

**CREDEM: THE BOARD OF DIRECTORS APPROVES FIRST QUARTER 2014 GROUP'S CONSOLIDATED RESULTS: NET PROFIT +34.4% YoY AT €57 MILLION; COMMON EQUITY TIER I RATIO<sup>(1)</sup> AT 11.5%**

- **Operating Income** +11% YoY at €286.7 million;
- **Net Operating Profit** +20.2% YoY at €110.8 million;
- **Net Profit for the Period** +34.4% YoY at €57.0 million;
- **Group's Total Funding<sup>(2)</sup>** +12.3% YoY at €19,094 million; **AUM** +10.2% YoY at €18,476 million; **Insurance Reserves** +32.6% YoY at €3,607 million;
- **Net NPL Ratio** at 1.63%; **NPLs' coverage** at 58.8% from 55.9% in 1Q13;
- **Common Equity Tier I Ratio<sup>(1)</sup>** at 11.5% (Basel III "phased in");
- **72 hiring<sup>(3)</sup>** in the quarter, 75% were people under 30 years of age.

In the quarter the group continued to invest in its growth by hiring (72 people<sup>(3)</sup>) and put in place significant commercial and marketing initiatives. All deposits progressed, in detail the direct funding grew by 12.3% YoY and AUM grew up by 10.2%. **Net NPL Ratio** was 1.63%, once again well below industry's average. **Common Equity Tier I Ratio<sup>(1)</sup>** calculated upon the new methodology compliant with the Basel III framework was 11.5% (11.4% "Basel III fully phased"), confirming group's strong capital position. **Net Profit for the Period** was up 34.4% YoY at €57.0 million.

*"In a particularly difficult context", Credem's General Manager **Adolfo Bizzocchi**, declared, "our group continues to deliver a remarkable profitability, as 1Q14 confirmed. As usual, Credem Group maintains a strong focus on credit quality and capital ratios while increasing the number of customers and deposits from clientele. I am convinced", Mr. Bizzocchi concluded "that the commitment and the quality of our people put us in the ideal position to follow the growth strategy that we set for ourselves".*

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 1Q14 individual and consolidated financial results.

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**Consolidated Income Statement**

**Operating Income** was up 11.0% YoY at €286.7 million compared to €258.4 million in 1Q13.

**Interest Margin<sup>(4)</sup>** was €123.6 million compared to €112.6 million in 1Q13 (+9.8% YoY) thank to the reduction in the cost of funding.

**Non Interest Margin<sup>(5)(6)</sup>** was up 11.9% YoY at €163.1 million compared to €145.8 million in 1Q13. The positive performance is also due to growing Net Commissions (+3.9% YoY) with asset management fees particularly good (+11.1% YoY).

**Operating Costs<sup>(6)</sup>** were €166.7 million compared to €157.8 million in 1Q13 (+5.6% YoY) in line with the development strategy put in place by the group. In detail, Administrative Expenses were €54 million, compared to €48.6 million in 1Q13 (+11.1%)

because of high investments in marketing and commercial initiatives as well as numerous actions related to change management and organization plans. Payroll Costs were €112.7 million (+3.2% YoY) mainly because of the strengthening of the workforce.

**Cost/Income Ratio**<sup>(7)</sup> was 58.1% in reduction if compared both to 1Q13 (61.1%) and to FY13 (61.6%).

**Gross Operating Profit** was €120.0 million, +19.3% compared to €100.6 million in 1Q13. **Amortisation and Depreciation** equalled €9.2 million compared to €8.4 million in 1Q13 (+9.5% YoY).

**Net Operating Profit** was up 20.2% YoY at €110.8 million compared to €92.2 million in 1Q13.

**Provisions for Risk and Charges** equalled €2.3 million (€0.8 million in 1Q13). **Net Adjustments to Loans** were €13.5 million, down 32.2% compared to €19.9 million in 1Q13.

**Net Extraordinary Income/Charges** were -€1.6 million (-€0.7 million in 1Q13).

**Profit before Tax** was €93.4 million, +31.9% compared to €70.8 million in 1Q13.

**Income Taxes** were €36.4 million (+28.2% compared to €28.4 million in 1Q13).

**Net Profit for the Period** was €57.0 million, +34.4% compared to €42.4 million in 1Q13.

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### **Consolidated Balance Sheet**<sup>(2)</sup>

**Group's Customers' Funding** at the end of 1Q14, was up 3.9% YoY at €17,121 million compared to €16,474 million at the end of 1Q13. Group's Total Funding was €19,094 million compared to €17,010 million at the end of 1Q13 (+12.3% YoY). Customers' Deposits were up at €14,097 million, +7.6% YoY compared to €13,096 at the end of 1Q13. Retail Bonds and Customers' CD were €3,024 million (€3,378 million at the end of 1Q13).

**Insurance Reserves** were €3,607 million, +32.6% compared to €2,721 million at the end of 1Q13.

**Indirect Customers' Deposits** were €29,563 million, +8.0% compared to €27,364 million at the end of 1Q13. Group's Indirect Deposits were €36,169 million compared to €32,157 million at the end of 1Q13 (+12.5% YoY). In detail, **AUM** were €18,476 million, +10.2% compared to €16,766 million at the end of 1Q13; within AUM aggregate, Portfolio Management Accounts were €4,012 million (+6.8% YoY) while Mutual Funds and SICAVs were €8,700 million (+8.0% YoY).

**Loans to Customers** were €19,548 million, compared to €19,838 million at the end of 1Q13 (-1.5% YoY vs -3.2% YoY at industry level<sup>(8)</sup>) while maintaining a strong attention to the quality of the portfolio. In detail, residential mortgages to households were €6,091.2 (-1.8% YoY) with new inflows in 1Q14 amounting to €120.2 million (+9.4% YoY).

**Net NPLs Ratio** was 1.63% (compared to 1.38% in 1Q13) well below industry average. **NPLs' coverage** was at 58.8%, in comparison with 55.9% at the end of 1Q13. **Net Impaired Loans** were €776.8 million (€738.1 million at the end of 1Q13).

**Common Equity Tier I Ratio**<sup>(1)</sup> was 11.5% (it was 9.6% - Basel II compliant - at the end of 1Q13) because of the benefit coming from the introduction of the new calculation methodology compliant with the Basel III framework, because of the introduction of the "SME's supporting factor" and because of the capital generation coming from operations. Capital absorption is calculated by applying the "standard" methodology for risks associated to the retail portfolio and the "foundation" methodology for risks associated to the corporate portfolio. Common Equity Tier I Ratio<sup>(1)</sup> - Basel III fully phased - would be 11.4% **Total Capital Ratio**<sup>(1)</sup> - Basel III phased in - was 15.19% while it would be 15.15% Basel III fully phased. Credem Group is still waiting for the validation of its advance models for capital absorption.

At the end of 1Q14 Credem's distribution network consisted of 637 branches, corporate centres and financial stores with 5,684 employees, 792 financial advisers with mandate, 266 Creacasa agents and 106 agents with exclusive mandate for "salary backed loans".

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### **Forecast on operating trends and evolution of the business**

Credem Group, after benefitting by the efforts put in place to manage and reduce risks, is now able to allocate growing energies to implement numerous initiatives aimed at strengthening commercial network and updating the service model. Such actions could produce a trend of the business that might be significantly different from the industry's one in terms of investments, costs, revenues and volumes.

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In accordance with paragraph 2 of Article 154 bis of the Consolidated Law on Finance, the Financial Reporting Manager Paolo Tommasini declares that the accounting information contained in this press release correspond to documentary records, ledgers and accounting entries.

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Find here attached the consolidated balance sheet and income statement as well as the reclassified consolidated P&L. The unaudited consolidated 1Q14 report will be soon available to the public in due terms. A presentation that illustrates 1Q14 consolidated Group results will be soon available in the section "Investor Relations" of Credem's website [www.credem.it](http://www.credem.it)

For additional information about Credem and other companies of the Group, please visit Credem website [www.credem.it](http://www.credem.it)

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**NOTES:**

- (1) With reference to the several innovations introduced by the new Basel 3 regulatory framework, effective from January 1 2014, Bank of Italy postponed to June 30 2014 the transmission of the information requested to feed the authority's risk monitoring system regarding figure as at March 31 2014; as a result of such decision risk have been estimated and calculated based on the new Basel 3 framework, also taking into account all clarifications and interpretations currently available;
- (2) Direct Deposits from Customers do not include repos with the Cassa di Compensazione e Garanzia. Group's Direct Deposits include the contribution of all companies belonging to the banking group, while Insurance Reserves include technical reserves and Credemvita financial liabilities valued at fair value. Regarding Customers' Fundings, bonds issued to institutional investors and deposits from financial institutions are deducted from the total. Group's Customers' Funding includes Insurance Reserves;
- (3) Data referred to Credem Spa only;
- (4) Includes dividends from "Available-for-sale financial assets" (minority equity investments) and "Profit/(Loss) from Equity Investments";
- (5) Includes Credemvita Operating Income and "Other operating income/charges" net of extraordinary income/expenses;
- (6) The recovery of indirect taxes charged to clientele (€20.8 million in 1Q14, €68.9 in FY13 and €14.7 million in 1Q13) was deducted either from Non Interest Margin and Operating Costs;
- (7) Calculated as Operating Costs on Operating Income;
- (8) Source: ABI Monthly Outlook – April 2014.

Reggio Emilia, May 8 2014

CREDITO EMILIANO SPA  
(Chairman)  
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**CREDEM - CONSOLIDATED BALANCE SHEET (€,'000)**

		<b>March 31, 2014</b>	<b>Dec 31, 2013</b>
10.	Cash and cash equivalents	107,255	154,130
20.	Financial assets held for trading	173,701	185,701
30.	Financial assets valued at fair value	1,104,836	1,040,416
40.	Available-for-sale financial assets	7,395,577	7,922,407
60.	Due from banks	796,569	633,636
70.	Loans to customers	19,547,527	19,937,917
80.	Hedging derivatives	129,605	102,357
90.	Value adjustments to financial assets subject to macro-hedging (+/-)	45,217	33,885
100.	Equity investments	25,235	24,635
110.	Technical reserves attributable to reinsurers	2,230	2,283
120.	Tangible assets	308,897	312,375
130.	Intangible assets	371,103	374,308
	of which: goodwill	287,295	287,295
140.	Tax assets	248,922	264,290
	a) current	73,291	79,444
	b) prepaid – not as per L. 214/2011	175,631	184,846
	b1) prepaid – as per L. 214/2011	72,687	70,346
160.	Other assets	577,113	542,454
	<b>Total Assets</b>	<b>30,833,787</b>	<b>31,530,794</b>
		<b>March 31, 2014</b>	<b>Dec 31, 2013</b>
10.	Due to banks	3,339,084	5,286,865
20.	Due to customers	14,915,078	15,111,576
30.	Outstanding securities	4,945,313	4,135,051
40.	Financial liabilities held for trading	95,146	107,486
50.	Financial liabilities valued at fair value	1,173,692	1,103,694
60.	Hedging derivatives	207,083	303,892
70.	Value adj. to financial liabilities subject to macro-hedging (+/-)	37,935	43,719
80.	Tax liabilities	179,067	164,252
	a) current	47,972	45,210
	b) deferred	131,095	119,042
100.	Other liabilities	1,025,974	734,656
110.	Staff termination indemnity	94,874	91,544
120.	Provisions for risks and charges	112,715	105,537
	a) pensions and similar	2,273	2,144
	b) other provisions	110,442	103,393
130.	Technical reserves	2,487,072	2,186,698
140.	Valuation reserves	60,548	13,255
170.	Reserves	1,490,739	1,414,242
180.	Share premium reserve	283,052	283,052
190.	Share capital	332,392	332,392
200.	Treasury shares (-)	(3,349)	(3,349)
210.	Minority interests (+/-)	390	381
220.	Profit (Loss) for the period (+/-)	56,982	115,851
	<b>Total Liabilities and Shareholders' Equity</b>	<b>30,833,787</b>	<b>31,530,794</b>

**CREDEM - CONSOLIDATED INCOME STATEMENT (€,'000)**

		1Q2014	1Q2013
10.	Interests income and similar revenues	197,202	197,516
20.	Interest expense and similar charges	(59,270)	(71,568)
<b>30.</b>	<b>Interest Margin</b>	<b>137,932</b>	<b>125,948</b>
40.	Commission income	120,871	115,880
50.	Commission expense	(25,487)	(25,254)
<b>60.</b>	<b>Net Commissions</b>	<b>95,384</b>	<b>90,626</b>
70.	Dividend and similar revenues	191	531
80.	Net result from trading activities	4,131	4,205
90.	Net result from hedging activities	(52)	580
100.	Profit (loss) from sale or repurchase of:	61,711	49,395
	b) available-for-sale financial assets	62,270	49,308
	d) financial liabilities	(559)	87
110.	Net result from financial assets and liabilities valued at fair value	895	437
<b>120.</b>	<b>Operating Income</b>	<b>300,192</b>	<b>271,722</b>
130.	Net value adjustments/write-backs due to impairment of:	(13,482)	(19,899)
	a ) loans	(13,510)	(19,582)
	b ) financial assets available for sale	(1)	
	d) other financial transactions	29	(317)
<b>140.</b>	<b>Net Income from Banking Activities</b>	<b>286,710</b>	<b>251,823</b>
150.	Net premiums	298,501	143,314
160.	Other income/expenses from insurance activities	(324,795)	(170,106)
<b>170.</b>	<b>Net Income from Banking and Insurance Activities</b>	<b>260,416</b>	<b>225,031</b>
180.	Administrative costs:	(187,502)	(172,563)
	a) personnel costs	(112,729)	(109,247)
	b) other administrative costs	(74,773)	(63,316)
190.	Net provisions for risks and charges	(2,295)	(791)
200.	Net value adjustments/write-backs to tangible assets	(3,878)	(3,909)
210.	Net value adjustments/write-backs to intangible assets	(5,189)	(4,324)
220.	Other operating income/charges	31,685	27,311
<b>230.</b>	<b>Operating Costs</b>	<b>(167,179)</b>	<b>(154,276)</b>
240.	Profit (loss) from equity investments	419	151
270.	Profit (loss) from disposal of investments	(231)	(112)
<b>280.</b>	<b>Profit (loss) before tax from continuing operations</b>	<b>93,425</b>	<b>70,794</b>
290.	Taxes on income from continuing operations	(36,433)	(28,366)
<b>300.</b>	<b>Profit (loss) after-tax from continuing operations</b>	<b>56,992</b>	<b>42,428</b>
<b>320.</b>	<b>Profit (loss) for the period</b>	<b>56,992</b>	<b>42,428</b>
330.	Profit (loss) attributable to minority interests	(10)	(13)
<b>340.</b>	<b>Profit (loss) attributable to the parent company</b>	<b>56,982</b>	<b>42,415</b>

**CREDEM – CONSOLIDATED INCOME STATEMENT (€ Million)**

	1Q14	1Q13	YoY %	2013
Interest Margin	123.6	112.6	9.8	466.3
Non Interest Margin (*)	163.1	145.8	11.9	529.0
<b>Operating Income</b>	<b>286.7</b>	<b>258.4</b>	<b>11.0</b>	<b>995.3</b>
Personnel Costs	(112.7)	(109.2)	3.2	(422.8)
Other Administrative Costs (*)	(54.0)	(48.6)	11.1	(190.5)
<b>Operating Costs</b>	<b>(166.7)</b>	<b>(157.8)</b>	<b>5.6</b>	<b>(613.3)</b>
<b>Gross Operating Profit</b>	<b>120.0</b>	<b>100.6</b>	<b>19.3</b>	<b>382.0</b>
Amortisation & Depreciation	(9.2)	(8.4)	9.5	(35.2)
<b>Net Operating Profit</b>	<b>110.8</b>	<b>92.2</b>	<b>20.2</b>	<b>346.8</b>
Provisions for Risks and Charges	(2.3)	(0.8)	n.a.	(11.5)
Extraordinary Income/ Charges	(1.6)	(0.7)	n.a.	(3.9)
Net Adjustments to Loans	(13.5)	(19.9)	(32.2)	(120.3)
<b>Profit before Tax</b>	<b>93.4</b>	<b>70.8</b>	<b>31.9</b>	<b>211.1</b>
Minority Interests	-	-	-	(0.1)
Income Taxes for the Period	(36.4)	(28.4)	28.2	(95.1)
<b>Profit for the Period</b>	<b>57.0</b>	<b>42.4</b>	<b>34.4</b>	<b>115.9</b>
<b>Earning per Share</b>	0.17			0.35
<b>Diluted Earning per Share</b>	0.17			0.35

(\*) The recovery of indirect taxes charged to clientele (€20.8 million in 1Q14, €68.9 in FY13 and €14.7 million in 1Q13) was deducted either from Non Interest Margin and Operating Costs

**KEY:**

**Interest Margin**

- + Line 30 Interest margin
- + Line 70 Dividends and similar revenues (solely for the portion relating to dividends of AFS equity securities)
- + Line 240 Profit (Loss) from equity investments
- Interest margin of Credemvita

**Non-Interest Margin**

- + Line 60 Net Commissions
- + Line 80 Net result from trading activities
- + Line 90 Net result from hedging activities
- + Line 100 Profit (Loss) from sale or repurchase excluding profit/loss on equity securities
- + Line 110 Net result from financial assets and liabilities valued at fair value
- + Line 150 Net premiums
- + Line 160 Other income/expenses from insurance activities
- + Line 220 Other operating income/charges (net of extraordinary Lines and of indirect taxes' recovery charged to clientele)
- + Line 70 Dividends and similar revenues (net of the portion relating to dividends of AFS equity securities)
- + Interest margin of Credemvita

**Operating Profit**

- + Operating Income
- + Line 180 Operating costs (personnel costs and other administrative costs and of indirect taxes' recovery charged to clientele)
- + Line 200 Net value adjustments/write-backs to tangible assets
- + Line 210 Net value adjustments/write-backs to intangible assets

**Profit before tax**

- + Operating Profit
- + Line 190 Provisions for risks and charges
- + Line 130 Net Adjustments for impaired loans and other financial transactions
- + Extraordinary income/charges:
  - Line 220 Other operating income/charges (only extraordinary Lines – imbalance of extraordinary Lines)
  - + Line 100 Profit (Loss) from sale or repurchase for profit/loss on equity securities only
  - + Line 130 Net Adjustments to assets available for sale
  - + Line 270 Profit (Loss) from disposal of investments
  - + Line 240 Profit (Loss) from equity investments
  - + Line 310 Profit (Loss) referred to group of assets being disposed net of taxes