

CREDEM: THE BOARD OF DIRECTORS APPROVES FIRST HALF 2012 GROUP'S CONSOLIDATED RESULTS: NET PROFIT +23.2%

- **Consolidated Net Profit** +23.2% YoY at €66.3 (was €53.8 million in 1H11);
- **Loans to Customers** ⁽¹⁾ +1.3% YoY at €19,803 million;
- **Net NpL ratio** at 1.2%;
- **Direct Deposits** ⁽²⁾ +2.0% YoY at €16,645 million;
- **Core Tier 1** ⁽³⁾ a 9.2%, **total capital ratio** ⁽⁴⁾ a 12.5% with no recourse to rights issues;
- **Operating Costs** ⁽⁵⁾⁽⁸⁾ down 1.9% YoY.

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 1H12 individual and consolidated results. Even in the current tough scenario, the positive performance of the commercial banking activity and the soundness in terms of capital were confirmed. In particular, at the end of 1H12 **loans to customers** ⁽¹⁾ grew 1.3% yoy paired with a strong focus on credit quality (net NpL ratio at 1.2%); direct deposits ⁽²⁾ were up 2% YoY and core Tier I ⁽³⁾ was 9.2%. Consolidated Net Profit in 1H12 was up by 23.2% YoY at €66.3 million (it was €53.8 million in 1H11).

Credem's General Manager Adolfo Bizzocchi, will present tomorrow 1H12 Consolidated Results in a conference call starting at 10.00 am CET.

Consolidated Income Statement

Operating Income was €466 million, virtually unchanged compared to €467 million in 1H11 (-0.2% YoY).

In detail **Interest Margin** ⁽⁶⁾ was up by 1.6% YoY at €233.9 million compared to €230.2 million in 1H11 because of loan's volumes growth. Customers' spread went down, while the effect of the securities' portfolio was positive. The repositioning of the funding mix allowed to limit the effects of a high cost funding.

Non Interest Margin ⁽⁷⁾⁽⁸⁾ was €232.1 million compared to €236.8 million in 1H11 (-2% YoY). In detail, fees were unchanged in comparison with 1H11, while trading and hedging activities, as well as life insurance activities were in contraction. In detail, banking fees grew, while asset management commissions went down (portfolio managed accounts fees -17%, mutual funds fees -22.7%, especially for mutual funds). Insurance fees went down because of lower general insurance placement fees, while third parties insurance products related fees continued to grow. Placement of securities performed well (+4.5%) mostly referred to third parties' products. Trading and hedging went down, mostly because of the contracted activity of interest rates hedging, while the contribution coming from trading on government bonds within the "available for sale" portfolio was positive. Life insurance was impacted by lower volumes with clientele and by a diverging trend (compared to the previous semester) of interest rates, that drove down the value of insurance reserves and related yield to be delivered to customers.

Operating Costs ⁽⁵⁾⁽⁸⁾ were €302.8 million, down 1.9% compared to €308.7 million in 1H11. In detail, **Administrative Costs** ⁽⁷⁾ were €96.2 million (+1.3% YoY) and Payroll Costs were €206.6 million (-3.3% YoY).

Cost to Income Ratio⁽⁹⁾ was 65%, in reduction if compared to 67.4% in 1H11.

Gross Operating Profit reached €163.2 million, +3.1% compared to €158.3 million in 1H11. **Amortisation and Depreciation** equalled €15.7 million compared to €14.6 million in 1H11 (+7.5% YoY).

Net Operating Profit amounted to €147.5 million, up by 2.6% if compared to €143.7 million in 1H11.

Provisions for Risk and Charges equalled 15 million (2.5 million in 1H11). **Net Adjustments to Loans** were €36.4 million compared to €19.3 million in 1H11 (+88.7% YoY). This aggregate was penalized by the effects of the current problematic environment on enterprises and households and, for a total amount of more than €10 million, by a new more restricting rule on past due loans provisioning treatment introduced in 2012, as well as by the statistical adjustment of the general provision on performing loans. Both these two actions are not going to be repeated in the second half of 2012.

Net Extraordinary Income/Charges were €16.6 million (-6.2 million in 1H11).

Profit before Tax was €112.7 million compared to €120.7 million in 1H11 (-6.6% YoY).

Income Taxes were €46.4 million (-30.6% compared to €66.9 million in 1H11).

Net Profit was €66.3 million, +23.2% compared to €53.8 million in 1H11. The result was positively affected by some non recurrent events: the group benefitted, for an amount of €14.9 million (net of fiscal charges), of a capital gain related to the sale, in 2008, of the 50% stake of Credemassicurazioni to Reale Mutua Assicurazioni, such capital gain could only be posted in 1Q12 as the sale agreement included some put options expired in January 2012; with reference to the above mentioned transaction, the stake in Credemassicurazioni still held by Credem had to be revaluated at fair value with a positive effect on the result of €9.2 million; with reference to the 100% stake disposal of Banca Euromobiliare Suisse occurred at december 2011, a price adjustment for an amount of €5.8 million, previously agreed on the base of the sale agreement signed at the time, was paid by the buyer.

Negative effects came instead from the settlement of a litigation in place for some years (for a net balance of €8 million, made of previous quarters' provisions and the cost posted in the last quarter within the extraordinary income/charges line) and from the provision (for an amount of €20 million) related to new claims with the Agenzia delle Entrate still related to the conjecture of "abuse of right" exploitation.

Consolidated Balance Sheet⁽¹⁰⁾

Group Total Funding, at the end of 1H12 came at €53,015 million, compared to €56,283 million at the end of 1H11 (-5.8% YoY). Group's customers' fundings⁽¹¹⁾ was €44,014 million, -1.7% YoY compared to €44,796 million at the end of 1H11 and +2% compared to €43,145 million at the end of 2011.

Direct Deposits⁽²⁾ were €16,645 million compared to €16,314 million at the end of 1H11 (+2% YoY). Direct customers' deposits⁽¹¹⁾ were up by 8.7% at €15,364 million compared to €14,122 million at the end of 1H11 and up by 2.6% compared to €14,957 million at the end of 2011. In detail, Sight Deposits were €12,212 million (+2.9% compared to €11,868 million at the end of 1H11) while Bonds and Subordinated Debt were €4,433 million (€4,383 million at the end of 1H11).

Insurance Reserves⁽²⁾ grew by 5.1% at €2,557 million compared to €2,433 million at the end of 1H11.

Indirect Deposits⁽¹²⁾ were €33,813 million compared to €37,536 million at the end of 1H11 (-9.9% YoY) while Indirect Customers' Deposits⁽¹¹⁾ were down by 7.5% YoY to €26,111 million compared to €28,241 million at the end of 1H11 and up by 1.7% compared to €25,682 million at the end of 2011. In detail, **AUM** were €15,172 million compared to €16,671 million at the end of 1H11 (-9% YoY); specifically, portfolio managed accounts were €3,770 million (-18.8% YoY) and Mutual Funds and Sicav were

€7,746 million (-9.3% YoY). The aggregate was negatively impacted by high markets volatility, progressive slowdown in savings accumulation by families, risk aversion showed by customers and consequent migration toward short term and reasonably high yield securities, as well as banks' funding needs that drove to banks' bond issues. Customers' preferences went mostly to foreign and third parties' mutual funds and, in term of asset class, to bonds' mutual funds which were able to offer lower volatility and solid yields. **Assets under Custody** were €18,641 million, compared to €20,865 million at the end of 1H11 (-10.7% YoY). This aggregate shows how the group tried to meet customers' needs by issuing time depots and similar asset gathering instruments.

Loans to customers⁽¹⁾ grew by 1.3% YoY at €19,803 million compared to €19,543 million at the end of 1H11. In detail, short term lending was focused to small and medium corporate customers (+4.5% YoY for small companies and +5.8% YoY for medium companies respectively) and to retail clientele (+8.9% YoY). As far as long term lending, corporate segments grew moderately (+0.7% YoY for medium companies and -2.7% for small companies respectively), while retail grew more (+3.4% YoY). Within such segment, personal loans performed well (~ +30%), while **Residential mortgages to households** amounted to €6,257.2 million (2.6% yoy) with new mortgages sold in the period amounting to €266 million (-56% YoY).

Net NPL ratio, at the end of 1H12 was 1.2% unchanged in comparison with 1H11, well below the industry average. **Net Impaired Loans** were €674.6 million (€538.7 million at the end of 1H11) and represent 3.41% of total loans.

Core Tier 1 ratio⁽³⁾ was 9.2%. **Total capital ratio**⁽⁴⁾ was 12.5%.

At the end of 1H12 Credem's distribution network consisted of 559 branches, 42 corporate centres and 45 financial stores with 5,595 employees, 758 financial advisers with mandate. 307 Creacasa agents and 64 agents with exclusive mandate for the "cessione del quinto".

Forecast on operating trends and evolution of the business

The first semester of 2012, in terms of profitability for the banking sector in general and the group itself, was characterized by some signs of recovery that nevertheless still look very fragile. The macroeconomic and financial scenarios, the sovereign debt yields related to riskier countries and consequent effects on cost of funding, financial market trends and related effects on trading and asset management activities as well as cost of risk expected evolution (that currently looks under a deterioration trend), remain key aspects for evaluating near future's performances of the group.

Other information

During the second quarter 2012 the Agenzia delle Entrate continued its inquiries on 2007 Abaxbank's accounts and, with reference to some specific aspects, on Credito Emiliano's accounts from 2007 to 2010.

As a consequence, the Agenzia delle Entrate notified the Formal Tax Reports of Findings for both Abaxbank and Credito Emiliano; inquiries regards almost entirely new claims that are still related to the conjecture of "abuse of right" exploitation.

Credem, despite its belief of having operated with correctness, considered the settlement as an appropriate option to avoid to prolong the uncertainty of the situation, also given that a litigation could last for an indefinite period and be very expensive in terms of fines and legal costs.

On the base of previous claims treatment and also with reference to the feedbacks from the first informal contacts with local Emilia-Romagna and Lombardia Agenzia delle Entrate branches, Credem decided to provision, with respect to 2007 Abaxbank's accounts and, with reference to some specific aspects, on Credito Emiliano's accounts from 2007 to 2010, €20 million, considering that the accounting principle IAS 37 is applicable to that matter.

Credem's General Manager Adolfo Bizzocchi will present tomorrow 1H12 Consolidated Results in a conference call starting at 10.00 am CET. To enter in the conference, attendees can call, 15 minutes before the start, the following numbers:

+39 0238591420 (from Italy and other Internationals),

+44 (0) 207136 2056 (from UK)

+1 212 444 0896 (from US).

The presentation will be available in Italian and English by choosing a confirmation code after the access (8274815 for Italian and 6472342 for English).

The conference completed with a synchronized slide show will also be accessible via webcast, by visiting Credem's corporate website www.credem.it, under the Investor Relations section.

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

Find here attached the consolidated balance sheet and income statement as well as the reclassified consolidated P&L.

The 2012 Interim Report, that is subject to a limited audit, will be soon available to the public in due terms.

For additional information about Credem and the other companies in the Group, please visit Credem website www.credem.it

NOTES:

(1) Compared to previous quarters, the aggregate does not include (for €22.8 million) loans referred to the disposal of the custodian bank activity to BNP Paribas Securities Services, that instead were reclassified to "Non-current assets & groups of assets being disposed"

(2) Direct Deposits include all Direct Deposits aggregate referred to the companies belonging to the banking group, while Insurance Reserves include Credemvita technical reserves and financial liabilities at fair value; compared to previous quarters, the aggregate does not include (for €159 million) liabilities referred to the disposal of the custodian bank activity to BNP Paribas Securities Services, that instead were reclassified to "Liabilities referred to group of assets being disposed"

(3) Calculated as Tier I Capital on Risk Weighted Assets

(4) Calculated as Tier I Capital plus subordinated debts on Risk Weighted Assets

(5) As requested by the "Circolare Bankit - 15 February 2012" with regard to the accounting treatment of some costs related to human resources, a portion of costs included in "Personnel Costs" amounting to €3.3 million in 2011 schemes has been reclassified to "Other Administrative Costs" for the sake of an effective comparison

(6) Includes dividends from "Available-for-sale financial assets" (minority equity investments) and "Profit/(Loss) from Equity Investments"

(7) Includes Credemvita Operating Income and "Other operating income/charges" net of extraordinary income/expenses and tax refund

(8) To enhance a better reading of group's performances, the recovery of indirect taxes charged to clientele was deducted either from Non Interest Income (Other Income) and Operating Costs (Other Administrative Expenses) respectively for €19.4 million in 1H11 and €28.2 million in 1H12

(9) Calculated as Operating Costs on Operating Income

(10) Following the changes occurred to the interbank collateralized market, with the transfer to Cassa di Compensazione e Garanzia and Monte Titoli of some functions that Bank of Italy used to manage to date, in item 20 on the liabilities side of balance sheet are accounted €0.7 billion of interbanking credit lines. Comments on "Loans to customers" and "Customers' funding" do not include such interbanking credit lines

(11) Bonds issued to institutional investors, liquidity assets under custody and indirect deposits are deducted from the aggregate; insurance reserves are instead included

(12) Indirect Deposits are exposed at their market value

Reggio Emilia, 29 August 2012

CREDITO EMILIANO SPA
(Chairman)
Giorgio Ferrari

Contacts:

Media Relations Credem

+39 0522 582075

rel@credem.it

Investor Relations Credem

+39 0522 583029-2785

investor@credem.it

www.credem.it

CREDEM - CONSOLIDATED BALANCE SHEET (€,000)

| Assets | | June 30, 2012 | December 31, 2011 |
|---|--|-------------------|-------------------|
| 10. | Cash and cash equivalents | 122,115 | 129,011 |
| 20. | Financial assets held for trading | 736,519 | 704,601 |
| 30. | Financial assets valued at fair value | 877,717 | 930,084 |
| 40. | Available-for-sale financial assets | 5,919,970 | 6,741,545 |
| 60. | Due from banks | 679,587 | 833,480 |
| 70. | Loans to customers | 19,850,747 | 19,995,136 |
| 80. | Hedging derivatives | 170,931 | 122,587 |
| 90. | Value adjustments to financial assets subject to macro-hedging (+/-) | 66,913 | 69,100 |
| 100. | Equity investments | 22,217 | 14,416 |
| 110. | Technical reserves attributable to reinsures | 1,811 | 1,537 |
| 120. | Tangible assets | 314,647 | 320,524 |
| 130. | Intangible assets | 365,837 | 368,764 |
| | of which: goodwill | 287,295 | 287,295 |
| 140. | Tax assets | 274,930 | 325,717 |
| | a) current | 49,000 | 54,456 |
| | b) prepaid | 225,930 | 271,261 |
| 150. | Non-current assets & groups of assets being disposed | 22,798 | - |
| 160. | Other assets | 572,643 | 540,806 |
| Total Assets | | 29,999,382 | 31,097,308 |
| Liabilities and Shareholders' Equity | | June 30, 2012 | December 31, 2011 |
| 10. | Due to banks | 6,012,975 | 6,460,743 |
| 20. | Due to customers | 12,891,249 | 13,446,156 |
| 30. | Outstanding securities | 4,288,355 | 4,765,205 |
| 40. | Financial liabilities held for trading | 289,210 | 354,450 |
| 50. | Financial liabilities valued at fair value | 1,034,188 | 1,257,648 |
| 60. | Hedging derivatives | 377,597 | 364,681 |
| 70. | Value adj. to financial liabilities subject to macro-hedging (+/-) | 74,405 | 54,838 |
| 80. | Tax liabilities | 97,662 | 95,758 |
| | a) current | 16,934 | 22,218 |
| | b) deferred | 80,728 | 73,540 |
| 90. | Liabilities referred to group of assets being disposed | 159,032 | - |
| 100. | Other liabilities | 1,136,073 | 908,851 |
| 110. | Staff termination indemnity | 81,943 | 78,099 |
| 120. | Provisions for risks and charges | 96,843 | 100,702 |
| | a) pensions and similar | 1,796 | 1,843 |
| | b) other provisions | 95,047 | 98,859 |
| 130. | Technical reserves | 1,673,255 | 1,558,424 |
| 140. | Valuation reserves | -224,053 | -320,783 |
| 170. | Reserves | 1,330,001 | 1,260,169 |
| 180. | Share premium reserve | 283,052 | 283,052 |
| 190. | Share capital | 332,392 | 332,392 |
| 200. | Treasury shares (-) | -1,348 | - |
| 210. | Minority interests (+/-) | 281 | 297 |
| 220. | Profit (Loss) for the period (+/-) | 66,270 | 96,626 |
| Total Liabilities and Shareholders' Equity | | 29,999,382 | 31,097,308 |

CREDEM - CONSOLIDATED INCOME STATEMENT (€,000)

| | Voci | 1H12 | 1H11 |
|-------------|---|------------------|------------------|
| 10. | Interests income and similar revenues | 444,867 | 390,349 |
| 20. | Interest expense and similar charges | (176,764) | (136,234) |
| 30. | Interest Margin | 268,103 | 254,115 |
| 40. | Commission income | 229,995 | 235,233 |
| 50. | Commission expense | (50,490) | (52,850) |
| 60. | Net Commissions | 179,505 | 182,383 |
| 70. | Dividend and similar revenues | 362 | 449 |
| 80. | Net result from trading activities | 8,909 | 29,150 |
| 90. | Net result from hedging activities | (709) | (1,698) |
| 100. | Profit (loss) from sale or repurchase of: | 29,233 | 4,757 |
| | b) available-for-sale financial assets | 28,346 | 3,668 |
| | d) financial liabilities | 887 | 1,089 |
| 110. | Net result from financial assets and liabilities valued at fair value | (1,538) | (11,420) |
| 120. | Operating Income | 483,865 | 457,736 |
| 130. | Net value adjustments/write-backs due to impairment of: | (36,439) | (19,286) |
| | a) loans | (35,961) | (18,636) |
| | d) other financial transactions | (478) | (650) |
| 140. | Net Income from Banking Activities | 447,426 | 438,450 |
| 150. | Net premiums | 180,902 | 200,610 |
| 160. | Other income/expenses from insurance activities | (207,151) | (201,048) |
| 170. | Net Income from Banking and Insurance Activities | 421,177 | 438,012 |
| 180. | Administrative costs: | (330,966) | (328,086) |
| | a) personnel costs | (206,627) | (213,749) |
| | b) other administrative costs | (124,339) | (114,337) |
| 190. | Net provisions for risks and charges | (14,977) | 2,515 |
| 200. | Net value adjustments/write-backs to tangible assets | (7,723) | (7,822) |
| 210. | Net value adjustments/write-backs to intangible assets | (7,932) | (6,814) |
| 220. | Other operating income/charges | 23,825 | 21,671 |
| 230. | Operating Costs | (337,773) | (318,536) |
| 240. | Profit (loss) from equity investments | 23,589 | 1,121 |
| 270. | Profit (loss) from disposal of investments | 5,743 | 74 |
| 280. | Profit (loss) before tax from continuing operations | 112,736 | 120,671 |
| 290. | Taxes on income from continuing operations | (46,443) | (66,871) |
| 300. | Profit (loss) after-tax from continuing operations | 66,293 | 53,800 |
| 320. | Profit (loss) for the period | 66,293 | 53,800 |
| 330. | Profit (loss) attributable to minority interests | (23) | 5 |
| 340. | Profit (loss) attributable to the parent company | 66,270 | 53,805 |

As requested by the "Circolare Bankit - February 15, 2012" with regard to the accounting treatment of some costs related to human resources, some costs included in "Personnel Costs" in 2011 for an amount of €3.3 million, has been reclassified to "Other Administrative Costs".

CREDEM - RECLASSIFIED CONSOLIDATED INCOME STATEMENT (€million)

| | 1Q12 | 2Q12 | 1H12 | 1H11 | Var% | 2Q11 | FY11 |
|----------------------------------|----------------|----------------|----------------|----------------|--------------|---------------|----------------|
| Interest Margin | 115.1 | 118.8 | 233.9 | 230.2 | 1.6 | 118.1 | 463.3 |
| Non-Interest Margin | 123.6 | 108.5 | 232.1 | 236.8 | (2.0) | 122.4 | 504.8 |
| Operating Income | 238.7 | 227.3 | 466.0 | 467.0 | (0.2) | 240.5 | 968.1 |
| Personnel Costs | (105.5) | (101.1) | (206.6) | (213.8) | (3.3) | (105.4) | (418.1) |
| Other Administrative Costs | (48.6) | (47.6) | (96.2) | (94.9) | 1.3 | (47.8) | (229.3) |
| Operating Costs | (154.1) | (148.7) | (302.8) | (308.7) | (1.9) | -153.2 | (647.4) |
| Gross Operating Profit | 84.6 | 78.6 | 163.2 | 158.3 | 3.1 | 87.3 | 320.7 |
| Amortisation & Depreciation | (7.7) | (8.0) | (15.7) | (14.6) | 7.5 | (7.4) | (30.5) |
| Operating profit | 76.9 | 70.6 | 147.5 | 143.7 | 2.6 | 79.9 | 290.2 |
| Provisions for Risks and Charges | (5.7) | (9.3) | (15.0) | 2.5 | (700.0) | 4.7 | (15.3) |
| Extraordinary Income/ Charges | 16.1 | 0.5 | 16.6 | (6.2) | (367.7) | (5.1) | (7.1) |
| Net Adjustments to Loans | (22.5) | (13.9) | (36.4) | (19.3) | 88.7 | (12.5) | (52.0) |
| Profit before Tax | 64.8 | 47.9 | 112.7 | 120.7 | (6.6) | 67.0 | 215.8 |
| Minority Interests | 0.0 | 0.0 | 0.0 | 0.0 | - | 0.0 | (0.1) |
| Income Taxes for the Period | (23.2) | (23.2) | (46.4) | (66.9) | (30.6) | (43.8) | (119.1) |
| Profit for the Period | 41.6 | 24.7 | 66.3 | 53.8 | 23.2 | 23.2 | 96.6 |
| Earning per share | | | 0.20 | 0.16 | 25.0 | | 0.29 |
| Diluted earning per share | | | 0.20 | 0.16 | 25.0 | | 0.29 |

The consolidated income statement reclassification has been done also taking into account some management data non directly deducible from financial statements and notes.

As requested by the "Circolare Bankit - February 15, 2012" with regard to the accounting treatment of some costs related to human resources, a some costs included in "Personnel Costs" in 2011 for an amount of €3,3 million, has been reclassified to "Other Administrative 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