

GRUPPO

**CREDEM**

# Business Plan 2010-2012 Conference Call

Adolfo Bizzocchi

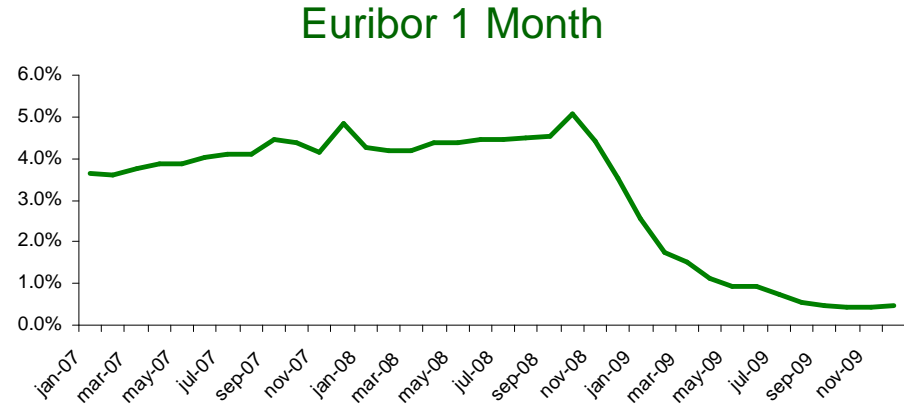
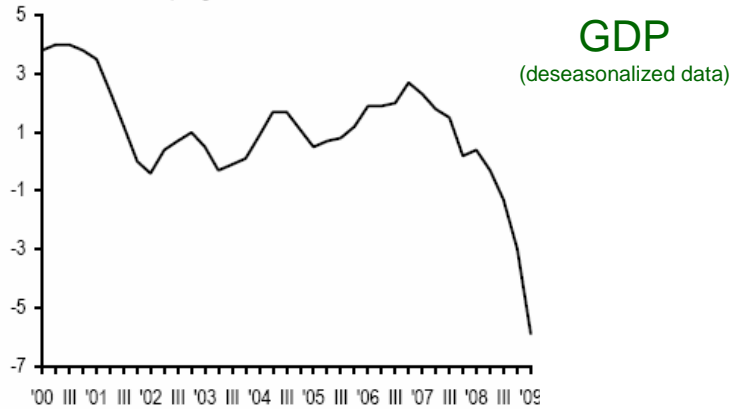
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# Agenda

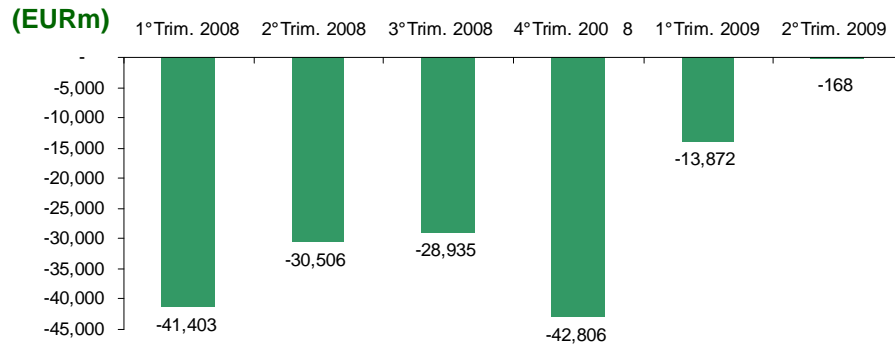
- **Current Scenario**
- Credem's Positioning
- 2010-2012 Business Plan



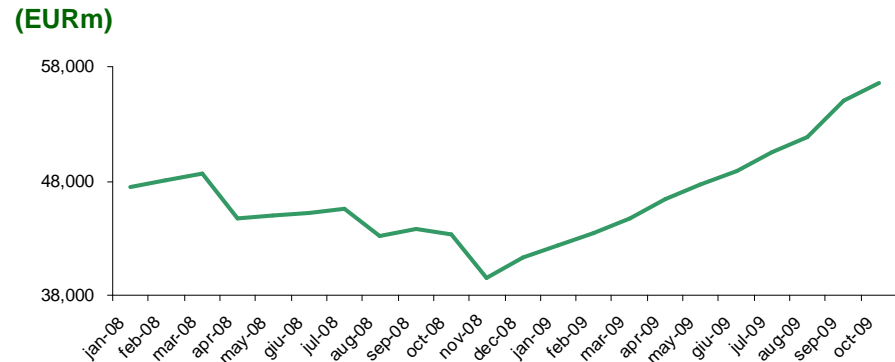
# Recent Past



## Mutual Funds and Sicav's Net Inflows



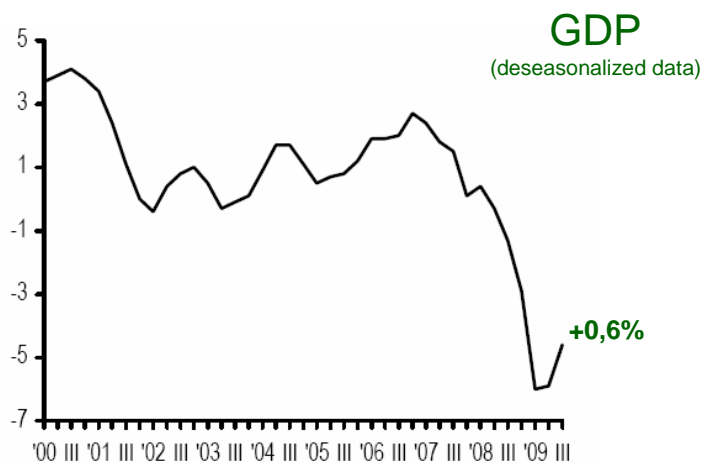
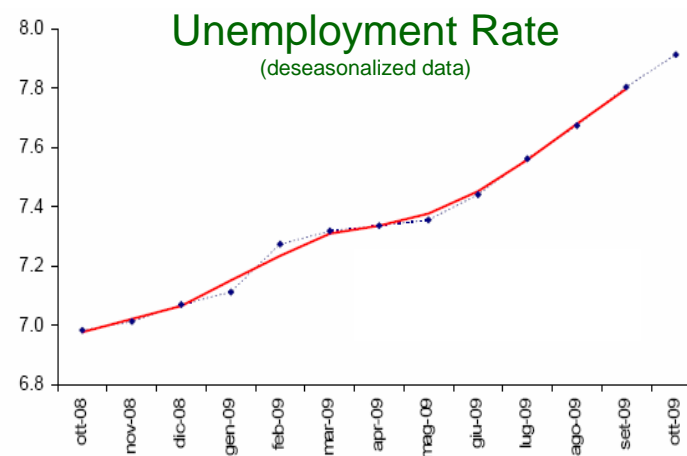
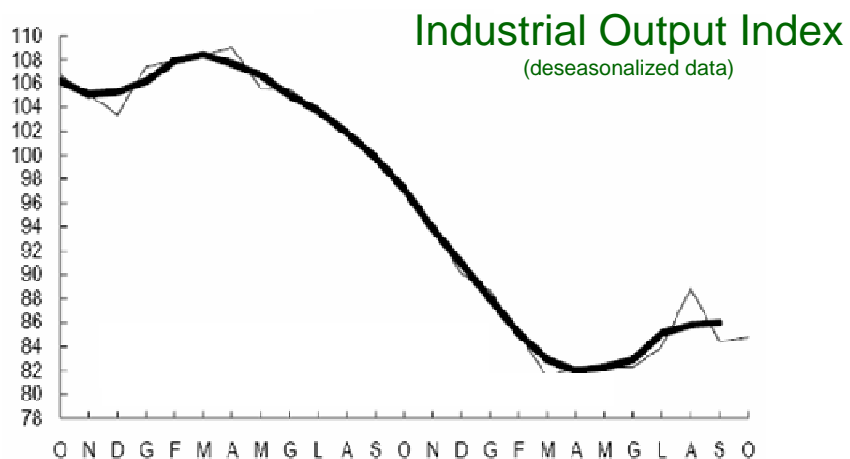
## NPLs



**THE BIENNIUM 2008-2009 REPRESENTED AN INFLEXION POINT THAT FORCED BANKS TO REVISE IN DEEP THEIR TARGETS AS WELL AS THEIR STRATEGIES**

Sources: Istat, ABI, Assogestioni

# Current Scenario



## Grocery and non-grocery sales index in large and small retailers

	DESEASONALIZED DATA			NON DESEASONALIZED DATA		
	SALES INDEX	SALES INDEX EVOLUTION		SALES INDEX	SALES INDEX EVOLUTION	
		Set 09	Set 09 Ago 09		Lug-Set 09 Apr-Giu 09	Set 09
<b>Grocery</b>	102,1	- 0,2	- 0,6	100,6	- 1,4	- 1,7
<i>Large retailers</i>				106,0	- 0,1	- 0,5
<i>Medium/ small retailers</i>				92,8	- 3,4	- 3,5
<b>Non-Grocery</b>	98,7	- 0,1	- 0,5	98,8	- 1,7	- 2,2
<i>Large retailers</i>				103,7	- 0,2	- 0,4
<i>Medium/ small retailers</i>				96,7	- 2,3	- 3,1

**CRISIS NOW LOOKS LESS DRAMATIC THAN FEW MONTHS AGO, BUT RECOVERY IS YET TO BE CONSOLIDATED**

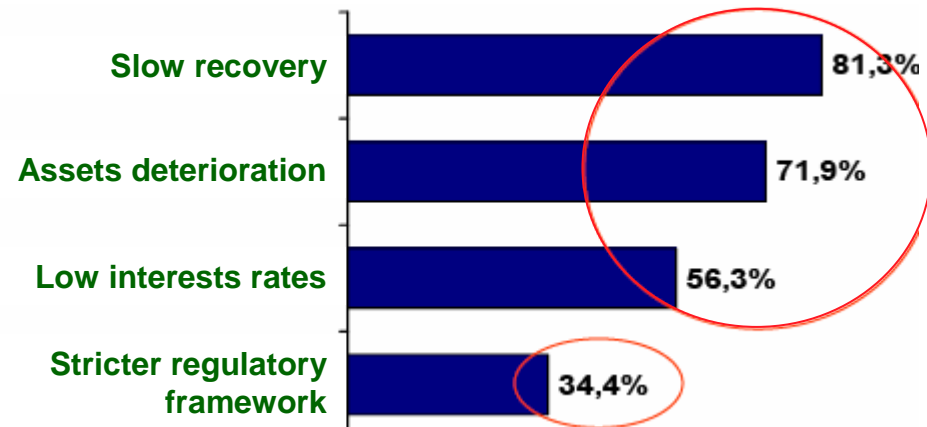
Source: Istat

# Current Scenario

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**THE EXPECTATION OF A SLOW RECOVERY, WITH A FURTHER ASSETS DETERIORATION, ESPECIALLY AFFECTING SMALL-MEDIUM SIZED BANKS, IS SHARED BY THE MAJORITY OF ITALIAN BANKS CEOs**

Which are, for 32 Italian banks CEOs, the main risks for banks during next 3 years?  
(EBR (ABI) and UBS survey)



Source: 33° Forum EBR

# Current Scenario

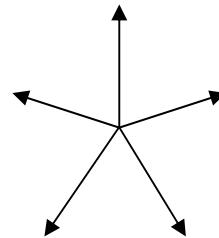
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The uncertain scenario is furtherly fostered by a strong activity conducted by regulatory bodies and affecting (at local and international level) every **business area**

## Banking Fees:

- Maximum Overdraft Fee Cancellation
- New European payment services regulation (SEPA)

**Asset Management:**  
MIFID implementation



## Capital Requirements:

Waiting for new rules in capital ratios, liquidity and leverage

## Lending:

New BoI criteria for interest rates limits to define the usury threshold

## Competition:

New BoI rules on banking transparency towards customers

**NEW RULES WILL INCREASE PRESSURE ON REVENUES: A STRICTER REGULATORY FRAMEWORK HAS BEEN HIGHLIGHTED AS ONE OF THE MAIN RISKS FOR ITALIAN BANKS BY A SAMPLE OF CEOs RECENTLY INTERVIEWED DURING LAST EBR SURVEY**

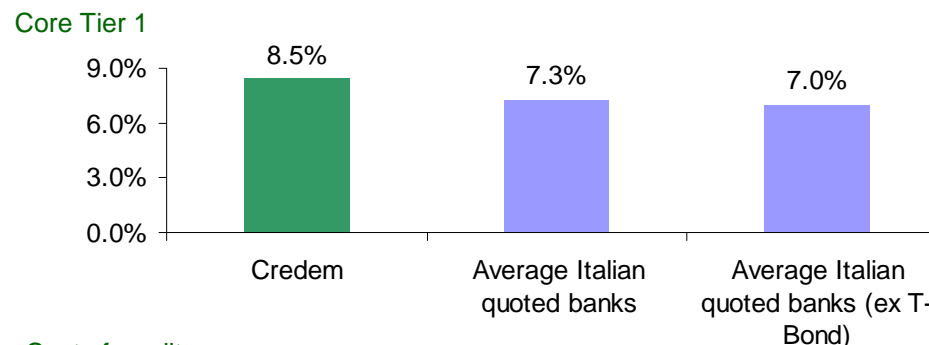
# Agenda

- Current Scenario
- **Credem's Positioning**
- 2010-2012 Business Plan

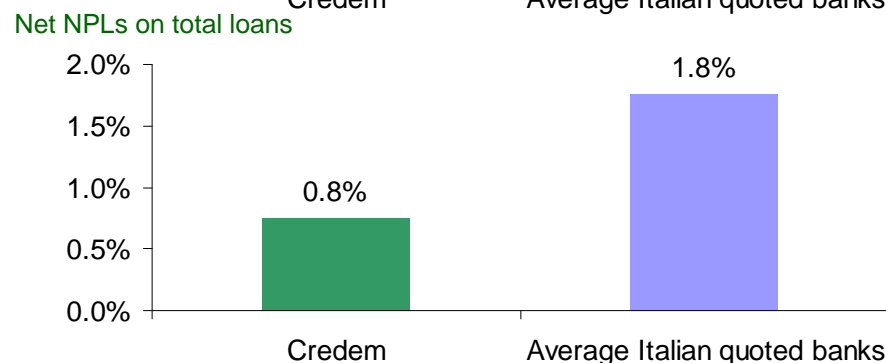
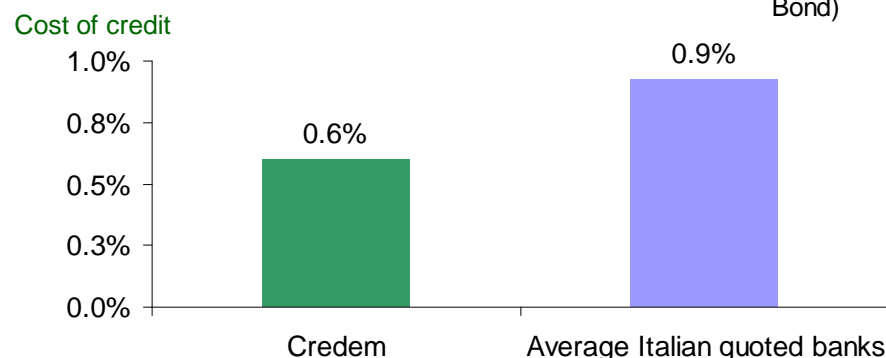


# Credem strengths – “hard” features (1/3)

- **Solid capital ratios:** Core Tier 1 ratio among the highest in the industry, no hybrids in TIER I capital



- **Excellence in asset quality:** cost of credit and NPLs ratio among the lowest in the industry

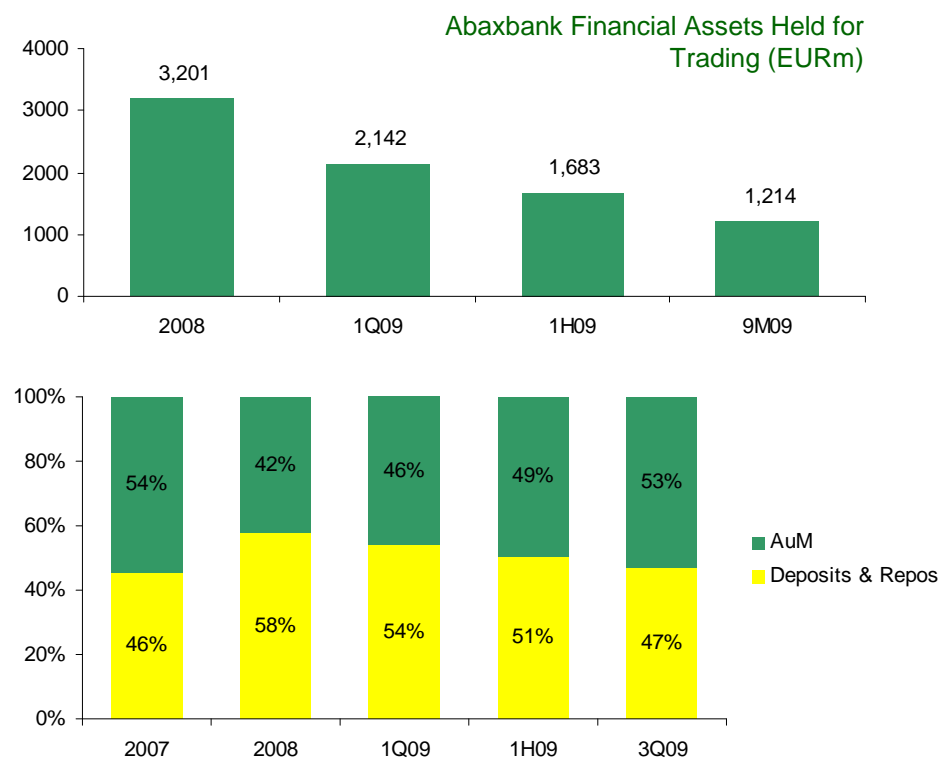


## BACK TO GROWTH RIGHT AFTER RECESSION

Sources: 3Q09 Italian banks reports. Credem Core Tier 1 ratios does not account for any dividend payment provision

## Credem strengths – “hard” features (2/3)

- **The now completed reorganization of Investment Banking e Wealth Management business areas** (Abaxbank and Euromobiliare Alternative Investments restructuring, Euromobiliare SIM disposal, Euromobiliare Sgr e Euromobiliare Fund Sicav product range update) results in lower capital requirement and asset management better performance

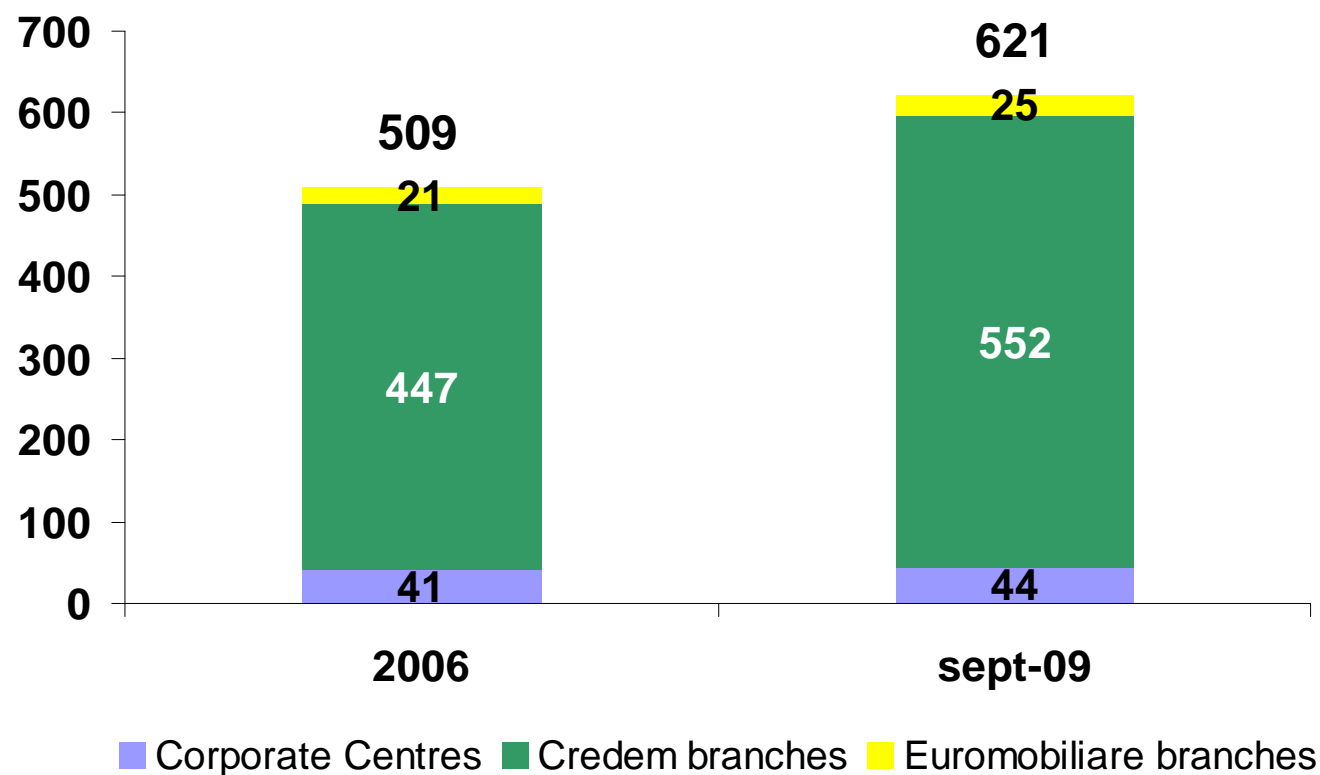


- **The renewal of current accounts offer range and the updating of existing ones** lowers the cost of funding and allows to better exploit future interest rates increases

**BACK TO GROWTH RIGHT AFTER RECESSION**

## Credem strengths – “hard” features (3/3)

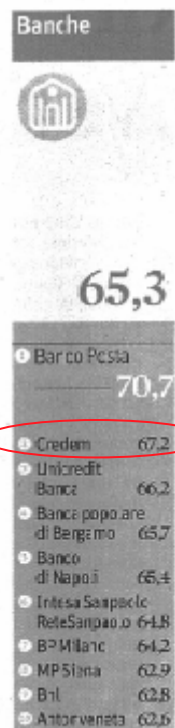
- **Strong increase of the distribution network in the recent past**  
(branches average growth rate during the last 3 years: **+22%**; employees average growth rate during the last 3 years : **+15%**) throughout a mix of external and organic growth



**FULL EXPLOITATION OF EXISTING NETWORK'S POTENTIAL WILL GENERATE FURTHER GROWTH IN THE FUTURE**

# Credem strengths – “soft” features (1/3)

- **Strong focus on customer relationship**, offering high quality service and adopting a distinctive approach that proves to be effective all over the territory:



Credem is **first among retail banks in the country**, (and second, overall, after Banco Posta) in terms of **customers satisfaction** (Busacca & Associati survey, 2008)



## L'eccellenza di Credem

L'area del Triveneto e dell'Emilia Romagna si contraddistingue per le buone e ravvicinate performance di Credem, UniCredit e Bper. I tre gruppi bancari riescono a garantire un soddisfacente livello di servizio durante tutto il processo relazionale. Il mix tra struttura di filiale (elegante e sobria allo stesso tempo) e competenze e capacità dei gestori rende Credem l'attore di riferimento dell'area

**1° in 2009 and 2008 in North East Italy, and 2° in 2009 and 2008 in Southern Italy** for service quality and consistency, among main 10 players in the area (Resolving StrategyFinance survey)\*

**THE RELATIONSHIP WITH OUR CUSTOMERS IS A FUNDAMENTAL ASSET FOR THE FUTURE DEVELOPMENT OF CREDEM'S BUSINESS**

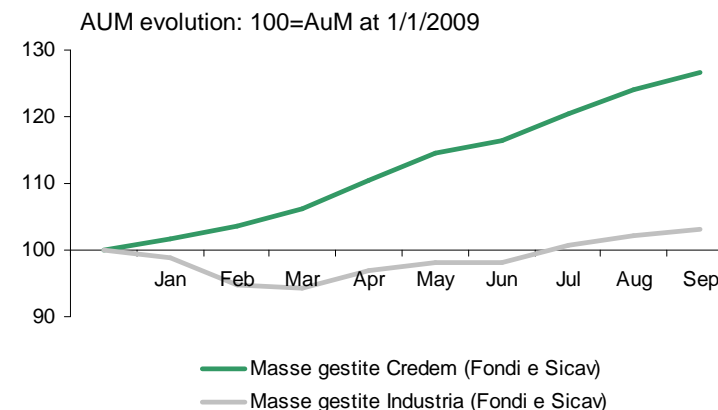
\*North East includes Emilia Romagna. In North West and Center Italy, Credem is listed among 10 top players

Sources: Il Sole24Ore, AziendaBanca

## Credem strengths – “soft” features (2/3)

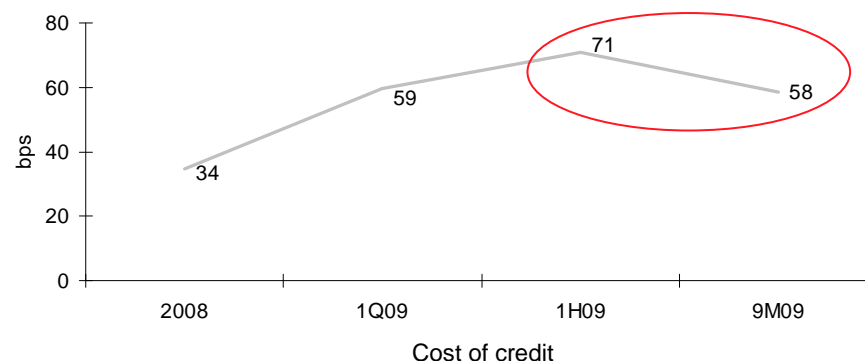
**Customers’ good knowledge generates results:** the most remarkable evidence is represented by the shift from AuM into deposits experienced in 2008 and the reversal, that took place in 2009. Both movements were supported and driven by Credem’s network, no significant losses of customers and volumes were recorded

	Eurm	2007	2008	9M09
<b>Deposits</b>		<b>12,040</b>	<b>15,935</b>	<b>12,727</b>
<b>AuM</b>		<b>14,305</b>	<b>11,476</b>	<b>14,352</b>



**Customers’ good knowledge makes it easier to identify loans at risk**

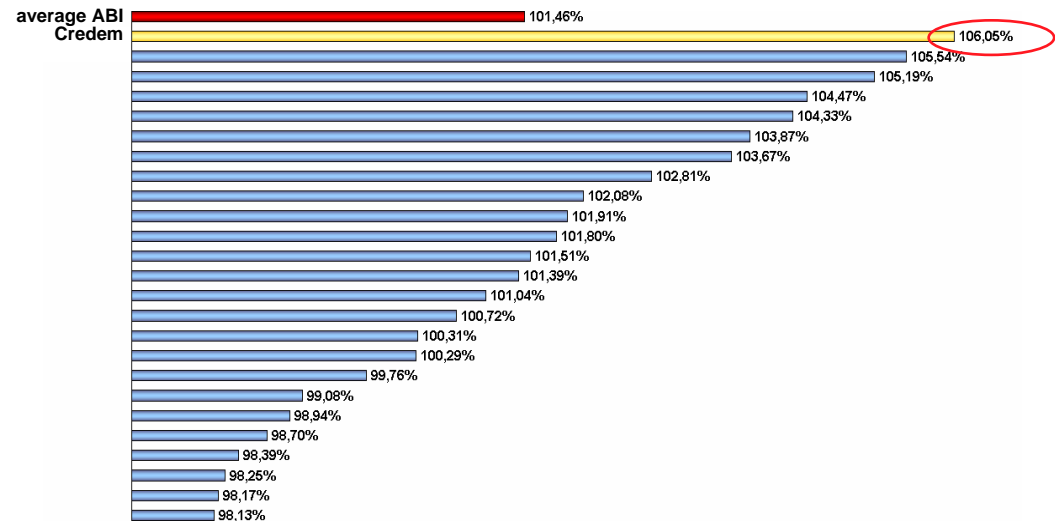
	EURm	2008	1Q09	1H09	9M09
<b>LLPs</b>		<b>58.1</b>	<b>25.9</b>	<b>60.9</b>	<b>75.2</b>



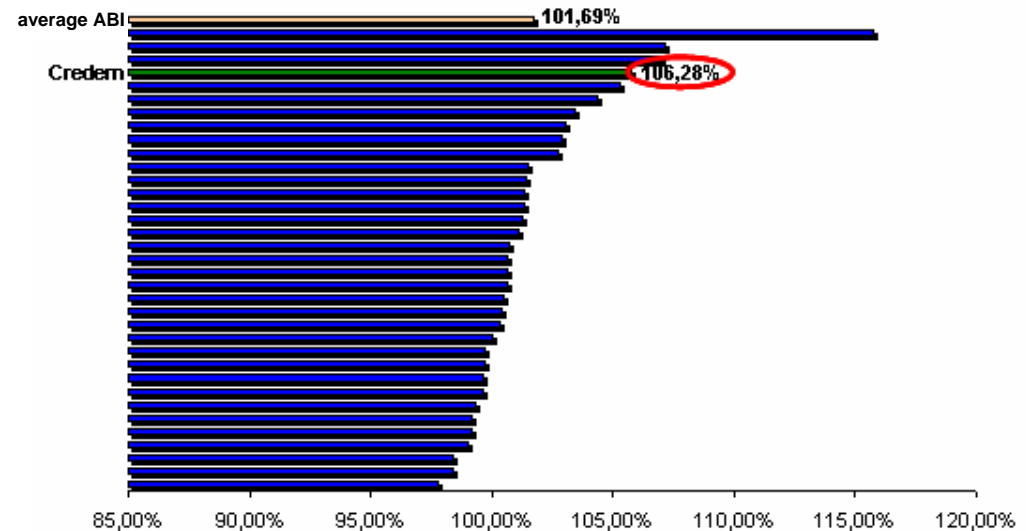
# Credem strenghts – “soft” features (3/3)

High quality in service and customers relationship results also in a remarkable customers' base increase in the recent past as highlighted by Osservatorio ABI on retail customers

Growth rate\* 2008



Growth rate\* 2007



(\*) New customers, net of lost customers, on initial customers

Source: ABI

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## Expected scenario

Assumptions	2008	2009	2010E	2011E	2012E
MSCI Europe (y/y growth)	-45.5%	25%*			
FTSE Italy all-share index (y/y growth)	-48.8%	19.7%*			
GDP UEM	0.6%	-4.0%	0.7%	1.2%	1.6%
<b>GDP Italy</b>	<b>-1.0%</b>	<b>-4.9%</b>	<b>0.5%</b>	<b>1.2%</b>	<b>1.5%</b>
Deposits from customers and bonds (y/y growth)	13.8%	11.0%	4.2%	4.1%	4.1%
Asset Under Management (y/y growth)	<b>-30.4%</b>	<b>3.8%</b>	<b>5.8%</b>	<b>7.4%</b>	
Loans (y/y growth)	<b>4.9%</b>	<b>1.6%</b>	<b>4.4%</b>	<b>5.5%</b>	<b>5.4%</b>
<b>Euribor 1 month (annual average)</b>	<b>4.27%</b>	<b>0.92%</b>	<b>0.94%</b>	<b>1.92%</b>	<b>2.68%</b>

**VERY SLOW AND GRADUAL RECOVERY EXPECTED, INTEREST RATES IN 2012  
STILL 150 bps LOWER THAN 2008**

(\*) Values at November 18, 2009

Sources: Prometeia "Rapporto di Previsione" (Oct. 2009), "Previsione dei Bilanci Bancari" (Oct. 2009) and "Tassi" (Sept. 2009)

## Strategic focus

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In the short term the main focus will be on extracting value from the existing distribution network. Current though environment could offer to best equipped players the opportunity to gain momentum in the competitive scenario

In the mid/long term, a further expansion is confirmed as an objective. External growth is still an option, even if not the main strategy. Expansion will be sustained exclusively through the cash flow produced by the business. Therefore, distribution, along with customer's relationship, remains the fundamental pillar of Credem's strategy

## Guidelines

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**MARKET SHARES INCREASE BY ANTICIPATING INDUSTRY TRENDS**

**HIGHER COST EFFICIENCY**

**EXCELLENCE IN RISK CONTROL AND CAPITAL ADEQUACY**

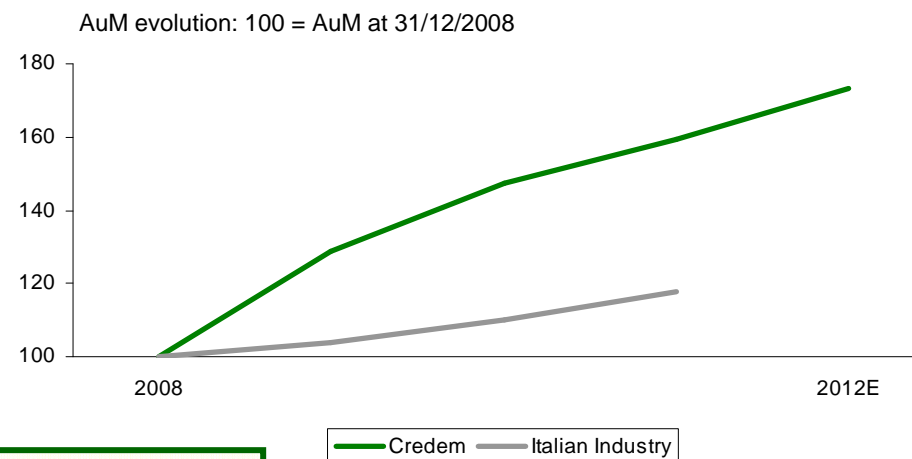
***Value generation by growing more than the industry, while maintaining a strong cost control***

# Market shares increase by anticipating industry trends

## AuM

From **11.5 EURbn** (at the end of 2008) to **19.9 EURbn** (at the end of 2012E):

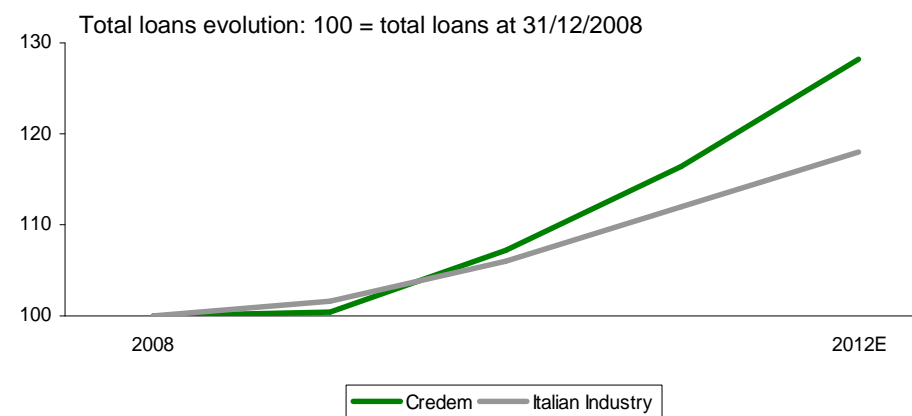
- **Credem Plan CAGR 2010-2012: 10.4%**
- **Industry CAGR 2010-2011: 6.6%**



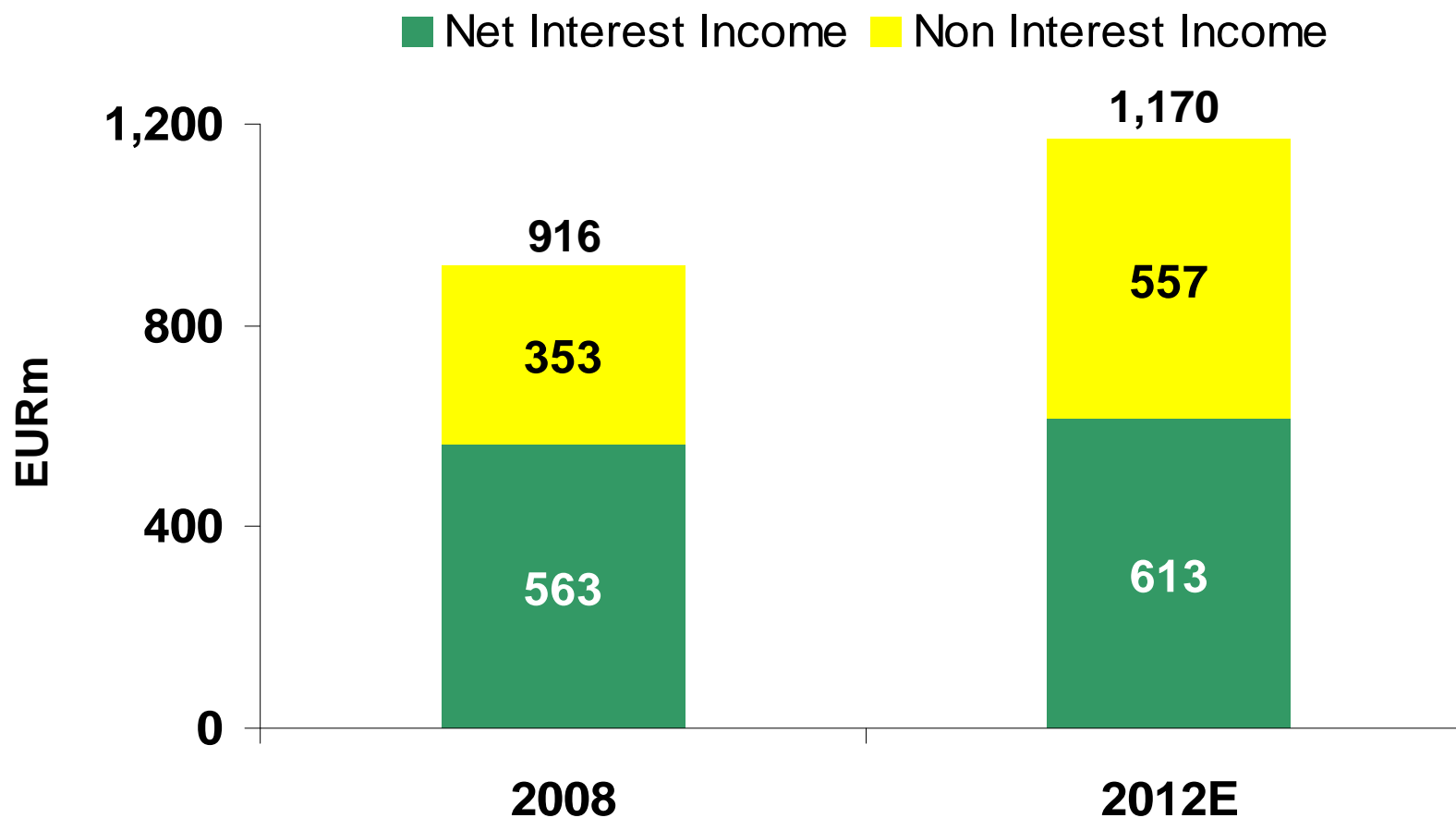
## Loans

From **17.6 EURbn** (at the end of 2008) to **22.6 EURbn** (at the end of 2012E):

- **Credem Plan CAGR 2010-2012: 8.5%**
- **Industry CAGR 2010-2011 : 5.1%**



# Total Income



**Net Interest Income  
on Total Income**

**61%**

**52%**

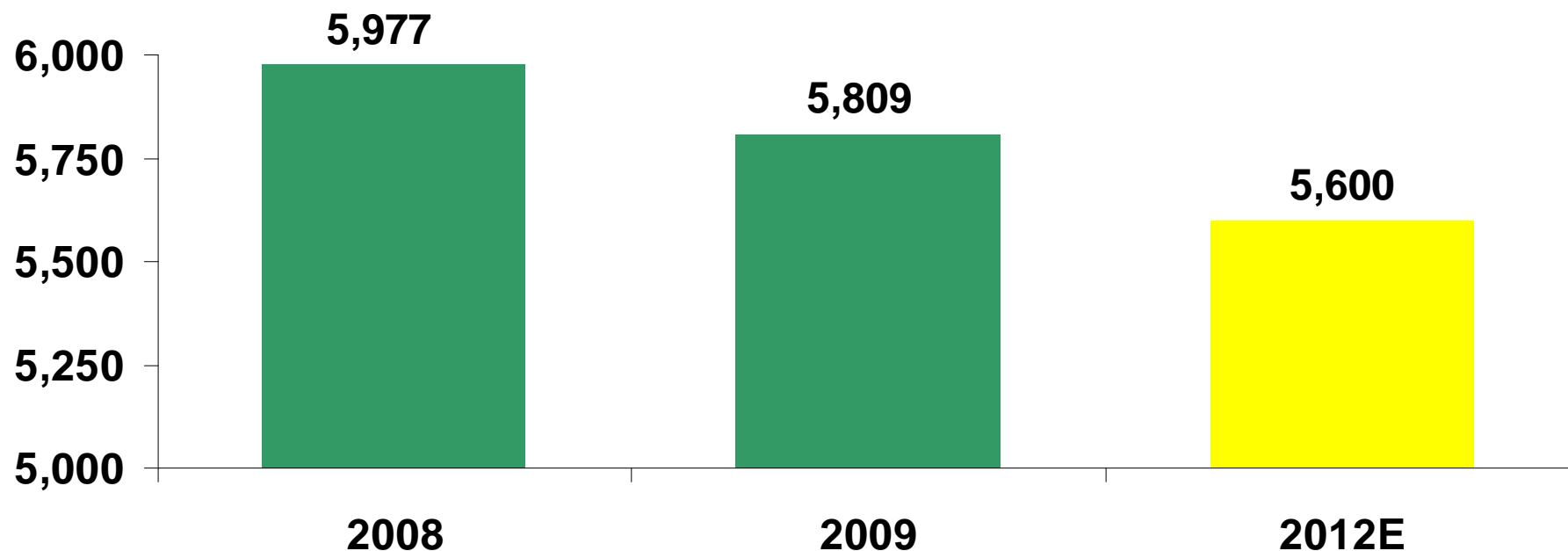
**Non Interest Income  
on Total Income**

**39%**

**48%**

# Higher cost efficiency

## Employees



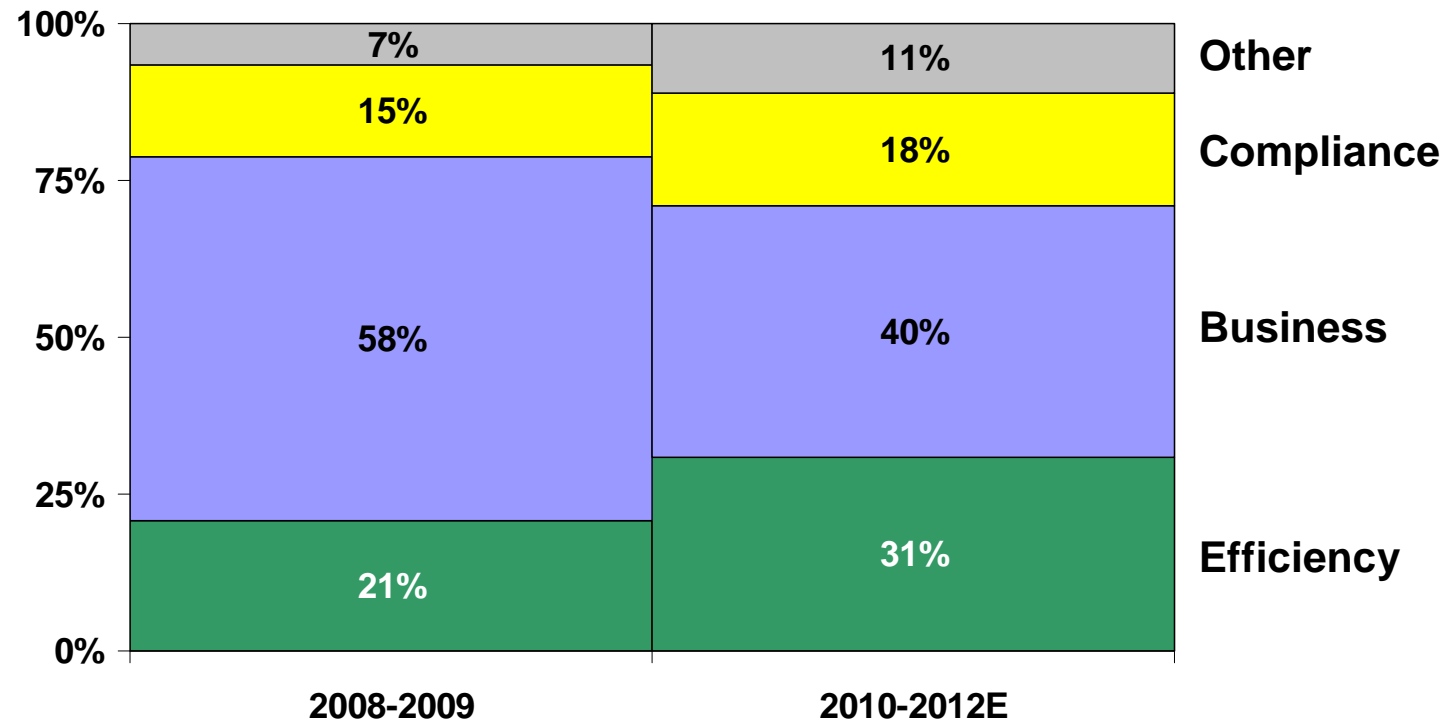
Target is to recover efficiency from headquarters structures and optimize recent investments, to strengthen distribution capacity

Employees from **5,809** (at the end of 2009 after Abaxbank restructuring) to **5,600** (at the end of 2012E)

**CAGR 2010-2012: -1.2%**

# A more efficient structure

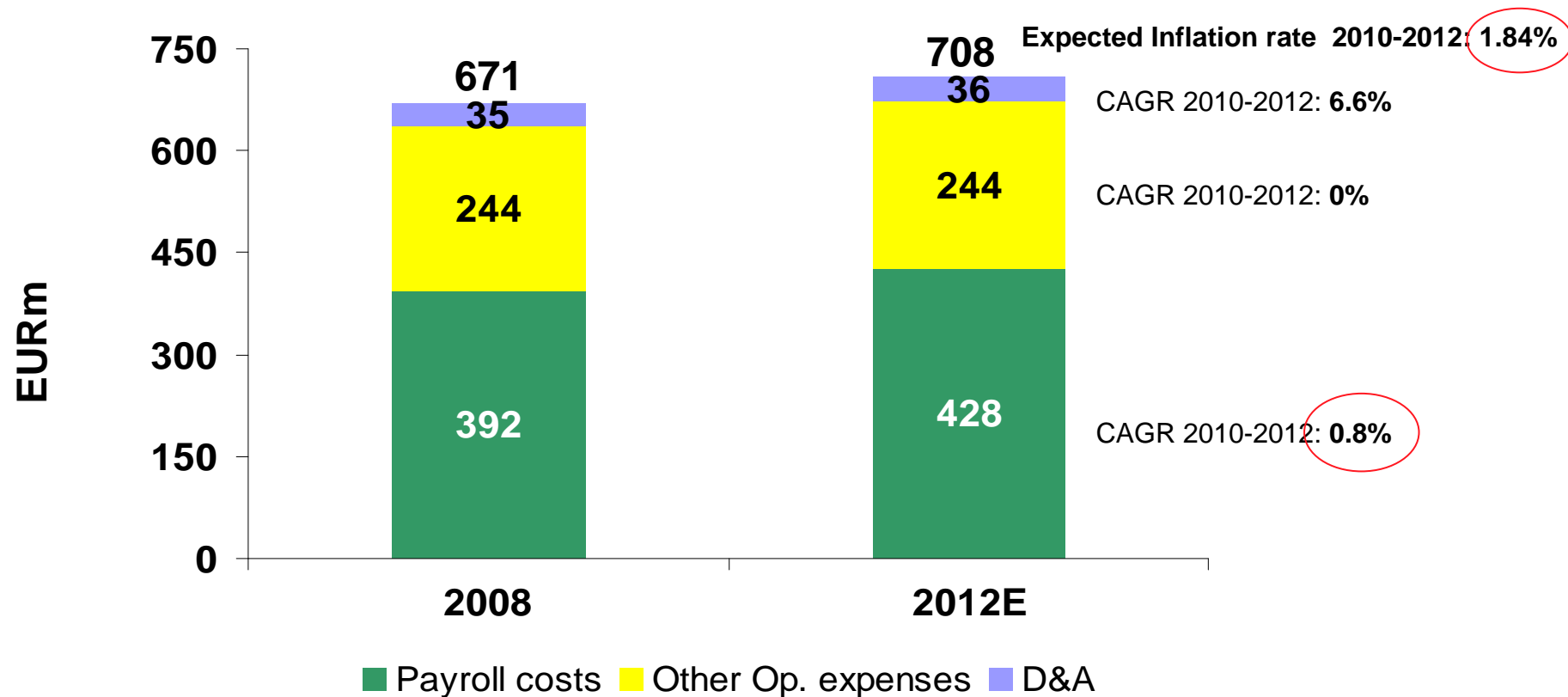
## IT Investments breakdown



Yearly avg. investments (EURm)	15.1	18.6
Total investments in the period (EURm)	30.2	55.8

**IT investments**, during next 3 years, will significantly **increase**. A relevant portion will be devoted to support higher efficiency

# Operating Costs and D&A

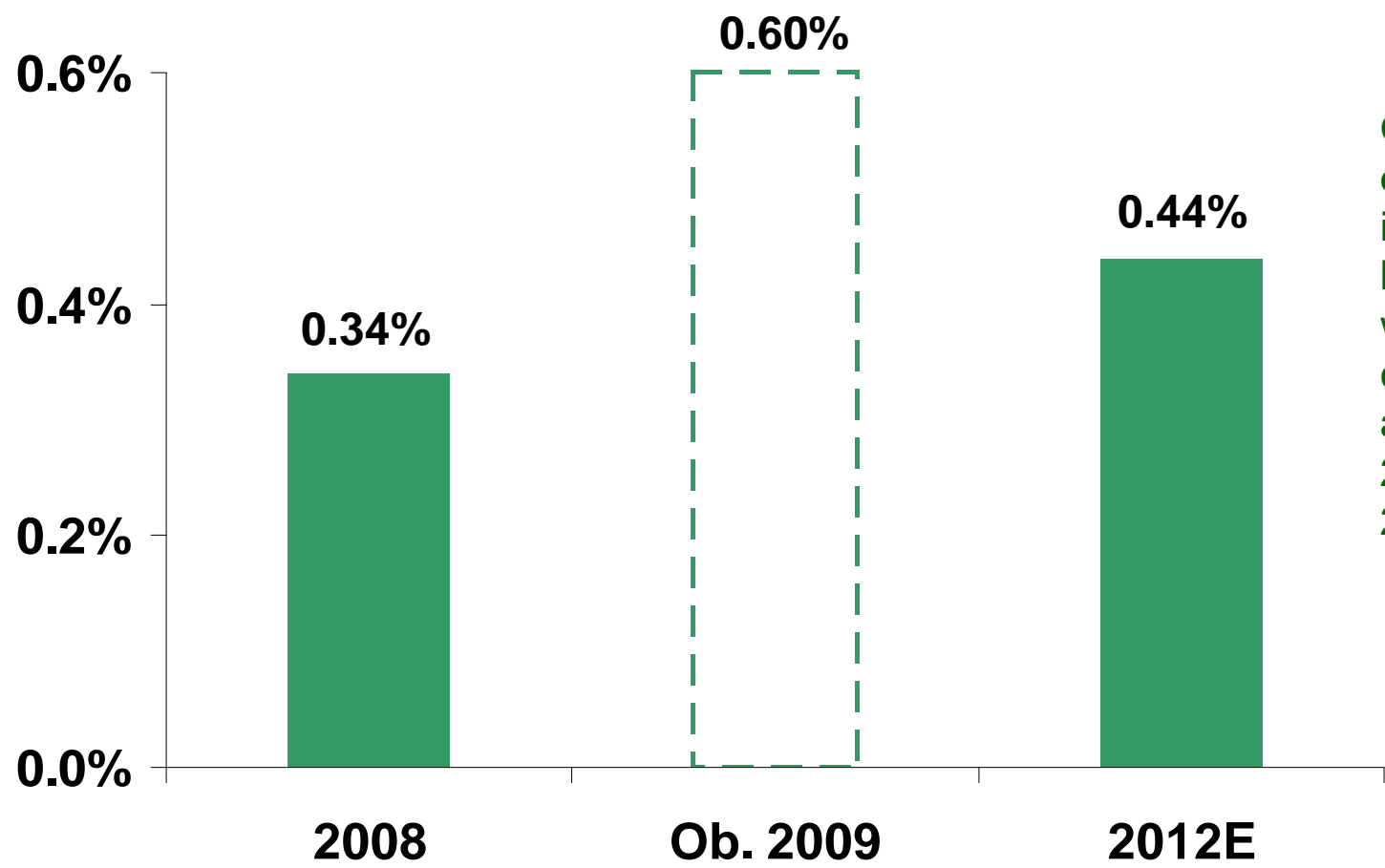


<b>Cost Income ratio (including D&amp;A)</b>	<b>73.2%</b>	<b>60.5%</b>
<b>Cost Income ratio (excluding D&amp;A)</b>	<b>69.4%</b>	<b>57.4%</b>
<b>Risk-adj C/I*</b>	<b>78.6%</b>	<b>66.2%</b>

(\*) Calculated using Total Income net of LLPs and Provisions for Risks and Charges

Source: Prometeia

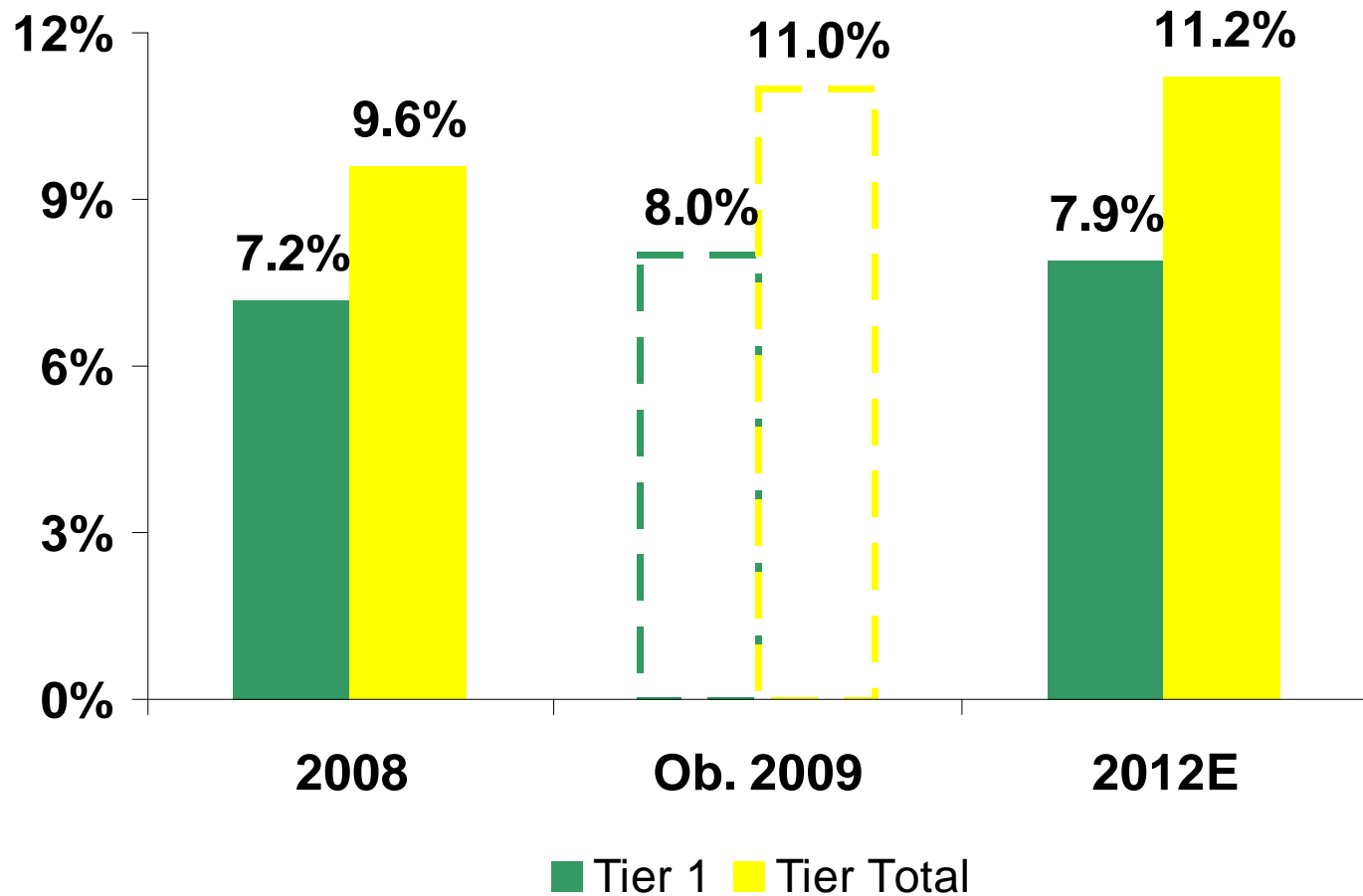
# Excellence in risk control and capital adequacy



**Gradual decrease of cost of credit, in line with historical trends, while increasing customers' loans, as 2012 figure is 28% higher than 2008**

Loans	2008	2012E
	17.6 EURbn	22.6 EURbn

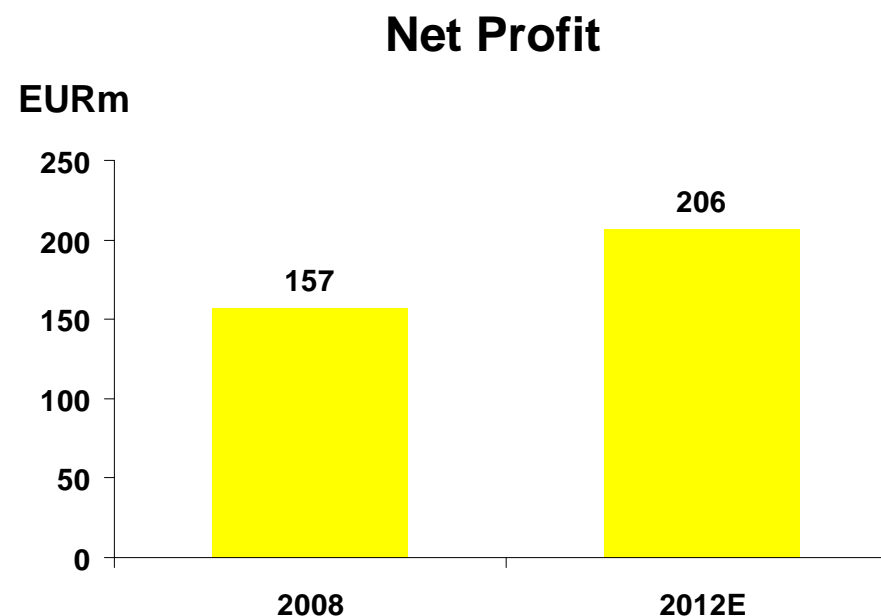
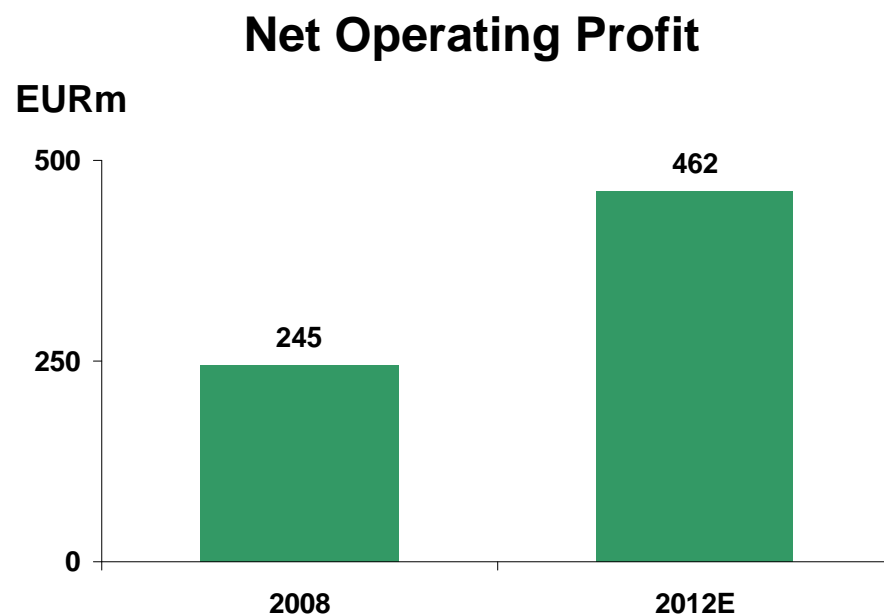
# Excellence in risk control and capital adequacy



**Stable capital ratios,** despite higher requirements (loans CAGR 2010-2012: 8.5%)

**Very solid capital base,** only sustained by profits generated by the business

# Value generation



Net Operating Profit increasing substantially during the 2010-2012 triennium

**2012E Net Profit target at 206 EURm compared to 157 EURm in 2008, despite the expectation of 2012 average interest rates 150bps lower than 2008**

# 2012 Income Statement

EURm	2008	2012E	CAGR 09-12
<b>Net Interest Income</b>	<b>563</b>	<b>613</b>	<b>2.1%</b>
Net Fees	295	445	10.8%
Trading	-6	57	n.a.
Other	64	55	-3.7%
<b>Non Interest Income</b>	<b>353</b>	<b>557</b>	<b>12.1%</b>
<b>Total Income</b>	<b>916</b>	<b>1,170</b>	<b>6.3%</b>
Payroll Costs	-392	-428	2.2%
Other Operating Expenses	-244	-244	0.0%
<b>Operating Costs</b>	<b>-636</b>	<b>-672</b>	<b>1.4%</b>
<b>Gross Operating Profit</b>	<b>280</b>	<b>498</b>	<b>15.5%</b>
Depreciation & Amortization	-35	-36	0.7%
<b>Net Operating Profit</b>	<b>245</b>	<b>462</b>	<b>17.2%</b>
Extraordinaries Income/Expenses	-0	-14	143.2%
Loan Loss Provisions	-58	-99	14.3%
Provision for Risks and Charges	-4	-1	-28.9%
<b>Profit before Taxes</b>	<b>183</b>	<b>348</b>	<b>17.4%</b>
Income Taxes	-26	-142	52.9%
<b>Net Profit</b>	<b>157</b>	<b>206</b>	<b>7.1%</b>

**Total Income** is expected to grow **6.3% CAGR** over the period, mostly dragged by **Net Fees** (CAGR 10.8%)

**Costs will remain almost stable. CAGR is 1.4%** despite 2008 did not fully include acquisitions related costs that gradually affected consolidated accounts during the year

As a result, **Net Operating Profit** increases **17.2% CAGR** and **Profit before Taxes** increases **17.4% CAGR**

**Net Profit** will be **206 EURm** compared to **157 EURm** in 2008, when some non recurrent items positively affected the result