



CREDEM: THE BOARD OF DIRECTORS APPROVES FIRST QUARTER 2011 GROUP'S CONSOLIDATED RESULTS

- **Profit for the period** €30.6 million (+52.2% yoy);
- **Loans to Customers** +12.1% yoy at €19,555 million, of which **residential mortgage inflows** account for €277 million;
- **Strong capital ratios: Core Tier 1 ratio** 8.9%, **Total Capital ratio** 11.5%, the Group is already in line with Basel III requirements on capital;
- **credit quality confirmed: annualized cost of risk¹** 0.14%, **net NPLs ratio** 1.07% and **Net Adjustments to Loans** down 73.2 yoy;
- **Direct Deposits excluding repurchase agreements** +6.9% yoy at €16,679 million; **AUM volumes** +3.0% at €16,844 million.

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 1Q11 individual and consolidated results.

Credem Group confirmed in the 1Q11 its support to households and enterprises with **loan volumes** that grew 12.1% to €19.6 billion, **high credit quality** with a cost of risk¹ of 14 bps, net NPLs ratio at 1.07% and **solid capital ratios** with a core Tier 1 ratio at 8.9%. The group is already in line with Basel III requirements on capital. **Profit for the period** is up 52.2% yoy to €30.6 million, compared to €20.1 million at the end of 1Q10.

Consolidated Income Statement

Operating Income came at €236.0 million, compared to €229.9 million at the end of 1Q10 (+2.7%).

In particular, **Interest Margin²** was up 2.5% at €112.1 million vs. €109.4 million at the end of 1Q10. The increase was due to the positive contribution provided by strategies adopted to neutralize the interest rates descent and to the repositioning of the funding mix.

Non Interest Margin³ came at €123.9 million, up 2.8% if compared to €120.5 million at the end of 1Q10. The uncertainty and the volatility that affected particularly trading and hedging related incomes during the first quarters of 2010, have declined lately, permitting a remarkable contribution coming from securities and forex trading.

Operating Costs⁴ were up 3.8% at €165.0 million, compared to the €158.9 million in the first quarter 2010. In particular, Administrative Expenses increased to €56.6 million from €55.4 million at the end of 1Q10 (+2.2%). Payroll Costs came at €108.4 million, compared to €103.5 million at the end of 1Q10 (+4.7%), negatively impacted by some provisions related to the variable portion of labour cost that were not posted in 1Q10.

Cost/Income Ratio⁵ was 69.9% compared to 69.1% at the end of 1Q10.

Gross Operating Profit was €71 million, stable if compared with the first quarter 2010. **Amortisation and Depreciation** equalled €7.2 million vs. €6.8 million in 1Q10 (+5.9%).

Operating Profit was €63.8 million, substantially stable if compared with the first quarter 2010 (-0.6% yoy).

Provisions for Risk and Charges equalled €2.2 million (€0.4 million in 1Q10). **Net Adjustments to Loans** were €6.8 million, down by 73.2% (€25.4 million in 1Q10), confirming the trend experienced in 2010 that is a result of the conservative approach adopted for 2009 devaluations. In addition to that, it is worth mentioning that in 2010 the aggregate started benefiting from the recalculation of the cumulated collective provision on performing loans, according to the risk profile based on the validated internal rating methodology or the advanced methodology currently under BoI review for extended validation to the entire loans portfolio.

Net Extraordinary Income/Charges showed a negative impact for €1.1 million (was negative for €0.7 million in 1Q10).

Profit before Tax equaled €53.7 million vs. €37.7 million in 1Q10 (+42.4%).

Income Taxes came in at €23.1 million (€17.6 million in 1Q10, +31.3%).

Profit for the Period came at €30.6 million (€20.1 million in 1Q10, +52.2%).

Consolidated Balance Sheet

Group Customers' Funding came at €57,335 million at the end 1Q11, vs. €57,894 million at the end 1Q10 (-1.0%).

Direct Deposits excluding repurchase agreements, were €16,679 million vs. €15,599 million at the end of 1Q10 (+6.9%). **Banking direct deposits** reached €16,737 million compared to €15,643 million at 31 March 2010 (+7.0%). In detail, **Deposits** were €12,867 million (€12,089 million at the end of 1Q10, +6.4%). **Bonds and subordinated debt** were €3,812 million (€3,510 million at the end of 1Q10, +8.6%); **Repurchase agreements** were €58 million vs. €44 million at the end of 1Q10.

Insurance Reserves were €2,456 million vs. €2,449 million at the end of 1Q10 (+0.3%).

Indirect deposits at countervalue equalled €38,142 million compared to €39,802 million at the end of March 2010 (-4.2%). **Total assets under management** were €16,844 million compared to €16,353 million at the end of 1Q10 (+3.0%).

Loans to customers came at €19,555 million, +12.1% compared to €17,439 million at 31 March 2010. Both long term lending (+8.7%) and short term lending (+17.9%) grew remarkably. **Residential Mortgage Loans** were €5,932 million (+7.1% yoy) at the end of March 2010 with inflows in the quarter amounting at €277 million (+62% yoy).

Net NPLs ratio came in at 1.07% of net loans to customers (0.81% at 31 March 2010). **Net Impaired Loans** equalled €520.5 million (€511.6 million at the end of March 2010) and represent 2.66% of total loans to customers. The aggregate was positively influenced by the conservative approach adopted in 2009 for impaired loans recognition as well as related expected losses. It is worth mentioning that the increase in impaired loans stocks in slowed down significantly compared to previous quarters.

Annualized Cost of risk¹ at the end of March 2011 was 14 bps, well below the 1Q10 figure (58 bps) and the FY2010 figure (34 bps).

Shareholders equity, including net profit, is up to €1,865.9 million (€1,838.3 million at the end of 1Q10).

Core Tier 1 ratio was 8.9%. **Total Capital ratio** equalled 11.5%.

As at 31 March 2011 Credem's distribution network consists of 561 branches, 41 corporate centres, 53 financial stores with 5,572 employees, 867 financial advisors with mandate and 240 Creacasa agents.

Forecast on operating trends and evolution of the business

Group's perspectives related to future profitability are based on different trends: Interest Margin is likely to be positively affected by a sound dynamic as for customers' demand, but on the other hand will be limited by a cost of funding that is expected to be higher, also because of a more stringent regulatory framework; commissions are expected to furtherly grow; operating costs are expected to remain substantially stable; cost of risk will see a normalized growth. Given such a scenario, group's operating performance should not differ significantly in comparison with the first quarter outcome.

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 unaudited consolidated 1Q11 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

NOTES:

- 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" and "Profit/(Loss) from Equity Investments";
- 3) includes Abaxbank (only for 2010) and 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 €1.8 million in 1Q10 schemes has been reclassified to "Personnell Costs ", for the sake of an effective comparison;
- 5) Calculated as Operating Costs on Operating Income.

Reggio Emilia, 13 May 2011

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

| Assets | | 31 March 2011 | 31 December 2010 |
|--------------------------------------|---|-------------------|-------------------|
| 10 | Cash and cash equivalents | 109,971 | 135,334 |
| 20 | Financial assets held for trading | 812,522 | 830,852 |
| 30 | Financial assets valued at fair value | 1,054,407 | 1,020,438 |
| 40 | Available-for-sale financial assets | 6,706,040 | 6,584,605 |
| 60 | Due from banks | 734,117 | 937,345 |
| 70 | Loans to customers | 19,554,891 | 18,883,850 |
| 80 | Hedging derivatives | 17,247 | 72,182 |
| 90 | Value adjustments to financial assets subject to macro-hedging (+/-) | 20,754 | 39,575 |
| 100 | Equity investments | 20,674 | 19,435 |
| 110 | Technical reserves attributable to reinsurers | 994 | 914 |
| 120 | Tangible assets | 323,431 | 327,076 |
| 130 | Intangible assets | 363,661 | 365,995 |
| | of which: goodwill | 287,295 | 287,295 |
| 140 | Tax assets | 200,842 | 231,870 |
| | a) current | 81,824 | 83,073 |
| | b) prepaid | 119,018 | 148,797 |
| 160 | Other assets | 620,457 | 548,763 |
| | Total Assets | 30,540,008 | 29,998,234 |
| Liabilities and shareholders' equity | | 31 March 2011 | 31 December 2010 |
| 10 | Due to banks | 7,552,561 | 7,716,866 |
| 20 | Due to customers | 12,396,046 | 11,883,047 |
| 30 | Outstanding securities | 3,980,218 | 3,994,911 |
| 40 | Financial liabilities held for trading | 295,195 | 362,782 |
| 50 | Financial liabilities valued at fair value | 1,445,608 | 1,440,551 |
| 60 | Hedging derivatives | 150,615 | 252,985 |
| 70 | Value adjustments to financial liabilities subject to macro-hedging (+/-) | -16,134 | 21,405 |
| 80 | Tax liabilities | 116,886 | 106,563 |
| | a) current | 52,471 | 44,554 |
| | b) deferred | 64,415 | 62,009 |
| 100 | Other liabilities | 1,185,522 | 835,798 |
| 110 | Staff termination indemnity | 80,544 | 83,114 |
| 120 | Provisions for risks and charges | 115,745 | 116,492 |
| | a) pensions and similar | 1,878 | 1,880 |
| | b) other provisions | 113,867 | 114,612 |
| 130 | Technical reserves | 1,371,007 | 1,380,189 |
| 140 | Valuation reserves | -52,211 | -118,451 |
| 170 | Reserves | 1,272,063 | 1,228,300 |
| 180 | Share premium reserve | 283,052 | 283,052 |
| 190 | Share capital | 332,392 | 332,392 |
| 210 | Minority interests (+/-) | 300 | 285 |
| 220 | Profit (Loss) for the period (+/-) | 30,599 | 77,953 |
| | Total Liabilities and shareholders' equity | 30,540,008 | 29,998,234 |

CREDEM - CONSOLIDATED INCOME STATEMENT (€,000)

| | | 1Q11 | 1Q10 |
|------------|---|------------------|------------------|
| 10 | Interests income and similar revenues | 185,451 | 164,397 |
| 20 | Interest expense and similar charges | (62,509) | (47,535) |
| 30 | Interest Margin | 122,942 | 116,862 |
| 40 | Commission income | 115,786 | 112,107 |
| 50 | Commission expense | (25,830) | (21,198) |
| 60 | Net Commissions | 89,956 | 90,909 |
| 70 | Dividend and similar revenues | 24 | 40 |
| 80 | Net result from trading activities | 10,513 | 396 |
| 90 | Net result from hedging activities | 483 | (1,379) |
| 100 | Profit (loss) from sale or repurchase of: | 2,683 | 10,605 |
| | b) available-for-sale financial assets | 1,946 | 10,660 |
| | d) financial liabilities | 737 | (55) |
| 110 | Net result from financial assets and liabilities valued at fair value | (4,634) | 4,908 |
| 120 | Operating Income | 221,967 | 222,341 |
| 130 | Net value adjustments/write-backs due to impairment of: | (6,847) | (25,392) |
| | a) loans | (6,184) | (25,383) |
| | b) financial assets available for sale | 6 | - |
| | d) other financial transactions | (669) | (9) |
| 140 | Net Income from Banking Activities | 215,120 | 196,949 |
| 150 | Net premiums | 73,304 | 149,900 |
| 160 | Other income/expenses from insurance activities | (74,397) | (162,750) |
| 170 | Net Income from Banking and Insurance Activities | 214,027 | 184,099 |
| 180 | Administrative costs: | (164,997) | (158,926) |
| | a) personnel costs | (108,396) | (101,779) |
| | b) other administrative costs | (56,601) | (57,147) |
| 190 | Net provisions for risks and charges | (2,234) | (391) |
| 200 | Net value adjustments/write-backs to tangible assets | (3,892) | (3,816) |
| 210 | Net value adjustments/write-backs to intangible assets | (3,277) | (3,007) |
| 220 | Other operating income/charges | 13,031 | 19,266 |
| 230 | Operating Costs | (161,369) | (146,874) |
| 240 | Profit (loss) from equity investments | 930 | 505 |
| 270 | Profit (loss) from disposal of investments | 66 | 1 |
| 280 | Profit (loss) before tax from continuing operations | 53,654 | 37,731 |
| 290 | Taxes on income from continuing operations | (23,041) | (17,604) |
| 300 | Profit (loss) after-tax from continuing operations | 30,613 | 20,127 |
| 320 | Profit (loss) for the period | 30,613 | 20,127 |
| 330 | Profit (loss) attributable to minority interests | (14) | (20) |
| 340 | Profit (loss) attributable to the parent company | 30,599 | 20,107 |

CREDEM - RECLASSIFIED CONSOLIDATED INCOME STATEMENT (€million)

| | 1Q11 | 1Q10 | % Var 1Q11- 1Q10 | FY10 |
|----------------------------------|----------------|----------------|------------------------|----------------|
| Interest Margin | 112,1 | 109,4 | +2,5% | 448,4 |
| Non-Interest Margin | 123,9 | 120,5 | +2,8% | 514,1 |
| Operating Income | 236,0 | 229,9 | +2,7% | 962,5 |
| Personnel Costs | (108,4) | (103,5) | +4,7% | (426,2) |
| Other Administrative Costs | (56,6) | (55,4) | +2,2% | (217,0) |
| Operating Costs | (165,0) | (158,9) | +3,8% | (643,2) |
| Gross Operating Profit | 71,0 | 71,0 | - | 319,3 |
| Amortisation & Depreciation | (7,2) | (6,8) | +5,9% | (28,8) |
| Operating profit | 63,8 | 64,2 | -0,6% | 290,5 |
| Provisions for Risks and Charges | (2,2) | (0,4) | na | (56,7) |
| Extraordinary Income/ Charges | (1,1) | (0,7) | +57,1% | (3,4) |
| Net Adjustments to Loans | (6,8) | (25,4) | -73,2% | (62,1) |
| Profit before Tax | 53,7 | 37,7 | +42,4% | 168,3 |
| minority interests profit/loss | - | 0,0 | - | (0,1) |
| Income Taxes for the Period | (23,1) | (17,6) | +31,3% | (90,2) |
| Profit for the Period | 30,6 | 20,1 | +52,2% | 78,0 |

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 €1.8 million in 1Q10 and to €6.8 million in FY10 has been reclassified to "Personnel Costs", for the sake of an effective comparison;

Reclassification rules:

Interest Margin

+ Item 30 + Item 70 (only dividends from minority stakes) + Item 240
 - Abaxbank Operating Income (only in 2010) - Credemvita Operating Income

Non Interest Margin

+ Item 60 + Item 70 (only dividends from equity investments) + Item 80 + Item 90
 + Item 100 - 17 million settlement on a watchlist loan and 4,6 million capital gain on a minority stake sale (only in 2009) + Item 110 + Item 150 + Item 160 + Item 220 (net of extraordinaries) + Abaxbank Operating Income (only in 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 a) + Item 220 (only extraordinaries)
 + Item 270

Net Adjustments to Loans

+ Item 130

Income Taxes for the Period

+ Item 290