

## **CREDEM: THE BOARD OF DIRECTORS APPROVES FIRST HALF 2011 GROUP'S CONSOLIDATED RESULTS**

- *strong capital ratios: **Core Tier 1 ratio** 8.76%, **Total Capital ratio** 11.57%,*
- *support to households and enterprises: **loans** +9.6% yoy at €19.543 million, **residential mortgage inflows** €594.3 million;*
- *credit quality: **annualized cost of risk**<sup>1</sup> is 20 bps, **net NPLs ratio** is 1.2% and **Net Adjustments to Loans** strongly down, -34% yoy;*
- ***Profit for the Period** at €53.8 million (+0.7% yoy);*
- *signed an agreement in June for the **sale of Banca Euromobiliare Suisse** to Lukos SA, the Banca Zarattini & Co holding company*
- *M&A and corporate finance activity previously managed by Credem acquired **by Banca Euromobiliare**, in May.*

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 1H11 individual and consolidated results.

*"In the first semester 2011, we kept on focusing on our core activity of modern commercial bank – declared **Credem General Manager Adolfo Bizzocchi** – this strategy allowed us to face the current uncertain financial environment, while continuing to sustain companies and households with loans to our customers that grew 9.6% yoy. On top of that, credit quality remained excellent, with an annualized cost of risk of 20 bps and net NPLs ratio around 1.2%. Capital ratios remained strong as usual with a core Tier I at 8.76%, a circumstance that makes us confident to be able to sustain our future growth"*

General Manager, **Adolfo Bizzocchi**, will present 1H11 results during a conference call scheduled on 30 August 2011 at 9.30 CET.

### **Consolidated Income Statement**

**Operating Income** came at €486.4 million compared to €461.0 million at the end of 1H10 (+5.5% yoy).

In particular, **Interest Margin**<sup>2</sup> came at €230.2 million, substantially stable if compared to €230.9 million at the end of 1H10 (-0.3%); a positive contribution came from loan volumes increase, while negative effects came from the raising cost of funding as a result of bonds and interbank markets instability as well as the liabilities repositioning on longer maturities.

**Non Interest Margin**<sup>3</sup> came at €256.2 million **compared to** €230.1 million at the end of 1H10 (+11.3%) benefited by trading and hedging policies in the semester. In detail, brokerage commissions as well as banking service fees are slightly down while asset management fees were up and insurance fees increased significantly. Negotiation and order processing fees (-26.0% yoy) were affected by markets volatility in the second half of the semester. A negative effect also came from the different accounting treatment of Creacasa revenues that were posted in 1H11 following the "pro-tempore basis" principle instead of the "when paid" principle followed in 1H10. It is also worth to mention the slowdown in current accounts fees (-8.4% yoy). Within AUM related fees, the positive trend was shared by every type of product: portfolio management (+3.3% yoy), mutual funds and Sicavs (+2.9% yoy), third parties products especially for placement fees (+1.4% yoy) and insurance products (+10.4% yoy).

**Operating Costs**<sup>4</sup> came at €328.1 million compared to €320.5 million at the end of 1H10 (+2.4%). In particular, Administrative Expenses amounted to €111 million (+1.8%) while Personnel Costs were €217.1 million (+2.6% yoy).

**Cost/Income Ratio**<sup>5</sup> was 67.4% compared to 69.5% at the end of 1H10.

**Gross Operating Profit** is up by 12.7% at €158.3 million compared to €140.5 million at the end of 1H10. **Amortisation and Depreciation** equalled €14.6 million compared to €13.9 million at the end of 1H10 (+5.0%).

**Operating Profit** was up by 13.5% at €143.7 million compared to €126.6 million at the end of 1H10.

**Provisions for Risk and Charges** equalled €2.5 million (-€1.3 million at the end of 1H10). **Net Adjustments to Loans** were €19.3 million (-34% compared to €29.2 million at the end of 1H10).

**Net Extraordinary Income/Charges** showed a negative impact for €6.2 million (were negative for €1.7 million at the end of 1H10).

**Profit before Tax** equalled €120.7 million, +27.9% compared to €94.4 million at the end of 1H10.

**Income Taxes** were €66.9 million (+63.2% compared to €41.0 million at the end of 1H10) of which €12.6 million for the Agenzia delle Entrate fiscal claim settlement and €3.5 million related to deferred and current taxation resulting from the increase of IRAP rate for banks and other financial companies, as resolved by DL 98/2011, that became Law 111/2011.

**Profit for the Period** came at €53.8 million compared to €53.4 million at the end of 1H10 (+0.7%) affected by the Agenzia delle Entrate fiscal claim settlement that, considering what already provisioned in 2010 for the matter and the IRES deductibility of interests, amounted in the semester to €18.9 million (broken down in €4.4 million of extraordinary charges, €12.6 million of taxes and €1.9 million of interest charge).

### **Consolidated Balance Sheet**

**Group Customers' Funding** came at €56,283 million at the end of 1H11 compared to €57,506 million at the end of 1H10 (-2.1%).

**Direct Deposits**<sup>6</sup>, including repurchase agreements, were €16,314 million vs. €16,107 million at the end of 1H10 (+1.3%). During the 1H11, Credem issued successfully, within its covered bonds programme (allowing to issue bonds backed by the residential mortgage portfolio) announced on 27 August 2010, a €500 million tranche to institutional investors. About €900 million bonds were also issued to retail customers, to allow them to reposition their maturing assets previously allocated to certificates of deposits. Bonds and Certificates of Deposits show a remarkable recover in comparison with either June and December 2010 (+19.1% e +9.3% respectively). In detail, Deposits were €11.868 million (12.715 million at the end of 1H10). Bonds and Subordinated Debt came at €4.383 million (€3.349 million at the end of 1H10); Repurchase Agreements were €63 million compared to €43 million at the end of 1H10.

**Insurance Reserves**<sup>6</sup> were €2.433 million compared to €2.511 million at the end of 1H10 (-3.1%).

**Indirect deposits at countervalue** were €37.536 million compared to €38.888 million at the end of 1H10 (-3.5%). This aggregate, made of assets under management and assets under custody from customers (the latter is net of volatile financial components) amounted to €28,241 million at the end of 1H11 (-1.5% yoy). In detail, total **assets under management** were €16.671 million compared to €16.582 million at the end of

1H10 (+0.5% yoy); portfolio management accounts and mutual funds decreased, while third parties' products recorded a remarkable increase. In detail, portfolio management accounts came at €4.640 million (-2.9% yoy) while mutual funds and Sicavs equaled €8.539 million (-7.6% yoy) and third parties products and others were €3,492 million (+36.7% yoy). Total **assets under custody** were €20.865 million, compared to €22.306 million at the end of 1H10 (-6.5% yoy).

**Loans to customers** were up 9.6% at €19.543 million compared to €17.833 million at the end of 1H10. In detail, retail lending grew 9.3% yoy, while, as far as corporate customers, short term lending posted a 16% yoy growth and medium term lending posted a 10.3% yoy increase. The corporate segment that mostly drove loans upward was SMEs, either in short term (+25.3% yoy), and medium term (+8.6% yoy) lending; lower in volumes was instead the contribution of small business customers. **Residential mortgages** to households, showed a stock amounting to €6.095 million (+8.5% yoy) with new mortgages sold in the semester for €594.3 million.

**Net NPLs ratio**, at the end of 1H11 was 1.2% compared to 0.9% at the end of 1H10. **Total net impaired loans** were €538.7 million (€505.6 million at the end of 1H10) and account for 2.76% of total loans.

**Annualized cost of risk<sup>1</sup>** at the end of 1H11 was 20 bps, strongly down if compared to the FY10 figure (34 bps), and to the 1H10 figure (33 bps).

**Core Tier 1 capital ratio** at the end of 1H11 was a 8.76%. **Total capital ratio** was a 11.57%.

As at 30 June 2011 Credem's distribution network consists of 561 branches, 42 corporate centres, 53 financial stores with 5,578 employees, 828 financial advisors with mandate and 233 Creacasa agents.

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

The current turbulence affecting globally financial markets as well as the new fiscal Italian framework (changes in the fiscal treatment of financial assets and increase of IRAP tax rate for banks and financial companies) will most likely drive downward the profitability perspectives of the group during the second half of the current year.

### **Other information**

On 16 May 2011, Credem reached a settlement with the Agenzia delle Entrate (the Italian Tax Authority), with reference to past financial deals put under inquiry on the base of the "abuse of right" legal assumption. The agreement, providing for the payment of the penalties applied, closed the claim related to the years under inquiry. 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 the "abuse of right" jurisprudential ground is still controversial.

In May 2011, Banca Euromobiliare, the bank belonging to Credem group specialized in the private banking business, acquired the M&A and corporate finance activity previously managed by Credem, the holding company of Credem group. These activities are now managed, inside Banca Euromobiliare, by the newly created corporate finance advisory department, formed by the team of professionals that previously managed the same activities either in Euromobiliare Corporate Finance and in Abaxbank, before the merger by incorporation of Abaxbank in Credem that took place in March 2011.

In June 2011, Credem has signed an agreement, that will be closed after Swiss regulatory authorities' approval, with Lukos SA, the company that currently controls Banca Zarattini & Co. (Lugano), concerning the sale of Banca Euromobiliare (Suisse) S.A.

The provisional value of the transaction, based on 31 December 2010 figures, is CHF53.7 million. An amount of about CHF48 million will be paid at the closing, while the eventual difference will be calculated according to the evolution of Banca Euromobiliare (Suisse) S.A. assets, within June 2012.

For Credem, Banca Euromobiliare (Suisse) S.A. disposal is coherent with a strategy, that was also confirmed in 2010-2012 plan, aimed at focusing on the role of domestic commercial banking group, and it is in line with Euromobiliare SIM disposal that took place in 2007 as well as the significant Abaxbank reorganization that was realized in 2009 and 2010.

**On 30 August 2011, Credem's General Manager Adolfo Bizzocchi will present 1H2011 Consolidated Results in a conference call starting at 9.30 pm CET. To enter in the conference, attendees can call, 10 minutes before the start, the following numbers:**

**+39 06 8336 0549 (from Italy and other Internationals),**

**+44 (0)207 136 2054 (from UK)**

**+1 718 354 1360 (from US).**

**The presentation will be available in Italian and English by choosing a confirmation code after the access (7264471 for Italian and 8648546 for English).**

**The conference will be also available via webcast by visiting Credem's corporate website [www.credem.it](http://www.credem.it), under the Investor Relations section.**

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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.

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

2011 Half Year Financial Report 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](http://www.credem.it)

**NOTE:**

- 1) Calculated as the annualized ratio between Net value adjustments to loans and Loans to customers average principals in the quarter;
- 2) Includes dividends from "Available-for-sale financial assets" (minority equity investments) and "Profit/(Loss) from Equity Investments";
- 3) Includes Credemvita Operating Income and "Other operating income/charges" net of extraordinary income/expenses;
- 4) As requested by the "Circolare Bankit - 17 February 2010" with regard to the accounting treatment of some costs related to human resources, a portion of costs included in "Other Administrative Costs" amounting to €3.7 million in 1H10 schemes has been reclassified to "Personnel Costs", for the sake of an effective comparison;
- 5) Calculated as Operating Costs on Operating Income.
- 6) Direct deposits include the aggregates referred to the companies that belong to the banking group, while insurance reserves include the Credemvita technical reserves and financial liabilities valued at fair value.

Reggio Emilia, 29 August 2011

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

<b>Assets</b>		<b>30 June 2011</b>	<b>31 December 2010</b>
10	Cash and cash equivalents	116,724	135,334
20	Financial assets held for trading	803,714	830,852
30	Financial assets valued at fair value	1,034,974	1,020,438
40	Available-for-sale financial assets	6,767,752	6,584,605
60	Due from banks	702,762	937,345
70	Loans to customers	19,543,218	18,883,850
80	Hedging derivatives	25,164	72,182
90	Value adjustments to financial assets subject to macro-hedging (+/-)	11,109	39,575
100	Equity investments	19,976	19,435
110	Technical reserves attributable to reinsurers	1,204	914
120	Tangible assets	320,982	327,076
130	Intangible assets	362,965	365,995
	of which: goodwill	287,295	287,295
140	Tax assets	192,880	231,870
	a) current	59,735	83,073
	b) prepaid	133,145	148,797
150	Non-current assets & groups of assets being disposed	107,944	
160	Other assets	623,137	548,763
	<b>Total Assets</b>	<b>30,634,505</b>	<b>29,998,234</b>
<b>Liabilities and shareholders' equity</b>		<b>30 June 2011</b>	<b>31 December 2010</b>
10	Due to banks	8,033,202	7,716,866
20	Due to customers	11,541,382	11,883,047
30	Outstanding securities	4,433,594	3,994,911
40	Financial liabilities held for trading	283,183	362,782
50	Financial liabilities valued at fair value	1,391,503	1,440,551
60	Hedging derivatives	165,313	252,985
70	Value adjustments to financial liabilities subject to macro-hedging (+/-)	-2,819	21,405
80	Tax liabilities	90,819	106,563
	a) current	24,777	44,554
	b) deferred	66,042	62,009
90	Liabilities referred to group of assets being disposed	105,384	
100	Other liabilities	1,204,284	835,798
110	Staff termination indemnity	78,645	83,114
120	Provisions for risks and charges	70,547	116,492
	a) pensions and similar	1,878	1,880
	b) other provisions	68,669	114,612
130	Technical reserves	1,380,337	1,380,189
140	Valuation reserves	-75,352	-118,451
170	Reserves	1,264,992	1,228,300
180	Share premium reserve	283,052	283,052
190	Share capital	332,392	332,392
210	Minority interests (+/-)	242	285
220	Profit (Loss) for the period (+/-)	53,805	77,953
	<b>Total Liabilities and shareholders' equity</b>	<b>30,634,505</b>	<b>29,998,234</b>

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

		<b>1H11</b>	<b>1H10</b>
10	Interests income and similar revenues	390,349	338,414
20	Interest expense and similar charges	(136,234)	(85,281)
<b>30</b>	<b>Interest Margin</b>	<b>254,115</b>	<b>253,133</b>
40	Commission income	235,233	233,202
50	Commission expense	(52,850)	(44,723)
<b>60</b>	<b>Net Commissions</b>	<b>182,383</b>	<b>188,479</b>
70	Dividend and similar revenues	449	1,151
80	Net result from trading activities	29,150	(9,201)
90	Net result from hedging activities	(1,698)	(3,337)
100	Profit (loss) from sale or repurchase of:	4,757	12,112
	b) available-for-sale financial assets	3,668	12,316
	d) financial liabilities	1,089	(204)
110	Net result from financial assets and liabilities valued at fair value	(11,420)	327
<b>120</b>	<b>Operating Income</b>	<b>457,736</b>	<b>442,664</b>
130	Net value adjustments/write-backs due to impairment of:	(19,286)	(29,193)
	a) loans	(18,636)	(29,535)
	d) other financial transactions	(650)	342
<b>140</b>	<b>Net Income from Banking Activities</b>	<b>438,450</b>	<b>413,471</b>
150	Net premiums	200,610	235,032
160	Other income/expenses from insurance activities	(201,048)	(251,325)
<b>170</b>	<b>Net Income from Banking and Insurance Activities</b>	<b>438,012</b>	<b>397,178</b>
180	Administrative costs:	(328,086)	(320,493)
	a) personnel costs	(217,060)	(207,754)
	b) other administrative costs	(111,026)	(112,739)
190	Net provisions for risks and charges	2,515	(1,292)
200	Net value adjustments/write-backs to tangible assets	(7,822)	(7,593)
210	Net value adjustments/write-backs to intangible assets	(6,814)	(6,291)
220	Other operating income/charges	21,671	32,430
<b>230</b>	<b>Operating Costs</b>	<b>(318,536)</b>	<b>(303,239)</b>
240	Profit (loss) from equity investments	1,121	455
270	Profit (loss) from disposal of investments	74	32
<b>280</b>	<b>Profit (loss) before tax from continuing operations</b>	<b>120,671</b>	<b>94,426</b>
290	Taxes on income from continuing operations	(66,871)	(41,028)
<b>300</b>	<b>Profit (loss) after-tax from continuing operations</b>	<b>53,800</b>	<b>53,398</b>
310	Profit (loss) attributable groups of assets being disposed	-	-
<b>320</b>	<b>Profit (loss) for the period</b>	<b>53,800</b>	<b>53,398</b>
330	Profit (loss) attributable to minority interests	5	(23)
<b>340</b>	<b>Profit (loss) attributable to the parent company</b>	<b>53,805</b>	<b>53,375</b>

**CREDEM - RECLASSIFIED CONSOLIDATED INCOME STATEMENT (€million)**

	1Q11	2Q11	1H11	1H10	% Var 1H11- 1H10	2Q10	FY10
Interest Margin	112,1	118,1	230,2	230,9	(0,3)	121,5	448,4
Non-Interest Margin	123,9	132,3	256,2	230,1	11,3	109,6	514,1
<b>Operating Income</b>	<b>236,0</b>	<b>250,4</b>	<b>486,4</b>	<b>461,0</b>	<b>5,5</b>	<b>231,1</b>	<b>962,5</b>
Personnel Costs	(108,4)	(108,7)	(217,1)	(211,5)	2,6	(106,0)	(426,2)
Other Administrative Costs	(56,6)	(54,4)	(111,0)	(109,0)	1,8	(55,6)	(217,0)
<b>Operating Costs</b>	<b>(165,0)</b>	<b>-163,1</b>	<b>(328,1)</b>	<b>(320,5)</b>	<b>2,4</b>	<b>(161,6)</b>	<b>(643,2)</b>
<b>Gross Operating Profit</b>	<b>71,0</b>	<b>87,3</b>	<b>158,3</b>	<b>140,5</b>	<b>12,7</b>	<b>69,5</b>	<b>319,3</b>
Amortisation & Depreciation	(7,2)	(7,4)	(14,6)	(13,9)	5,0	(7,1)	(28,8)
<b>Operating profit</b>	<b>63,8</b>	<b>79,9</b>	<b>143,7</b>	<b>126,6</b>	<b>13,5</b>	<b>62,4</b>	<b>290,5</b>
Provisions for Risks and Charges	(2,2)	4,7	2,5	(1,3)	n.s.	(0,9)	(56,7)
Extraordinary Income/ Charges	(1,1)	(5,1)	(6,2)	(1,7)	n.s.	(1,0)	(3,4)
Net Adjustments to Loans	(6,8)	(12,5)	(19,3)	(29,2)	(33,9)	(3,8)	(62,1)
<b>Profit before Tax</b>	<b>53,7</b>	<b>67,0</b>	<b>120,7</b>	<b>94,4</b>	<b>27,9</b>	<b>56,7</b>	<b>168,3</b>
minority interests profit/loss	0,0	0,0	0,0	0,0	-	0,0	(0,1)
Income Taxes for the Period	(23,1)	(43,8)	(66,9)	(41,0)	63,2	(23,4)	(90,2)
<b>Profit for the Period</b>	<b>30,6</b>	<b>23,2</b>	<b>53,8</b>	<b>53,4</b>	<b>0,7</b>	<b>33,3</b>	<b>78,0</b>

As requested by the "Circolare Bankit - 17 february 2010" with regard to the accounting treatment of some costs related to human resources, a portion of costs included in "Other Administrative Costs " amounting to €3,7 million in 1H10 and to €6.8 million in FY10 has been reclassified to "Personnel Costs ", for easing the comparison;

Reclassification rules:

**Interest Margin**

+ Item 30 + Item 70 (only dividends from Fin. Assets available for sale) + Item 240  
- Abaxbank Operating Income (only for 2010) - Credemvita Operating Income

**Non Interest Margin**

+ Item 60 + Item 70 (net of dividends from Fin. Assets available for sale) + Item 80 + Item 90  
+ Item 100 (net of profit/loss on equity investments) + Item 110 + Item 150 + Item 160 + Item 220 (net of extraordinaries) + Abaxbank Operating Income (only for 2010) + Credemvita Operating Income

**Personnel Costs**

Item 180 (only a)

**Other Administrative Costs**

Item 180 (only b)

**Amortisation & Depreciation**

+ Item 200 + Item 210

**Provision for Risk and Charges**

+ Item 190

**Net Extraordinary Income/Charges**

+ Item 100 ((only profit/loss on equity investments) + Item 220 (only extraordinaries)  
+ Item 270

**Net Adjustments to Loans**

+ Item 130

**Income Taxes for the Period**

+ Item 290