

Monthly Econometric Financial International Model

M.E.F.I.M.

M.E.F.I.M. is a product which provides alternative forecast scenarios, covering a temporal horizon of 12 months, on the interest rates and the term structures of the principal international markets (USA, EU and Japan). The aim of M.E.F.I.M. is to satisfy the requirements for information of the process of financial planning, of banks that are in extremely sensitive and reactive environments, utilising both qualitative and quantitative tools.

The international market includes the 1 to 10-year Term Structure for the principal industrialised nations: U.S.A., Germany, Japan, France and the UK. The exogenous variables are the intervention rate of the monetary authorities, the 3-month yield on Eurodeposits, the Stock Market Index, the Industrial Production Index, the Consumer Price Index.

The special feature of this product is the preparation of 3 alternative scenarios of the evolution of markets on the basis of the following monthly macroeconomic commentary and the conclusions of the Finance Committee of GRETA. In addition, product users may run simulations based on alternative scenarios to those proposed by the Finance Committee.

GRETA Monthly Macroeconomic Commentary

United States

The US economy grew at a pace of +0.6% Q/Q (+1.9% Y/Y) in the first quarter of 2007, according to the preliminary estimates released by the Bureau of Economic Analysis. The GDP growth rate was revised down by 0.7% from the previous estimate of +1.3% Q/Q (+2.1% Y/Y), due to a marked reduction in business inventories and a surge in imports in March.

The increase in real GDP in the first quarter primarily reflected positive contribution from:

- personal consumption expenditure (+3.01% Q/Q) and
- state and local government spending (+0.47% Q/Q),

that were partly offset by negative contributions from:

- private inventory investment (-0.98% Q/Q),
- residential fixed investment (-0.87% Q/Q),
- federal government spending (-0.28% Q/Q) and
- net exports of goods and services (-1.00% Q/Q).

The deceleration in real GDP growth in the first quarter primarily reflected an upturn in imports, downturns in exports and federal government spending, and a deceleration in personal consumption expenditure for nondurable goods and a decrease in private inventory investment:

- **Real exports of goods and services** decreased by -0.6% Q/Q (+5.7% Y/Y) in the first quarter, in contrast to an increase of +10.6% Q/Q (+9.4% Y/Y) in the fourth quarter of 2006.
- **Real imports of goods and services** increased by +5.7% Q/Q (+2.5% Y/Y), in contrast to a decrease of -2.6% Q/Q (+3.3% Y/Y) in the last quarter of 2006.
- **Real federal government consumption expenditures and gross investment** decreased by -3.9% Q/Q (-0.7% Y/Y) in the first quarter, in contrast to an increase of +4.6% Q/Q (+2.4% Y/Y) in the fourth quarter.
- **Real personal consumption expenditures** increased by +4.4% Q/Q (+3.5% Y/Y) in the first quarter, following an increase of +4.2% Q/Q (3.6% Y/Y) in the fourth quarter of 2006.
- **Real non-residential fixed investment** rose by +2.9% Q/Q (+3.5% Y/Y), in contrast to a decrease of -3.1% Q/Q (+6.1% Y/Y) in the last quarter of 2006.
- **Real residential fixed investment** decreased by -15.4% Q/Q (-16.3% Y/Y), compared with a decrease of -19.8% Q/Q (-12.8% Y/Y) in the previous quarter.

On a seasonally adjusted basis, the **consumer price index** (CPI) advanced by +0.4% M/M (+2.6% Y/Y) in April, following +0.6% M/M (+2.8% Y/Y) increase in March. The index for all items less food and energy (**CPI Core**) advanced by +0.2% M/M (+2.3% Y/Y) in April, following a +0.1% M/M (+2.5% Y/Y) rise in March.

Japan

According to the monthly economic report released by the Cabinet Office, Japanese real gross domestic product in the first quarter of 2007 grew by +0.6% on a quarterly basis (at an annual rate of +2.4%), posting positive growth for the ninth consecutive quarter. GDP increased by +1.2 percentage points Q/Q in the fourth quarter of 2006 (5.0% Y/Y).

The increase in real GDP in the first quarter primarily reflected positive contribution from:

- personal consumption expenditure (+0.5% Q/Q) and
- net exports of goods and services (+0.4% Q/Q),

that were partly offset by negative contributions from:

- private inventory investment (-0.1% Q/Q) and
- non-residential fixed investment (-0.1% Q/Q).

In more detail:

- **Real private consumption expenditures** increased by +0.9% Q/Q (+0.6% Y/Y) in the first quarter, compared with an increase of 1.7% Q/Q (-1.7% Y/Y) in the fourth quarter of 2006.
- **Real non-residential fixed investment** decreased by -0.9% Q/Q in the first quarter of 2007, in contrast to an increase of +2.3% Q/Q in the last quarter of 2006.
- **Real residential fixed investment** decreased by -0.3% Q/Q, compared with an increase of 2.2% Q/Q in the previous quarter.
- **Real exports of goods and services** rose by +3.3% Q/Q in the first quarter, following an increase of +0.8% Q/Q in the fourth quarter of 2006.
- **Real imports of goods and services** increased by +0.9% Q/Q, in contrast to a decrease of -0.1% Q/Q in the last quarter of 2006.

The **unemployment rate** dropped to 3.8% in April 2007 from 4.0% in March, beating market expectations (4.0%) and reaching the lowest level since March 1998, when it also stood at 3.8%.

Euro area

Euro area GDP grew by +0.6% Q/Q (+3.0% Y/Y) in the first quarter of 2007, according to the first estimates released by Eurostat. In the fourth quarter of 2006, growth rate was +0.9% Q/Q (3.3% Y/Y).

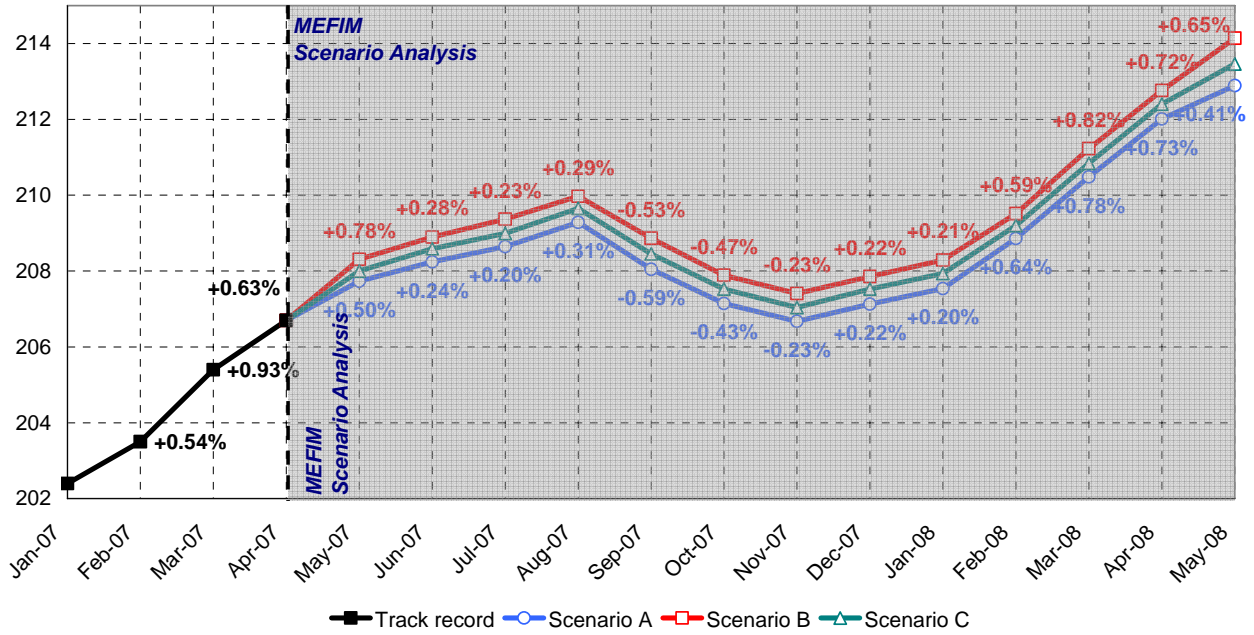
- **Household final consumption expenditure** decreased by -0.1% Q/Q (+1.3% Y/Y) in the first quarter of 2007, after +0.4% Q/Q (1.9% Y/Y) in the fourth quarter of 2006.
- **Investments** grew by +2.5% Q/Q (+7.2% Y/Y), following the increase of +1.5 percentage points in the previous quarter (+2.2% Y/Y).

The first estimate for the euro area trade balance with the rest of the world in March 2007 gave a 7.4 billions euro surplus, compared with -1.3 billions in February 2007. On a seasonally adjusted basis,

- **Exports of goods and services** rose by +1.2% M/M in March, in contrast to an increase of +0.0% M/M in February, while
- **Imports of goods and services** fell by -2.6% M/M in March, following the decrease of -1.2% M/M in February.
- **Seasonally adjusted trade balance** surplus of 0.5 billions in February 2007 was followed by a 5.1 billions surplus in March 2007.
- **Seasonally adjusted industrial production** increased by +0.4% M/M (+3.7% Y/Y) in March 2007 compared with February 2007. Production rose by 0.5% in February (+3.9% Y/Y) and fell by 0.6% in January (+3.3% Y/Y).
- Euro area **seasonally adjusted unemployment rate** stood at 7.2% in March 2007, compared with 7.3% in February. It was 8.2% in March 2006.

Euro area annual inflation (**CPI Core**) is expected to be 1.9% in May 2007 according to a flash estimate issued by Eurostat. Euro area annual inflation was 1.9% in April 2007, unchanged compared with March. A year earlier the rate was 2.5%. Monthly inflation was 0.6% in April 2007.

US Consumer Price Index (Scenario Analysis from January 2007 to May 2008)

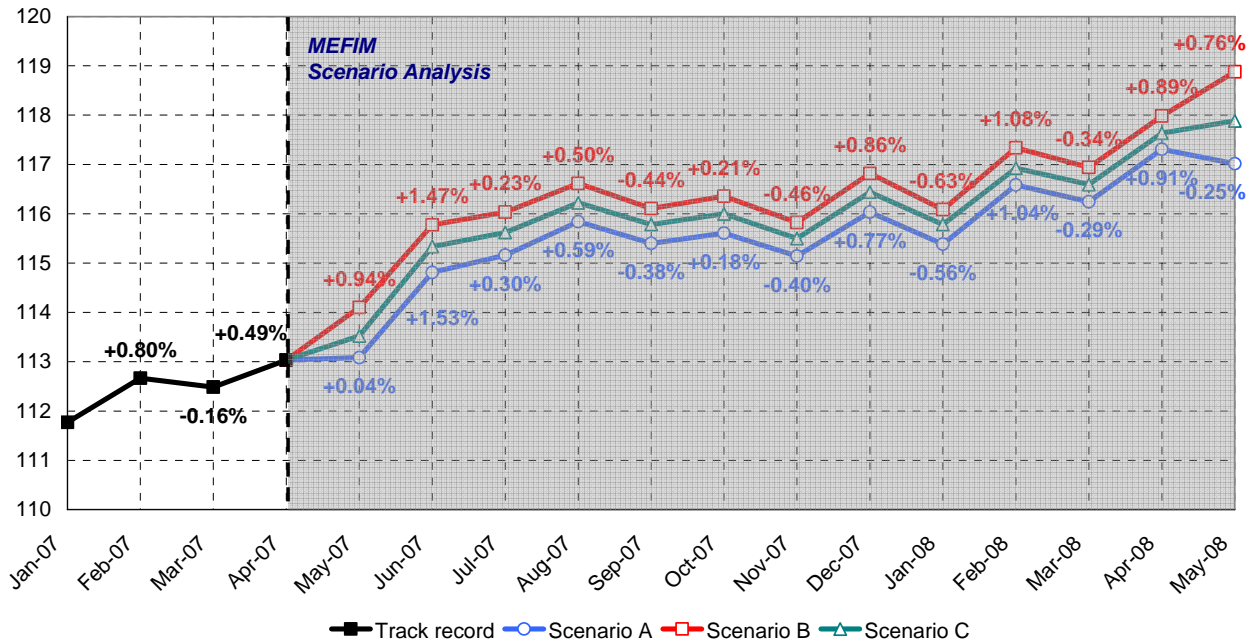


US Consumer Price Index (MEFIM Scenario Analysis from May 2007 to May 2008)

Scenario (Probability)		May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
A (20%)	US CPI	207.73	208.24	208.65	209.28	208.05	207.14	206.68	207.13	207.53	208.86	210.48	212.01	212.89
	Change m/m	0.50%	0.24%	0.20%	0.31%	-0.59%	-0.43%	-0.23%	0.22%	0.20%	0.64%	0.78%	0.73%	0.41%
B (30%)	US CPI	208.31	208.90	209.37	209.97	208.86	207.89	207.41	207.85	208.29	209.51	211.23	212.76	214.14
	Change m/m	0.78%	0.28%	0.23%	0.29%	-0.53%	-0.47%	-0.23%	0.22%	0.21%	0.59%	0.82%	0.72%	0.65%
C (50%)	US CPI	208.00	208.59	208.99	209.65	208.45	207.53	207.04	207.53	207.93	209.20	210.84	212.40	213.46
	Change m/m	0.63%	0.28%	0.19%	0.31%	-0.57%	-0.44%	-0.23%	0.23%	0.20%	0.61%	0.78%	0.74%	0.50%

US Industrial Production Index

(Scenario Analysis from January 2007 to May 2008)

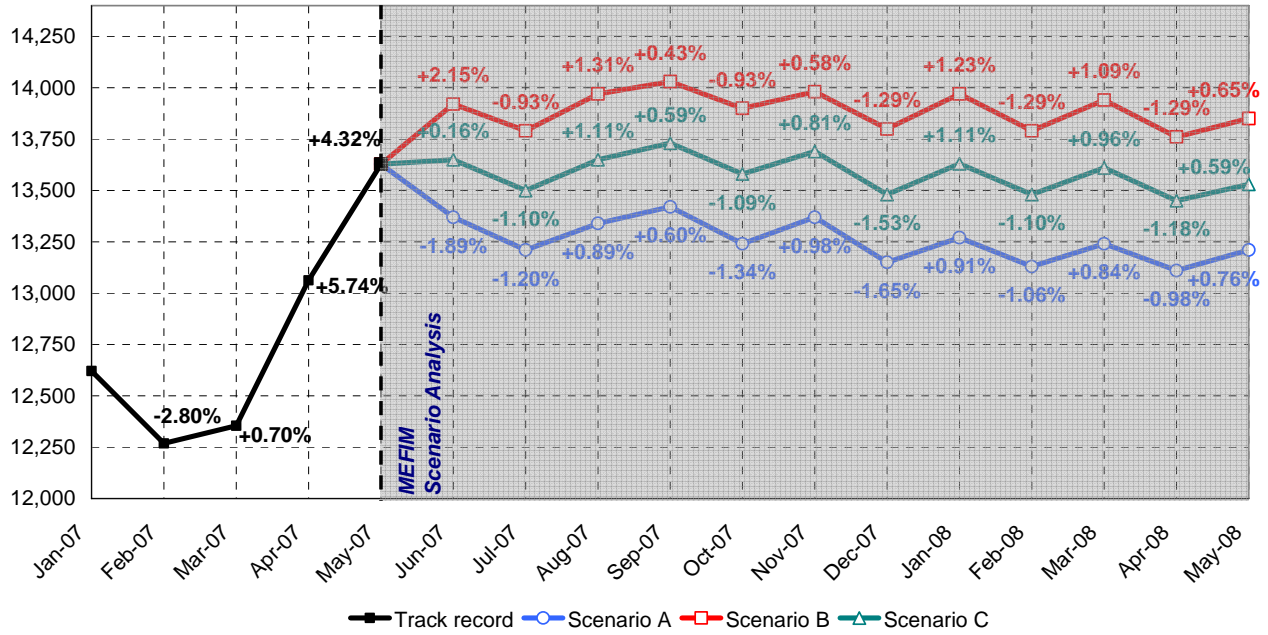


US Industrial Production Index

(MEFIM Scenario Analysis from May 2007 to May 2008)

Scenario (Probability)		May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
A (20%)	US IPI	113.08	114.81	115.16	115.84	115.40	115.61	115.14	116.03	115.38	116.59	116.24	117.31	117.02
	Change m/m	0.04%	1.53%	0.30%	0.59%	-0.38%	0.18%	-0.40%	0.77%	-0.56%	1.04%	-0.29%	0.91%	-0.25%
B (30%)	US IPI	114.10	115.77	116.04	116.62	116.11	116.36	115.82	116.82	116.09	117.34	116.94	117.98	118.88
	Change m/m	0.94%	1.47%	0.23%	0.50%	-0.44%	0.21%	-0.46%	0.86%	-0.63%	1.08%	-0.34%	0.89%	0.76%
C (50%)	US IPI	113.52	115.34	115.62	116.22	115.78	116.00	115.50	116.44	115.78	116.92	116.59	117.63	117.88
	Change m/m	0.43%	1.60%	0.24%	0.52%	-0.38%	0.19%	-0.43%	0.81%	-0.56%	0.98%	-0.28%	0.89%	0.21%

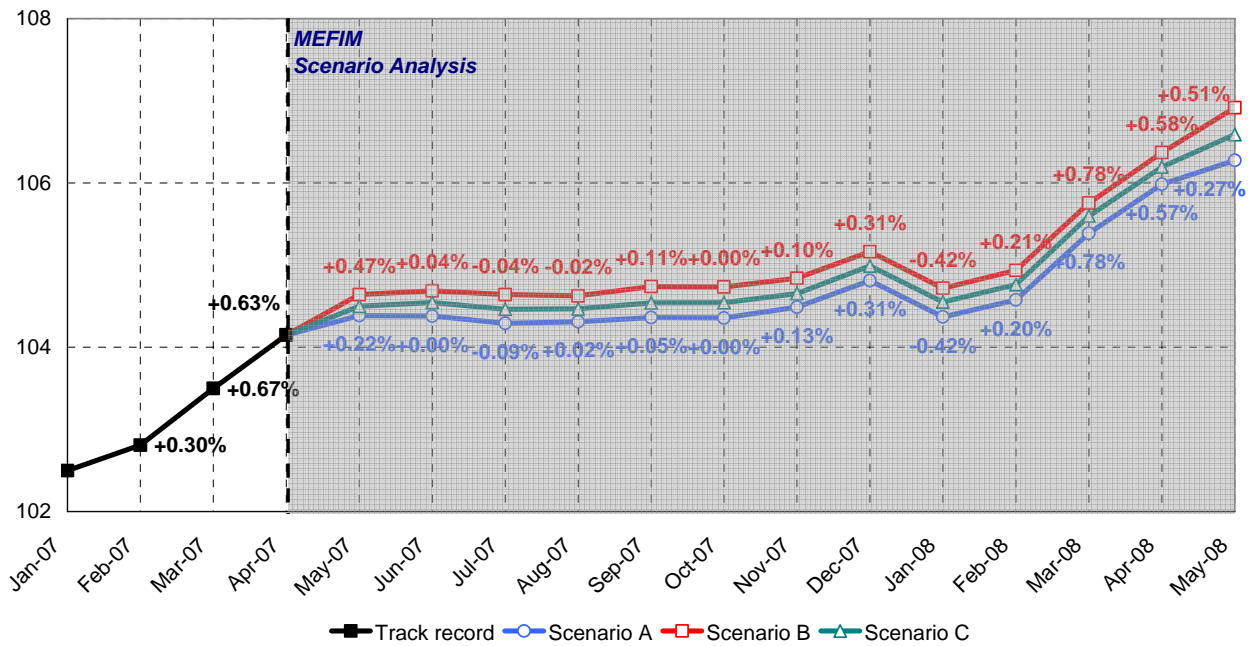
Dow Jones (Scenario Analysis from January 2007 to May 2008)



Dow Jones (MEFIM Scenario Analysis from June 2007 to May 2008)

Scenario (Probability)		Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
A (20%)	DJ Price	13,370	13,210	13,340	13,420	13,240	13,370	13,150	13,270	13,130	13,240	13,110	13,210
	Change m/m	-1.89%	-1.20%	0.98%	0.60%	-1.34%	0.98%	-1.65%	0.91%	-1.06%	0.84%	-0.98%	0.76%
B (30%)	DJ Price	13,920	13,790	13,970	14,030	13,900	13,980	13,800	13,970	13,790	13,940	13,760	13,850
	Change m/m	2.15%	-0.93%	1.31%	0.43%	-0.93%	0.58%	-1.29%	1.23%	-1.29%	1.09%	-1.29%	0.65%
C (50%)	DJ Price	13,650	13,500	13,650	13,730	13,580	13,690	13,480	13,630	13,480	13,610	13,450	13,530
	Change m/m	0.16%	-1.10%	1.11%	0.59%	-1.09%	0.81%	-1.53%	1.11%	-1.10%	0.96%	-1.18%	0.59%

EU Consumer Price Index (Scenario Analysis from January 2007 to May 2008)

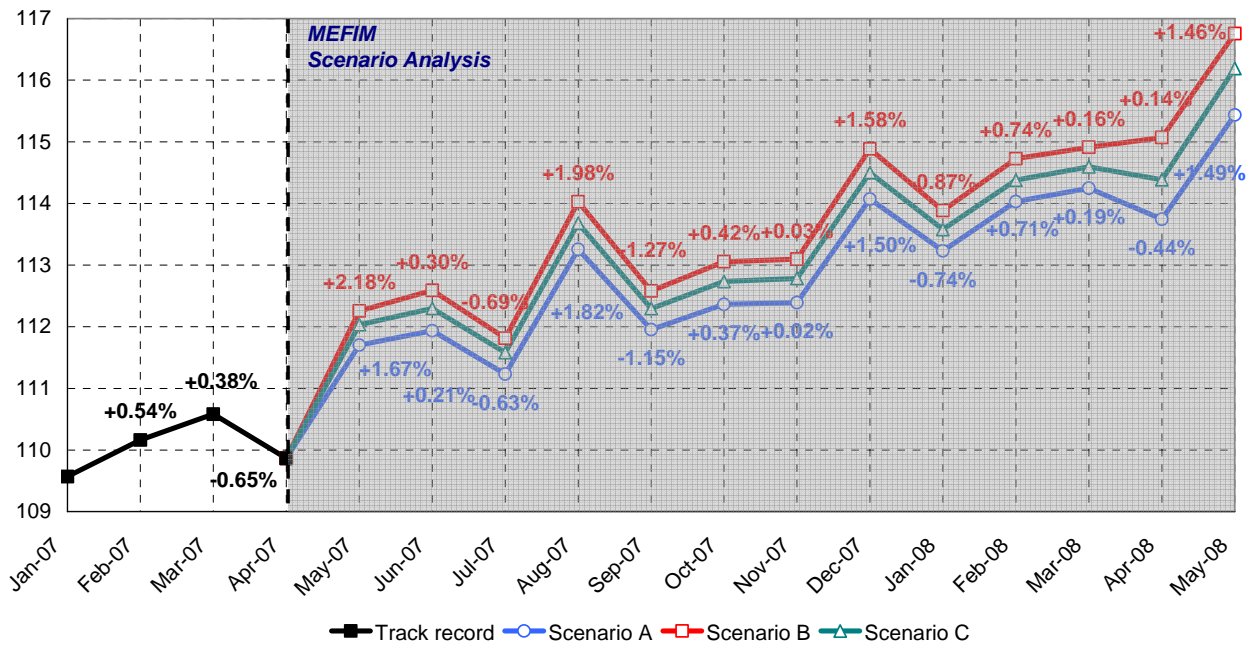


EU Consumer Price Index (MEFIM Scenario Analysis from May 2007 to May 2008)

Scenario (Probability)		May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
A (20%)	EU CPI	104.38	104.38	104.29	104.31	104.36	104.36	104.49	104.81	104.37	104.58	105.39	105.98	106.27
	Change m/m	0.22%	0.00%	-0.09%	0.02%	0.05%	0.00%	0.13%	0.31%	-0.42%	0.20%	0.78%	0.57%	0.27%
B (30%)	EU CPI	104.64	104.69	104.64	104.62	104.74	104.74	104.84	105.16	104.72	104.94	105.76	106.37	106.91
	Change m/m	0.47%	0.04%	-0.04%	-0.02%	0.11%	0.00%	0.10%	0.31%	-0.42%	0.21%	0.78%	0.58%	0.51%
C (50%)	EU CPI	104.50	104.54	104.46	104.47	104.54	104.54	104.65	104.99	104.55	104.76	105.60	106.19	106.59
	Change m/m	0.33%	0.04%	-0.08%	0.01%	0.07%	0.00%	0.11%	0.32%	-0.42%	0.20%	0.80%	0.57%	0.37%

EU Industrial Production Index

(Scenario Analysis from January 2007 to May 2008)



EU Industrial Production Index

(MEFIM Scenario Analysis from May 2007 to May 2008)

Scenario (Probability)		May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
A (20%)	EU IPI	111.70	111.93	111.23	113.25	111.95	112.36	112.39	114.07	113.23	114.03	114.25	113.75	115.44
	Change m/m	1.67%	0.21%	-0.63%	1.82%	-1.15%	0.37%	0.02%	1.50%	-0.74%	0.71%	0.19%	-0.44%	1.49%
B (30%)	EU IPI	112.26	112.59	111.81	114.03	112.58	113.06	113.10	114.88	113.88	114.73	114.91	115.07	116.76
	Change m/m	2.18%	0.30%	-0.69%	1.98%	-1.27%	0.42%	0.03%	1.58%	-0.87%	0.74%	0.16%	0.14%	1.46%
C (50%)	EU IPI	112.03	112.30	111.58	113.68	112.29	112.73	112.78	114.50	113.58	114.38	114.60	114.38	116.19
	Change m/m	1.97%	0.23%	-0.64%	1.88%	-1.22%	0.39%	0.04%	1.52%	-0.80%	0.70%	0.19%	-0.18%	1.58%