

GRUPPO

**CREDEM**

## Group Results – 9M2011

# 3Q11 Highlights

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- **Net Interest Income** was slightly up QoQ driven by:
  - a better lending mix with growing SMEs and decreasing Large Corporate volumes, while the total loan portfolio remained fairly stable (- 0.5% QoQ)
  - some repricing actions taken to offset the higher funding cost
- **Net Commission Income** were stable QoQ (-0.5%; +3.4% vs. 1Q11)
- **Trading Income** showed a good performance, also helped by a positive adjustments on the mark to market evaluation of some derivatives implemented to hedge assets' volatility
- **Operating Costs** were stable YoY and down 4% QoQ due to the lower impact coming from variable components of Payroll Costs as well as lower charges to ease early retirement agreements with employees
- **Cost of Risk** was once again excellent (22bps annualized - 27bps annualized and normalized to exclude the non recurrent effects posted in the 1Q11). **New Impaired Loans inflows** lower than the industry average, thank to the conservative strategy implemented during 2008 and 2009
- **Direct deposits** were up 3,6% QoQ (+€528 million) thank to either some recovery in corporate deposits and the continuation of the upward trend in retail deposits. **AUM** volumes suffered because of the market effect and were down 7.2% QoQ
- **Core Tier 1 was 8.9%**

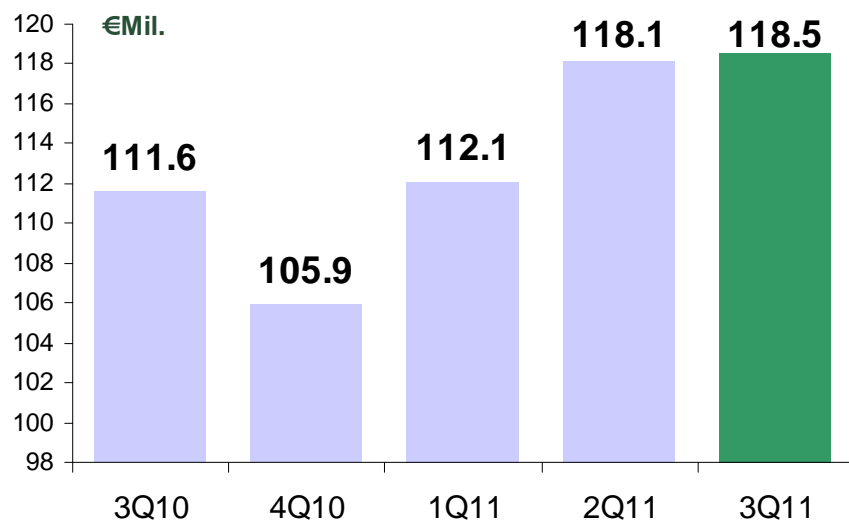
# Income Statements

	Euro, million	2Q11	3Q11	% QoQ	9M10	9M11	% YoY
<b>Operating Income</b>		<b>250.4</b>	<b>252.9</b>	<b>1.0</b>	<b>697.2</b>	<b>739.3</b>	<b>6.0</b>
Operating Costs		-163.1	-156.7	-3.9	-484.3	-484.8	0.1
<b>Gross Operating Profit</b>		<b>87.3</b>	<b>96.2</b>	<b>10.2</b>	<b>212.9</b>	<b>254.5</b>	<b>19.5</b>
Depreciation and Amortization		-7.4	-8.0	8.1	-21.5	-22.6	5.1
<b>Operating Profit</b>		<b>79.8</b>	<b>88.2</b>	<b>10.4</b>	<b>191.4</b>	<b>231.9</b>	<b>21.2</b>
Net Adjustments to Loans		-12.5	-11.7	-6.4	-38.7	-31.0	-19.9
Provisions for Risks and Charges		4.7	-11.4	n.a.	-1.4	-8.9	n.a.
Extraordinary Income/ Charges		-5.1	-3.5	n.a.	-1.7	-9.7	n.a.
<b>Profit before Tax</b>		<b>67.0</b>	<b>61.6</b>	<b>-8.1</b>	<b>149.6</b>	<b>182.3</b>	<b>21.9</b>
Income Taxes/ Minority Interest		-43.8	-29.9	-31.7	-62.9	-96.8	53.9
<b>Profit for the Period</b>		<b>23.2</b>	<b>31.7</b>	<b>36.6</b>	<b>86.7</b>	<b>85.5</b>	<b>-1.4</b>

- **Sound QoQ performance on profitability indicators**, due to a combined effect of **stable incomes** and **reduced operating costs**, also paired with **lower adjustments to loans**
- The **same trends are also confirmed YoY**, with the **Operating Profit up above 21%** and **Net Adjustments to Loans down 19%**. These remarkable results are unfortunately offset (at profit for the period level) by the settlement of the fiscal claim with the Agenzia delle Entrate that occurred in 2Q11, with reference to the investigation on financial deals put in place in 2004 and 2005

# Operating Income

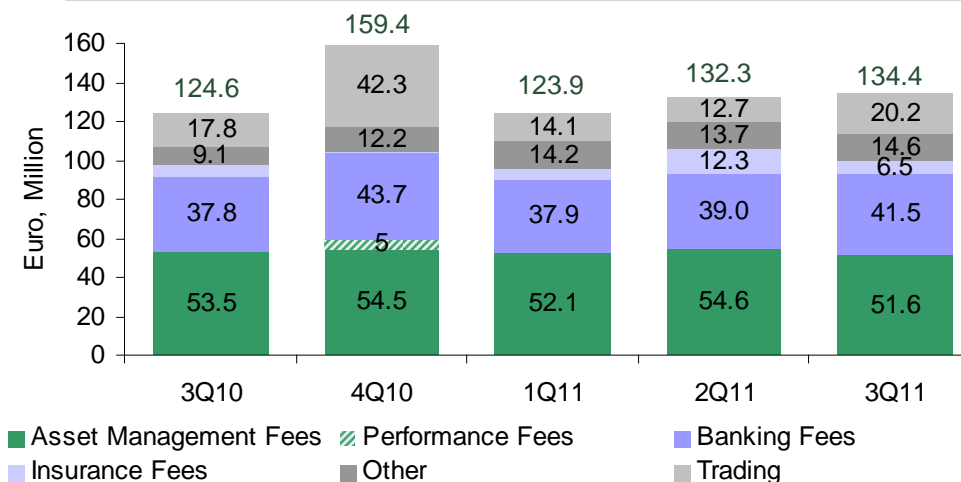
## Net Interest Income



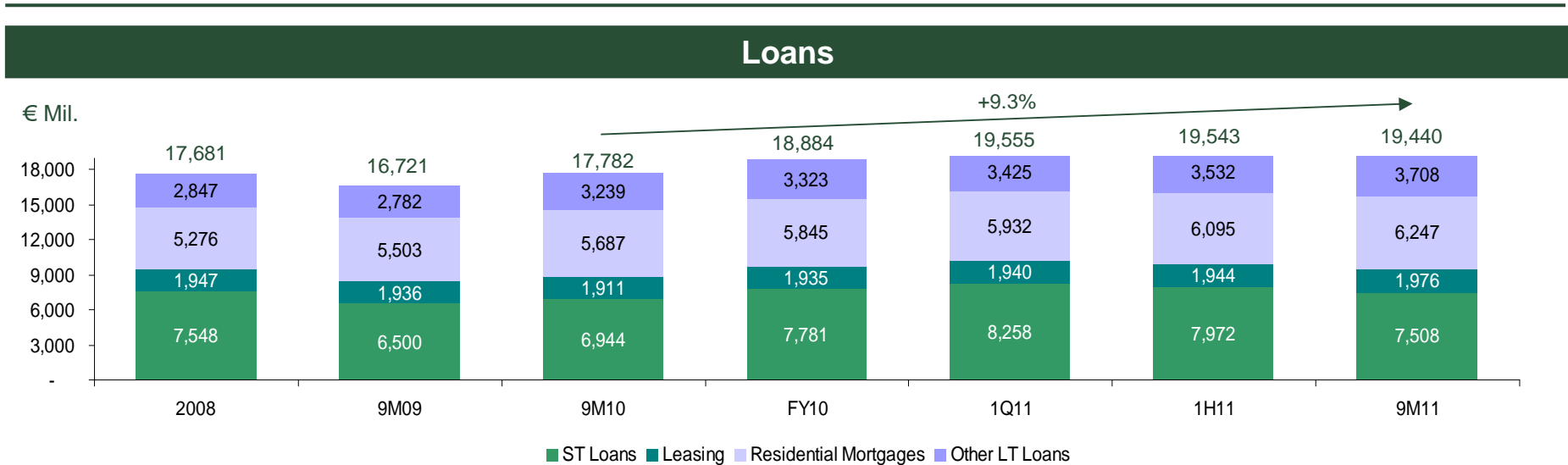
- **Non Interest Income** remained stable QoQ (2Q11 performance had been remarkable with a +6,8% vs. 1Q11), despite the low seasonality of the 3Q
- **Commission Income** is in line with 2Q11 and 3.4% up on 1Q11: the contraction on AUM Fees, that is mostly due to the market effect, was partially offset by growing Banking Fees

- **Further improvement of the Net Interest Income** for the third quarter in a row (+0.3% QoQ; +12.0% vs. 4Q10)
- The growth of the aggregate is driven by:
  - Large Corporate lending reduction paired by volumes increase on “core business” segments (such as SMEs customers)
  - the repricing actions, also correlated with the above illustrated shift, taken in the quarter

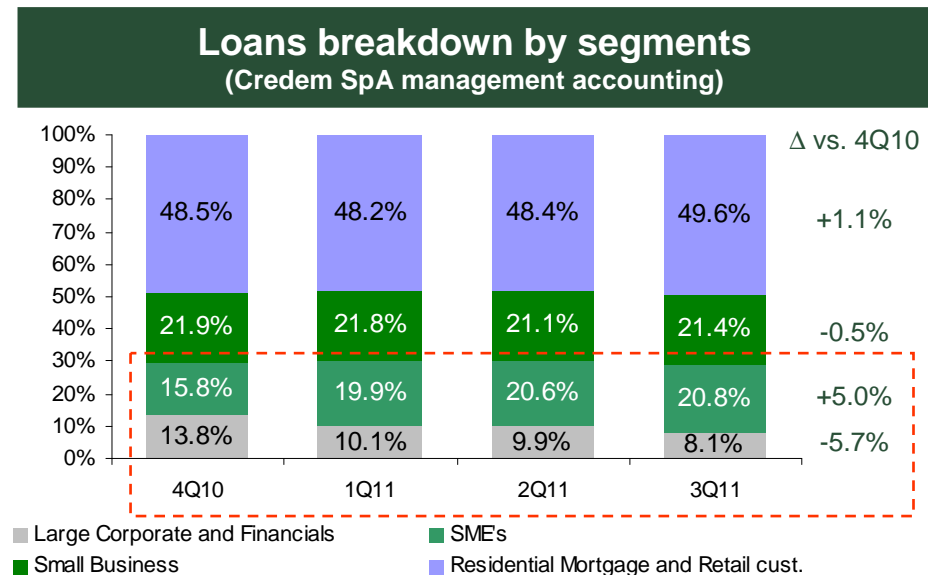
## Non Interest Income



# Loans

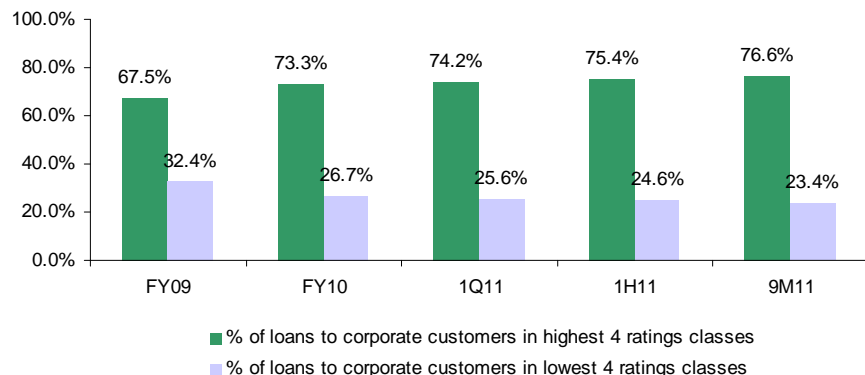


- **Strong actions** on loan portfolio, taken ahead of the recent financial markets turmoil to both protect profitability from the pressure on funding cost and maintaining volumes growth, eventually resulted in:
  - a **Large Corporate & Financial Institutions** remarkable lending volumes reduction (-€ 1 mld) in the 9M11
  - a substantial replacement of above mentioned lost volumes with **growing SME's** lending



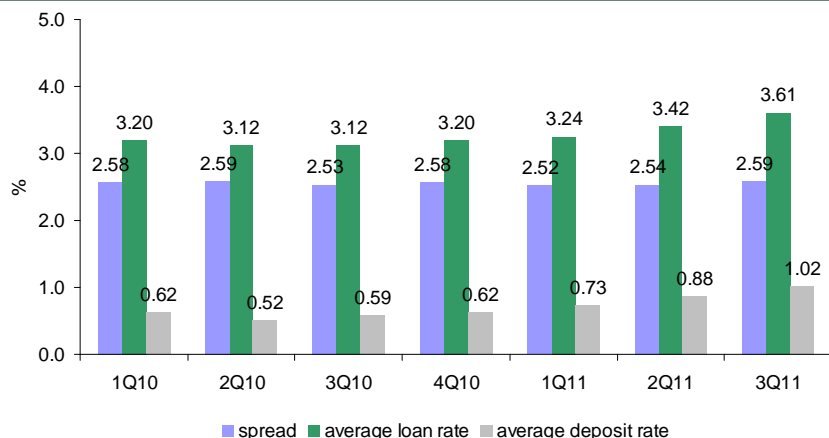
# Spreads and Loans Quality

## Corporate customers credit standing (Credem SpA management accounting)



■ % of loans to corporate customers in highest 4 ratings classes  
 ■ % of loans to corporate customers in lowest 4 ratings classes

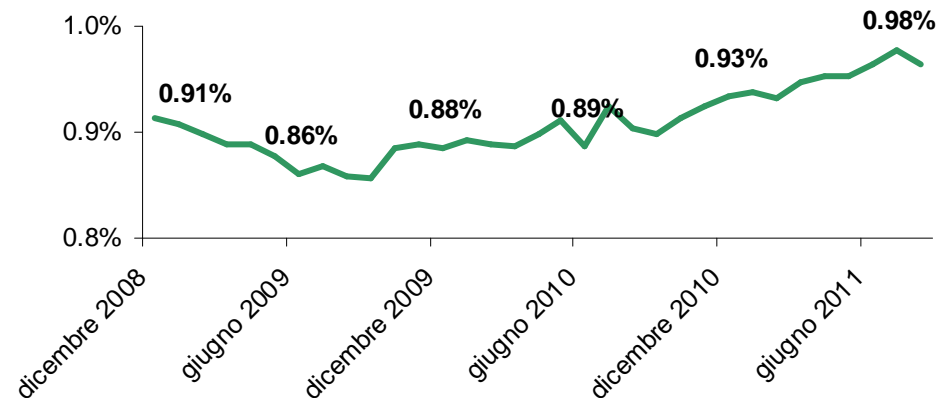
## Customers' Spread (Credem SpA management accounting)



■ spread ■ average loan rate ■ average deposit rate

- **Loans portfolio** new mix enhanced a **5 bps customers' spread increase** in 3Q11 (at the highest level since the beginning of 2010), while the **evolution of the aggregate is in coherence** with the **guidelines** outlined in the **business plan**:
  - To pursue a volume growth higher than the industry, **gaining market shares** (at the end of 2010 already, the growth more than offset the effects of the volume reduction implemented in 2009 to "clean" the portfolio)
  - **To protect and improve the asset quality**

## Loans market share evolution



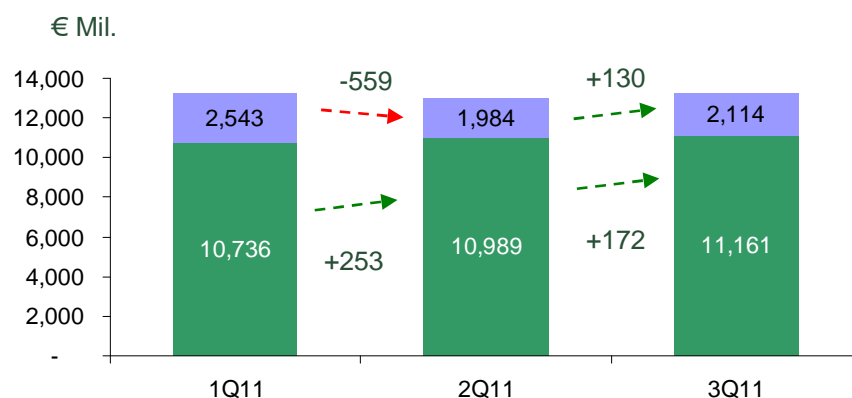
Source: internal estimates on Bank of Italy data

# Deposits and Bonds

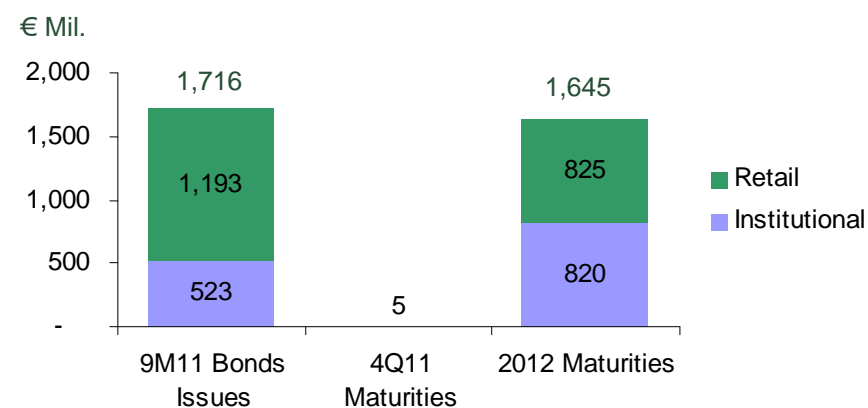
Euro, million	2007	2008	2009	2010	1Q11	1H11	9M11
Sight Deposits	9,520	10,444	11,443	11,604	12,062	11,131	11,661
Time Deposits	1,785	3,275	2,637	1,064	805	737	483
Repos	735	2,216	158	62	58	63	95
<b>Deposits &amp; Repos</b>	<b>12,040</b>	<b>15,935</b>	<b>14,238</b>	<b>12,730</b>	<b>12,925</b>	<b>11,931</b>	<b>12,239</b>
<b>Bonds</b>	<b>5,225</b>	<b>4,853</b>	<b>3,848</b>	<b>3,520</b>	<b>3,812</b>	<b>4,383</b>	<b>4,620</b>
-Institutional	3,900	3,490	2,340	1,620	1,608	1,698	1,715
-Retail	1,325	1,363	1,508	1,900	2,204	2,685	2,905
<b>Total Deposits &amp; Retail Bonds</b>	<b>13,365</b>	<b>17,293</b>	<b>15,746</b>	<b>14,630</b>	<b>15,129</b>	<b>14,616</b>	<b>15,144</b>

- **Deposits & Bonds were up (+€528 million)**, outscoring the 1Q11 performance, even though Corporate Deposits were lower
- **Bonds continued to grow** throughout retail issues

## Direct Deposits Retail e Corporate customers (Credem SpA management accounting)



## Bonds issued in 9M11 and 4Q11/2012 maturities

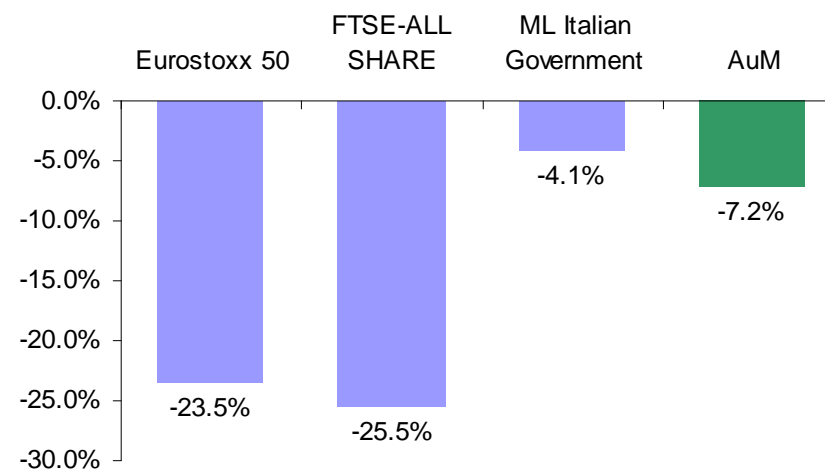


# AUM

Euro, million	2007	2008	2009	2010	1Q11	2Q11	3Q11
<b>Insurance Reserves</b>	<b>2,146</b>	<b>1,794</b>	<b>2,312</b>	<b>2,448</b>	<b>2,456</b>	<b>2,433</b>	<b>2,466</b>
Portfolio Management	4,710	3,519	4,301	4,978	4,816	4,640	4,348
Mutual Funds	5,154	3,666	3,910	3,998	3,734	3,618	3,216
SICAVs	3,927	3,214	5,122	4,898	4,975	4,921	4,515
Other & Third Parties' Products	514	1,077	1,718	3,015	3,319	3,492	3,385
<b>AUM</b>	<b>14,305</b>	<b>11,476</b>	<b>15,051</b>	<b>16,889</b>	<b>16,844</b>	<b>16,671</b>	<b>15,464</b>

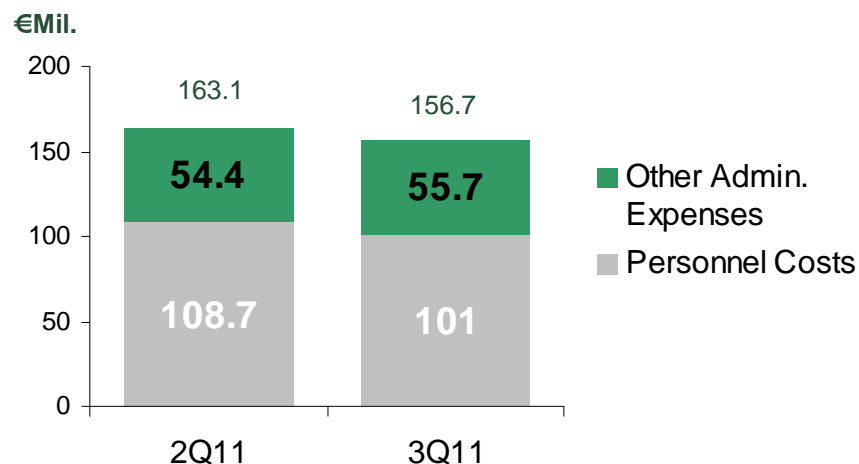
- **AUM** stocks went **down 7.2% QoQ**, mainly because of the market effect
- Observing the main market indexes in the quarter, it is quite evident that the **reduction in AUM stocks** is in line (if not lower) with current trends

## 3Q11 Markets and Credem AuM performances



# Operating Costs

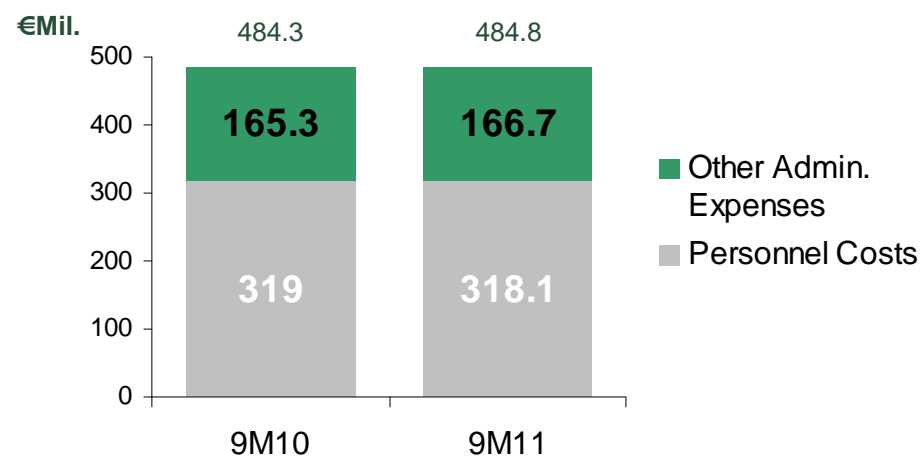
## Operating Costs: quarterly comparison



- The **YoY comparison shows costs fairly stable**, coherently with the business plan guidelines

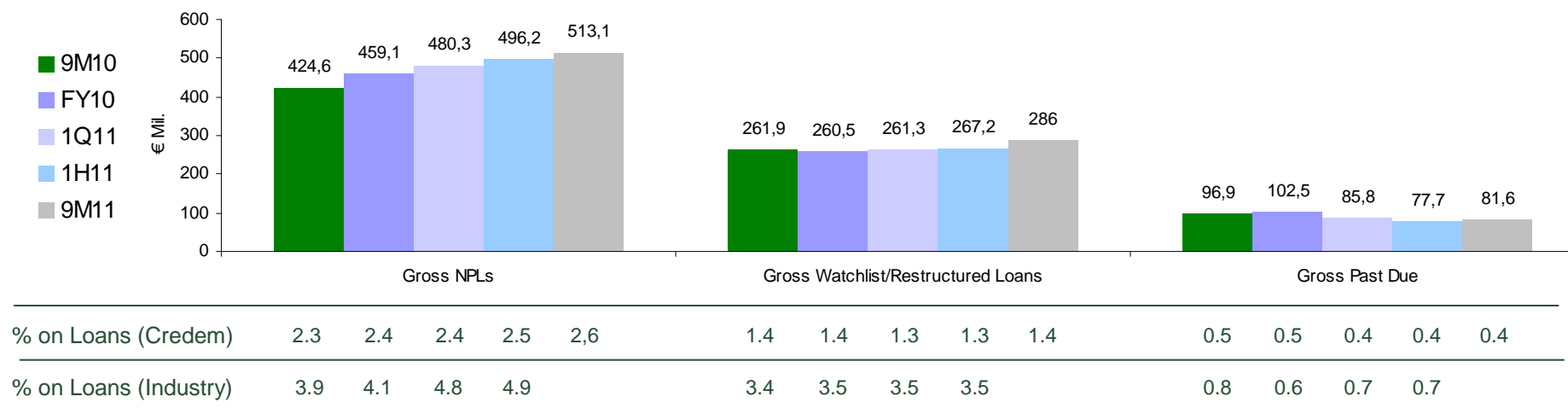
- **Payroll Costs** were down QoQ due to the lower incidence of variable components as well as lower provision for early retirement agreements with employees
- Other Administrative Expenses are slightly up QoQ

## Operating Costs: yearly comparison

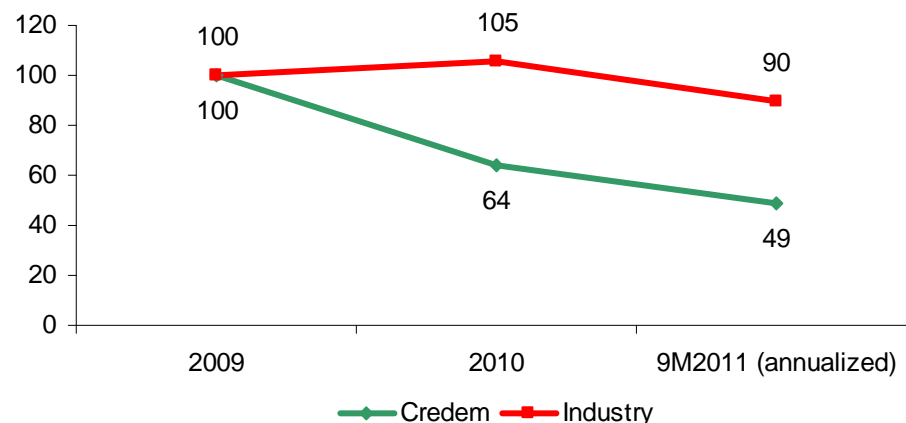


# Credit Quality (1/2)

## Gross Impaired Loans breakdown



## NPLs Inflow\* evolution (100 as at 2009)

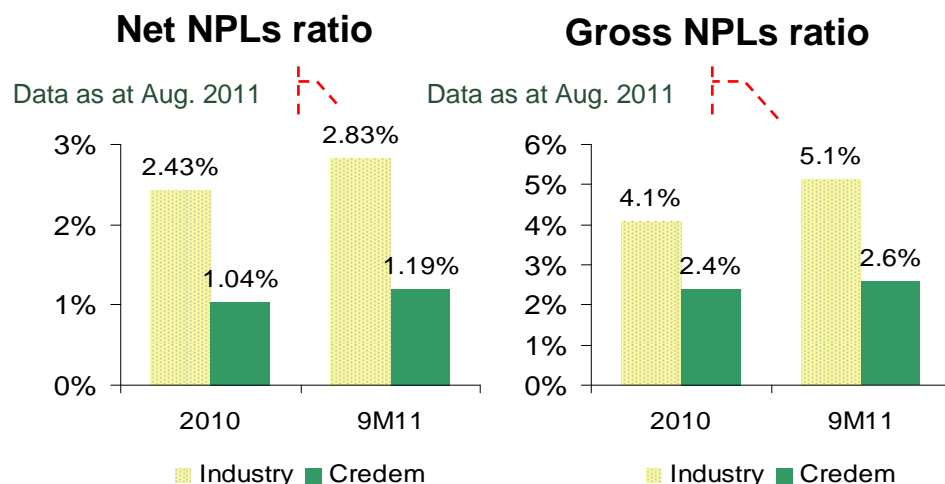


- New impaired loans generation remained under control: for the second quarter in a row, new **NPLs inflows\* were lower than €20 million**
- The comparison with the industry, assuming 2009 as base=100, shows the strategy adopted by Credem in 2009 oriented to contain the risk associated to the portfolio, that is resulting in a **NPL generation currently almost 50% lower than the banking sector average**

\* Calculated as the difference between the levels of stocks at the end of consecutive quarters; Source: ABI

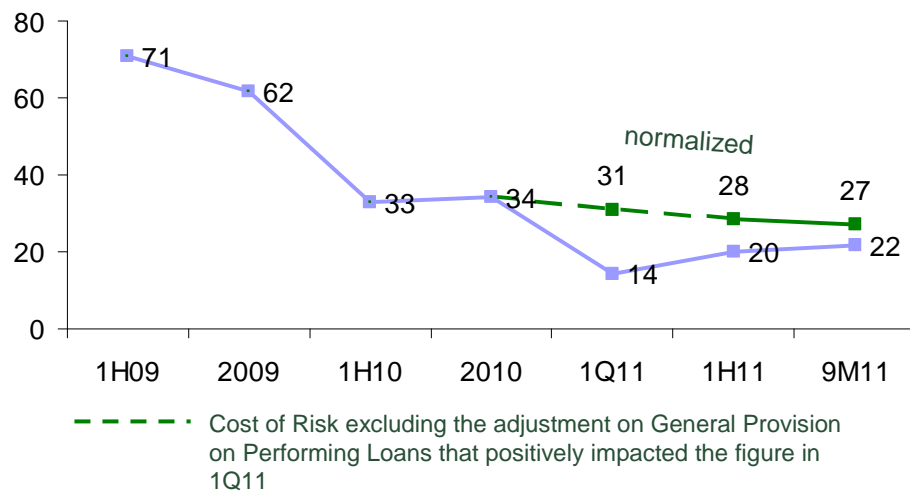
# Credit Quality (2/2)

## NPLs Ratio: comparison with the Industry



- The high credit quality, versus the industry, is confirmed also in 3Q11: **net NPLs ratio at industry level is more than two times higher than Credem one**, while in terms of gross NPLs ratio, the percentage difference between Credem and the industry increased furtherly in 3Q11
- NPL coverage was 54.8% in the quarter vs. 54.4% in 2Q11

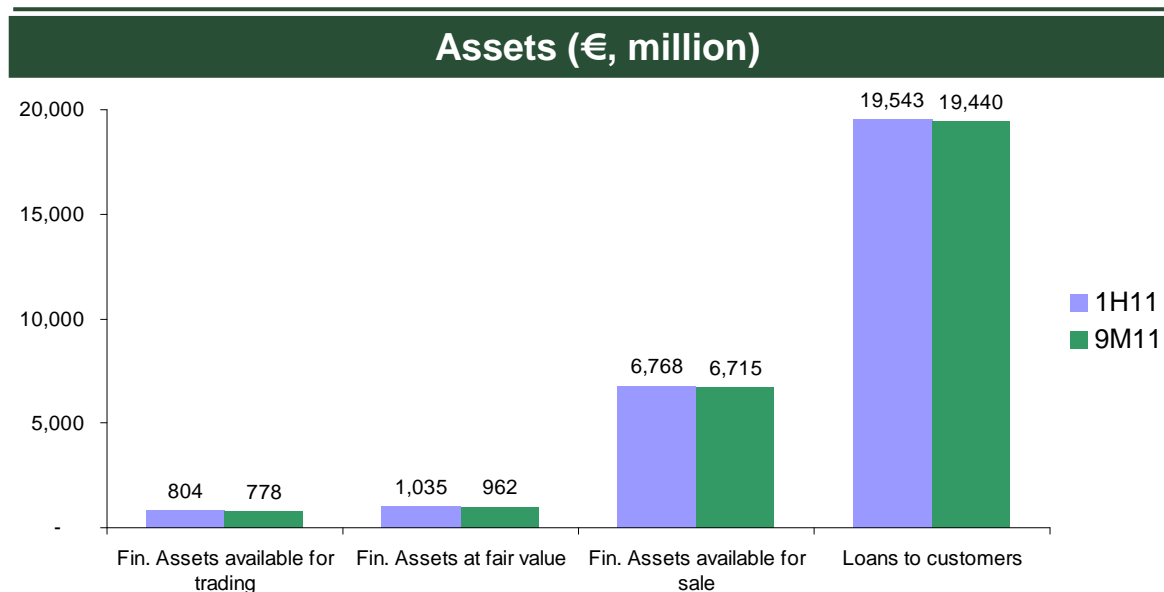
## Annualized Cost of Risk (bps)



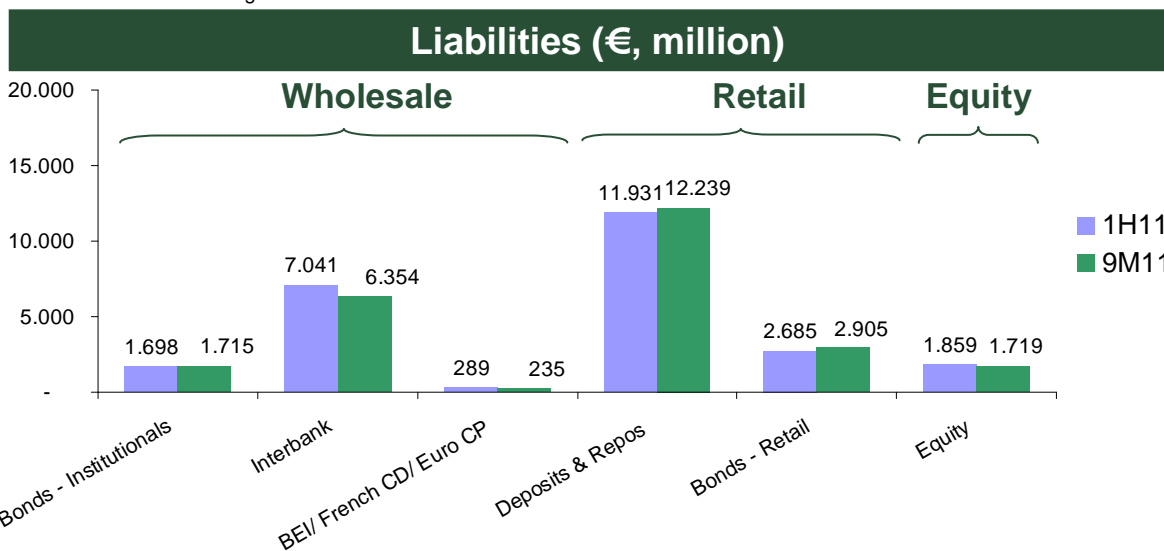
- Annualized Cost of Risk remained **excellent at 22 bps**
- Net of non recurrent effects that benefitted 1Q11, Cost of Risk would have been **27 bps (lower than 28 bps at 1H11)** and in line with past performances posted before 2008 crisis

Source: ABI

# Assets and Liabilities (1/2)



- **Main aggregates on the assets side are stable/ slightly down QoQ.** On FY10 figures, the only one showing a sizeable growth is Loans to Customers
- Financial Assets Available for Sale is mostly composed by Italian treasury bonds



- On the Liabilities side the two aggregates growing were **Deposits and Retail Bonds**
- The reduction showed by the Equity aggregate is essentially explained by the decrease of the valuation reserve, capturing the mark to market valuation of the Italian govies portfolio, that was impacted by the recent increasingly negative perception on Italian sovereign risk

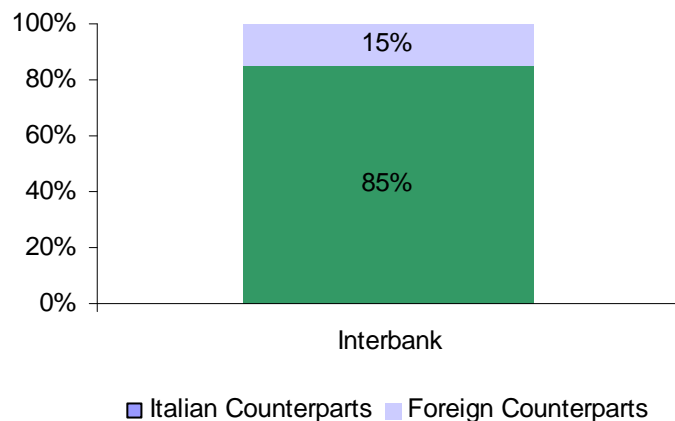
## Assets and Liabilities (2/2)

### Italian Government Bonds in portfolio

€	Amount	Maturity
BTP	672,000,000	4/15/2012
BTP	1,232,000,000	7/1/2012
BTP	1,460,500,000	10/15/2012
<b>Total</b>	<b>3,364,500,000</b>	

- Within the Financial Assets Available for Sale aggregate, **the majority of Italian BTPs in portfolio have a duration lower than 1 year** (less than 9 months). The first tranche will mature at April 2012

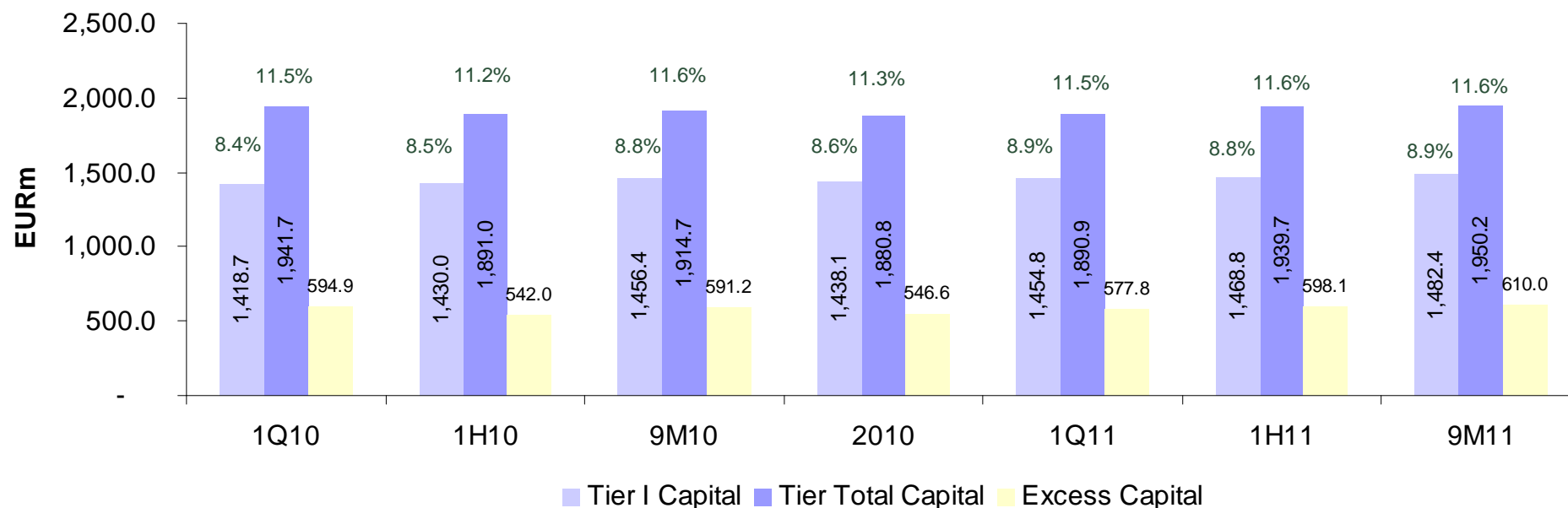
### Interbank balance by country (Credem SpA management accounting)



- **The Italian Government portfolio** exposure is financed on the interbank network, **primarily with Italian counterparts**. This circumstance limit considerably the risk of reduction of such credit lines

# Capital Ratios

## Quarterly evolution



- **Ratios remain among the best ones in the industry, substantially confirming 1Q11 trend, also considering the negligible perspective impact coming from Basel III requirements and the non SIFI nature of the group**
- Tier 1 is all core with no hybrid capital instruments included

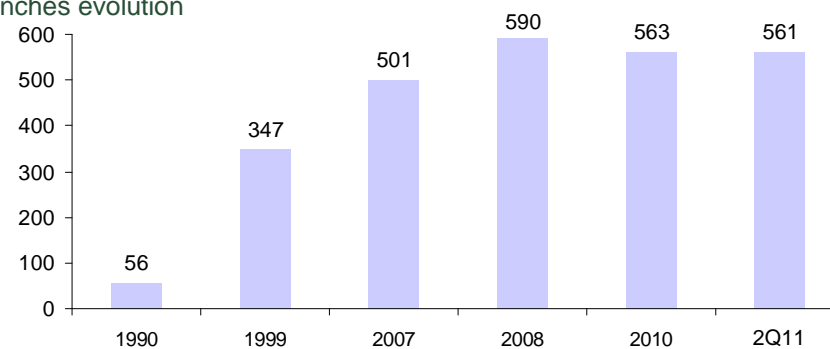
# Distribution Network

## Number of branches and branches market share per region

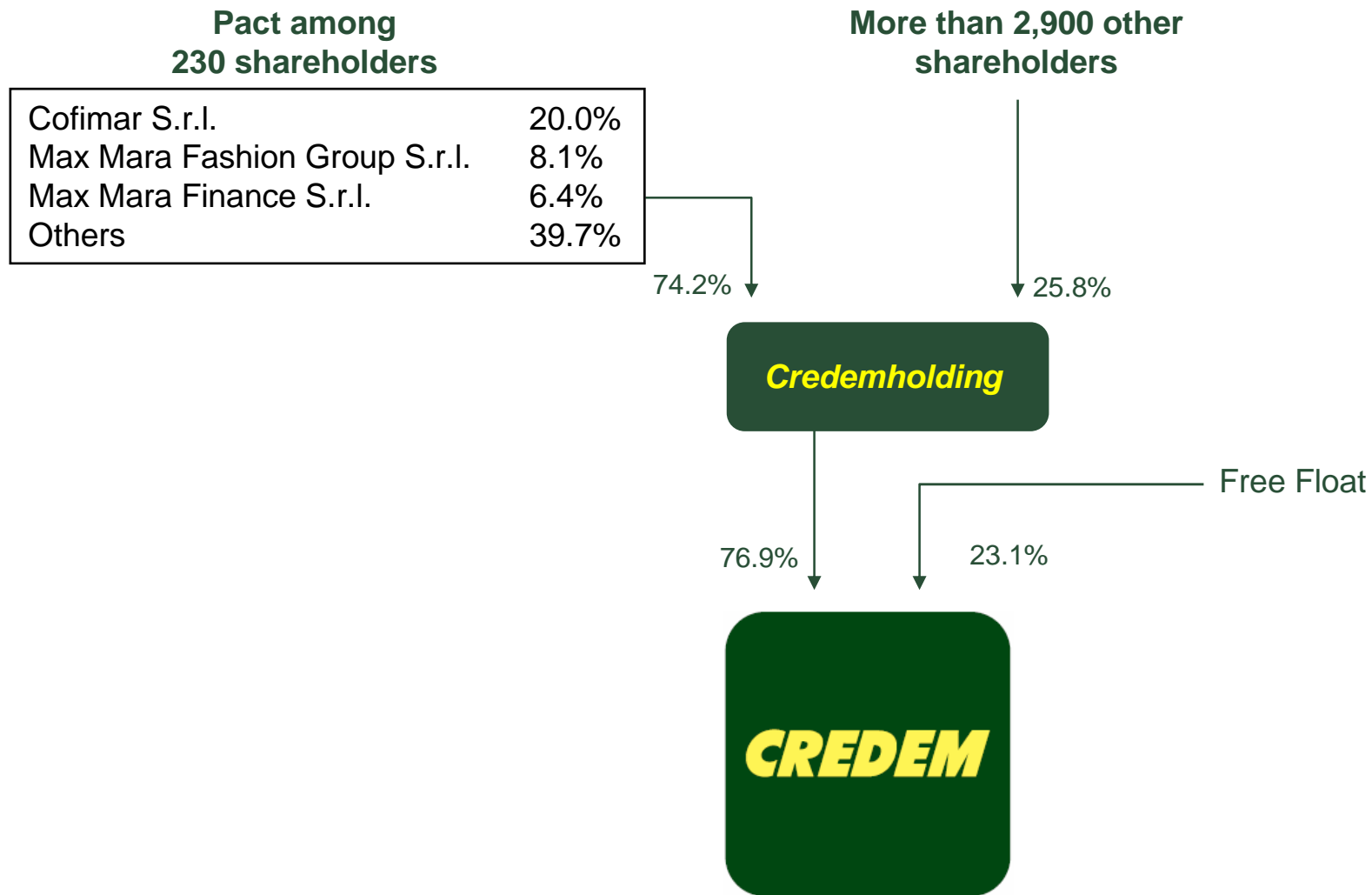


	2008	2009	2010	9M11
Credem Branches	563	552	544	542
B.ca Euromobiliare Branches	27	23	19	19
<b>Total Branches</b>	<b>590</b>	<b>575</b>	<b>563</b>	<b>561</b>
<b>Corporate Centres</b>	<b>43</b>	<b>42</b>	<b>42</b>	<b>41</b>
<b>Credem Points</b>	<b>36</b>	<b>33</b>	<b>35</b>	<b>34</b>
<b>B.ca Euromobiliare Fin. Stores</b>	<b>22</b>	<b>17</b>	<b>18</b>	<b>18</b>
<b>Credem FAs</b>	<b>640</b>	<b>647</b>	<b>548</b>	<b>504</b>
<b>B.ca Eurom. FAs</b>	<b>362</b>	<b>359</b>	<b>337</b>	<b>317</b>
<b>Total FAs</b>	<b>1,002</b>	<b>1,006</b>	<b>885</b>	<b>821</b>
<b>Credem Group Employees</b>	<b>5,993</b>	<b>5,740</b>	<b>5,544</b>	<b>5,597</b>

Branches evolution

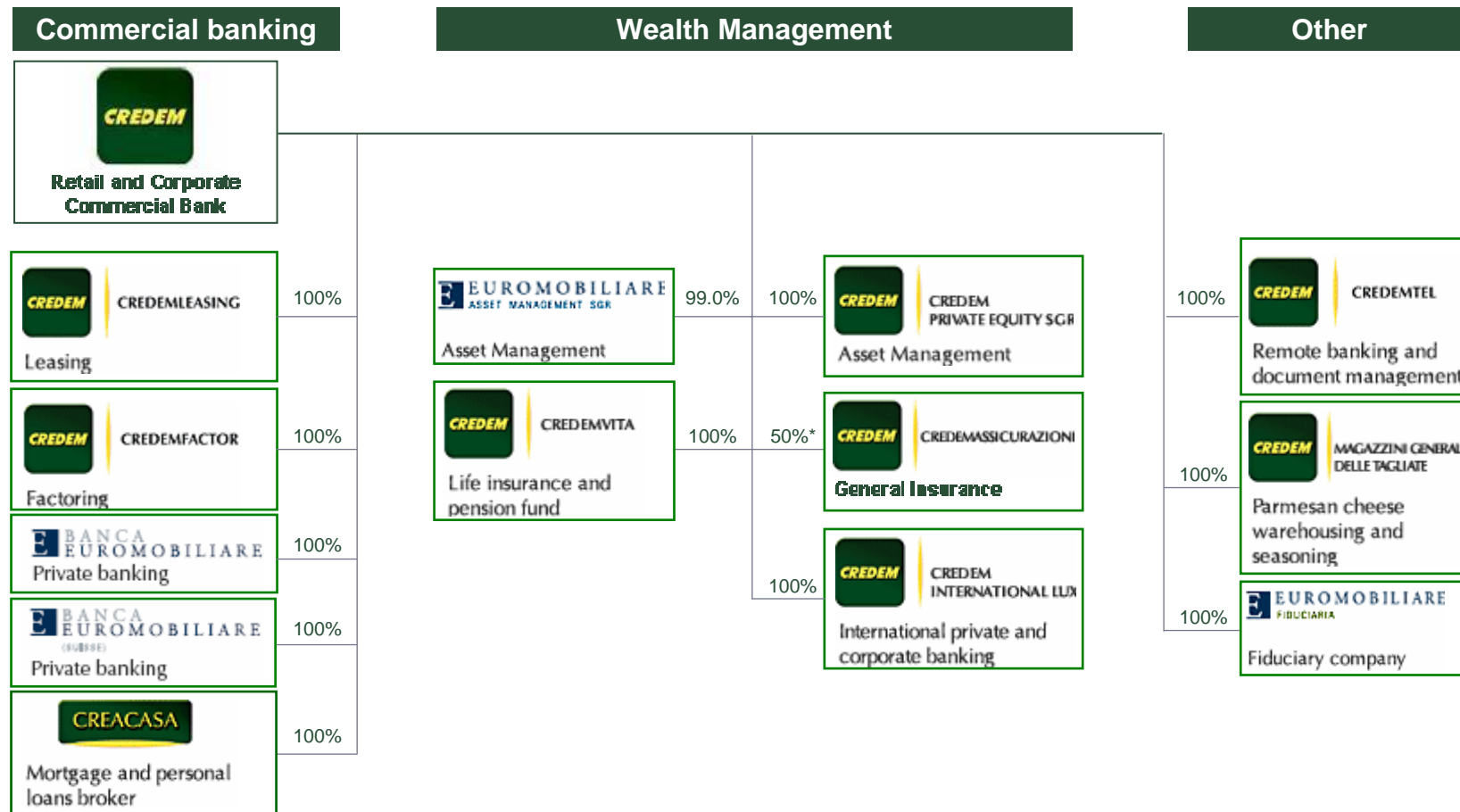


# Shareholders' base



Source: Internal data

# A Complete Group



# Disclaimer and Contacts

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Pursuant to Article 154-bis, section 2 of the “Consolidated Law on Financial Intermediation” dated Feb 24, 1998, the Financial Manager Paolo Tommasini, declares that the accounting information contained in this document correspond to documentary records, ledgers and accounting entries.

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