Source: Company data and Caboto SIM estimates

Following management's indications, we expect that net income of Banca Regionale Sant'Angelo should grow by an average 19% in the period '00-'03, with an increasing trend in the last part of the period. This is due to the fact that the implementation of the restructuring plan will take some time to bear fruits. We expect the acquisition should be earnings dilutive in the next 3 years for Credito Artigiano.

Table 3: Financial Effects of the Acquisition

	2001E	2002E	2003E
Artigiano Adj Net Income ex. S. Angelo (€ mil)	19.6	24.1	31.0
+ 54.45% of S. Angelo Adjusted Net Income (€ mil)	1.9	2.1	3.1
- Goodwill Amortization 10 Years	(6.9)	(6.9)	(6.9)
- 6% Cost of Funding After Tax	(3.9)	(3.9)	(3.9)
Artigiano Adj Net Income with S. Angelo (€ mil)	17.5	22.3	30.1
Artigiano Adj. EPS ex. S. Angelo (€)	0.14	0.17	0.22
Artigiano Adj. EPS with S. Angelo (€)	0.12	0.16	0.21
Dilution/Accretion Effect	-11%	-7%	-3%
Artigiano Adj. BVPS ex. S. Angelo (€)	2.41	2.48	2.58
Artigiano Adj. BVPS with S. Angelo (€)	2.00	2.08	2.19
Artigiano Adj. ROE ex. S. Angelo	7.0%	6.9%	8.5%
Artigiano Adj. ROE with S. Angelo	6.9%	7.6%	9.8%

Source: Caboto SIM estimates

1Q01 Results

1Q01 results are broadly in line with those of the whole Italian banking sector. The company did not publish 1Q00 results, so the only possible analysis is a comparison with full 2000 data and full 2001 projections. Net income for the quarter was € 3.8 million. In our opinion, in the next part of the year operating profit will be helped by both a better performance of non-interest income (which was very weak for most peers in the first quarter), and stable costs. On the other hand, we expect that total provisions should be higher than in the first quarter, but overall lower than in 2000, thus inducing a positive effect on the bottom line.

Table 4: Credito Artigiano – 1Q01 Results

<i>(€ mil)</i>	2000A	1Q01A	2001E	1QA/full 2001
Net Interest Income	76.2	20.6	82.9	25%
<i>Non Interest Income</i>	<i>57.4</i>	<i>13.1</i>	<i>59.1</i>	<i>22%</i>
Total Income	133.7	33.7	142.0	24%
<i>Total Operating costs</i>	<i>(93.9)</i>	<i>(25.0)</i>	<i>(98.4)</i>	<i>25%</i>
Operating Profit	39.7	8.7	43.7	20%
<i>Total Provisions and Adjustments</i>	<i>(16.8)</i>	<i>(1.8)</i>	<i>(13.1)</i>	<i>14%</i>
Gross Income ex. Extraordinaries	22.9	6.8	26.6	26%
Net Income	12.4	3.7	15.4	24%
Minorities Interest	0.1	0.1	0.1	51%
Attributable Net Income	12.5	3.8	15.6	24%
Cost/Income	70.3%	74.3%	69.3%	
Tax Rate	45.8%	45.1%	42.0%	

Source: Company data and Caboto SIM estimates

Credito Artigiano – Estimates FY01-FY03

Table 5: Credito Artigiano - Consolidated Income Statement and Estimates

(€ mil)	1999	2000A	2001E	2002E	2003E
Net Interest Income	65	76	83	91	102
Net Fees	30	38	38	42	46
Trading Profits	(3)	5	5	7	9
Other Operating Income	12	15	16	17	20
Non Interest Income	40	57	59	66	75
Total Income	104	134	142	157	176
Staff Costs	(38)	(41)	(42)	(43)	(44)
Other Operating Costs	(41)	(46)	(49)	(53)	(58)
<i>Total Operating Costs ex. Depr.</i>	<i>(80)</i>	<i>(87)</i>	<i>(91)</i>	<i>(96)</i>	<i>(102)</i>
<i>Operating Profit ex. Depreciation</i>	<i>25</i>	<i>47</i>	<i>51</i>	<i>61</i>	<i>75</i>
Depreciation	(6)	(7)	(8)	(8)	(9)
Total Operating Costs	(86)	(94)	(98)	(104)	(110)
Operating Profit	18	40	44	53	66
Goodwill Depreciation	(3)	(4)	(4)	(4)	(4)
Provisions for Loan Losses	(7)	(11)	(12)	(13)	(15)
Total Provisions and Adjustments	(12)	(17)	(17)	(18)	(20)
Gross Income ex. Extraordinaries	7	23	27	34	46
Extraordinaries	8	(0)	0	0	0
Taxes	(6)	(10)	(11)	(14)	(19)
Net Income	9	12	15	20	27
Minorities	0	0	0	0	0
Attributable Net Income	9	13	16	20	27
Adjusted Net Income	8	17	20	24	31
Reported EPS (€)	0.09	0.13	0.15	0.18	0.22
Adjusted EPS (€)	0.06	0.12	0.14	0.17	0.22
DPS (€) – Ordinary	0.08	0.12	0.13	0.15	0.15
ROE	4.4%	5.3%	6.1%	7.1%	8.5%
Adjusted ROE	4.9%	7.9%	7.0%	6.9%	8.5%
Cost/Income	83%	70%	69%	66%	62%
Tax Rate	41%	46%	42%	42%	42%

Note: Projections do not include latest acquisition of Banca Regionale Sant'Angelo Source: Company data, Caboto SIM estimates

Table 6: Credito Artigiano – Consolidated Balance Sheet and Estimates

(€ mil)	1999	2000A	2001E	2002E	2003E
Cash & Central Banks	16	22	25	28	30
Interbank Loans	933	558	530	503	478
Customer Loans (Net)	1,389	1,782	1,960	2,196	2,459
Fixed-Income Securities	776	746	724	702	681
Equity Securities	30	53	63	73	84
Goodwill	23	27	23	19	15
Fixed and Intangible Assets	46	47	48	50	51
Other Assets	114	126	136	144	151
Total Assets	3,326	3,360	3,509	3,714	3,949
Interbank Borrowing	799	603	573	544	517
Customer Deposits	1,441	1,625	1,788	1,931	2,085
Debt Securities	507	539	523	523	523
Subordinated Debt	177	182	152	127	102
Total Provisions	51	54	56	58	59
Other Liabilities	119	111	142	224	321
Minorities	0	7	6	6	6
Shareholders' Equity	233	239	269	300	336
Total Liabilities and Equity	3,326	3,360	3,509	3,714	3,949
Book Value per Share (€)	2.48	2.55	2.59	2.64	2.71
Adj. Book Value per Share (€)	1.46	1.48	2.41	2.48	2.58

Note: Projections do not include latest acquisition of Banca Regionale Sant'Angelo Source: Company data, Caboto SIM estimates

Table 7: Credito Artigiano – Consolidated Income Statement Estimated Growth Rates

	2000/1999	2001/2000	2002/2001	2003/2002
Net Interest Income	18.0%	8.7%	9.6%	12.1%
Net Fees	24.1%	1.5%	9.3%	9.9%
Trading Profits	-285.6%	-2.5%	40.0%	28.6%
Other Operating Income	19.9%	9.0%	10.0%	12.0%
Non Interest Income	44.3%	3.0%	12.1%	12.4%
Total Income	28.0%	6.3%	10.6%	12.3%
Staff Costs	6.2%	2.5%	2.8%	2.7%
Other Operating Costs	12.0%	6.0%	8.5%	8.0%
<i>Total Operating Costs ex. Depr.</i>	<i>9.2%</i>	<i>4.4%</i>	<i>5.9%</i>	<i>5.6%</i>
<i>Operating Profit ex. Depreciation</i>	<i>89.0%</i>	<i>9.8%</i>	<i>19.1%</i>	<i>22.8%</i>
Depreciation	6.8%	9.4%	6.7%	6.3%
Total Operating Costs	9.0%	4.7%	6.0%	5.7%
Operating Profit	117.9%	9.9%	21.2%	25.2%
Goodwill Depreciation	21.6%	-1.3%	0.0%	0.0%
Provisions for Loan Losses	59.7%	4.6%	12.0%	12.0%
Total Provisions and Adjustments	44.7%	1.4%	8.3%	8.6%
Gross Income ex. Extraordinaries	246.9%	16.2%	29.5%	34.2%
Extraordinaries	NM	NM	NM	NM
Taxes	76.1%	6.9%	29.5%	34.2%
Net Income	45.1%	24.8%	29.5%	34.2%
Minorities	NM	5.0%	5.0%	5.0%
Attributable Net Income	46.8%	24.6%	29.3%	34.0%
Adjusted Net Income	101.1%	17.9%	23.3%	28.3%
Reported EPS	46.8%	12.6%	17.9%	23.1%
Adjusted EPS	101.1%	17.9%	23.3%	28.3%
DPS – Ordinary	50.0%	13.7%	9.9%	5.1%

Note: Projections do not include latest acquisition of Banca Regionale Sant'Angelo. NM= Not meaningful.

Source: Company data, Caboto SIM estimates

Table 8: Credito Artigiano – Consolidated Balance Sheet Estimated Growth Rates

	2000/1999	2001/2000	2002/2001	2003/2002
Cash & Central Banks	40.4%	14.5%	12.0%	7.1%
Interbank Loans	-40.2%	-5.0%	-5.0%	-5.0%
Customer Loans (Net)	28.3%	10.0%	12.0%	12.0%
Fixed-Income Securities	-3.9%	-3.0%	-3.0%	-3.0%
Equity Securities	78.7%	20.0%	15.0%	15.0%
Goodwill	13.5%	-15.1%	-17.8%	-21.6%
Fixed and Intangible Assets	2.8%	3.0%	3.0%	3.0%
Other Assets	10.5%	8.0%	6.0%	5.0%
Total Assets	1.0%	4.4%	5.8%	6.3%
Interbank Borrowing	-24.5%	-5.0%	-5.0%	-5.0%
Customer Deposits	12.8%	10.0%	8.0%	8.0%
Debt Securities	6.4%	-3.0%	0.0%	0.0%
Subordinated Debt	3.0%	-16.2%	-16.4%	-20.0%
Total Provisions	5.2%	3.7%	3.6%	1.7%
Other Liabilities	-7.4%	27.9%	58.2%	43.2%
Minorities	NM	-1.1%	-1.2%	-1.3%
Shareholders' Equity	2.9%	12.4%	11.7%	11.8%
Total Liabilities and Equity	1.0%	4.4%	5.8%	6.3%
Book Value per Share	2.9%	1.5%	1.9%	2.8%
Adj. Book Value per Share	1.9%	62.5%	3.0%	4.1%

Note: Projections do not include latest acquisition of Banca Regionale Sant'Angelo Source: Company data, Caboto SIM estimates