



CREDEM, THE BOARD OF DIRECTORS APPROVES 9M2011 GROUP'S CONSOLIDATED RESULTS

- **Loans** +9.3% yoy at €19,440 million: confirmed the support to households and small-medium enterprises;
- credit quality: **annualized cost of risk¹** is 22bps, **net NPLs ratios** is 1.19% and **Net Adjustments to Loans** strongly down, -19.9% yoy;
- strong capital ratios: **Core Tier 1 ratio** 8.85%, **Total Capital ratio** 11.64%;
- **Direct Deposits** +5.6% yoy at €16,859 million;
- **Operating Costs²** stable at €484.8 million;
- **Profit for the Period** at €85.5 million, substantially stable yoy (1.4%).

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 9M11 individual and consolidated results, that confirmed, even if in the current uncertain financial environment, the positive trend of commercial banking activities (loans and direct deposit up respectively 9.3% and 5.6% yoy) while preserving the attention on credit quality (annualized cost of risk at 22bps and net adjustments to loans down -19.9% yoy) and on strong capital ratios (core Tier 1 at 8.85%).

"We are very glad to show this set of results because they prove how the group is able to sustain a consistent growth trend on the medium-long term, while preserving a low risk profile and a liquidity position that will allow us to continue to support households and enterprises" declared Credem General Manager **Adolfo Bizzocchi**.

Consolidated Income Statement

Operating Income came at €739.3 million compared to €697.2 million at the end of September 2010 (+6.0% yoy).

Interest Margin³ came at €348.7 million, compared to €342.5 million at the end of 9M10 (+1.8%) supported by loans increase. Negative effects came from the raising cost of funding as a result of bonds and interbank markets volatility as well as the liabilities repositioning on longer maturities.

Non Interest Margin⁴ came at €390.6 million compared to €354.7 million at the end of September 2010 (+10.1%) benefitted by trading and hedging policies while commissions were slightly down (-1.1%). In detail, commissions' negative performance was affected by asset management and brokerage fees evolution (-3.4%), while banking service fees showed a positive trend (+2.2%). Regarding asset management and brokerage fees, the contribution from asset management was substantially confirmed while negotiation and order processing fees were affected by markets volatility. A negative effect for about €7 million also came from the different accounting treatment of Creacasa revenues that were posted in 9M11 following the "pro-tempore basis" principle instead of the "when paid" principle followed in 2010.

Operating Costs² came at €484.8 million, stable if compared to €484.3 million at the end of 9M10. Administrative Expenses amounted to €166.7 million (+0.8%) while Personnel Costs were €318.1 million (-0.3% yoy).

Cost/Income Ratio⁵ was 65.6% compared to 69.5% at the end of 9M10.

Gross Operating Profit was up 19.5% at €254.5 million compared to €212.9 million at the end of 9M10. **Amortisation and Depreciation** equalled €22.6 million compared to €21.5 million at the end of 9M10 (+5.1%).

Operating Profit was up 21.2% at €231.9 million compared to €191.4 million at the end of 9M10.

Provisions for Risk and Charges equalled €8.9 million (€1.4 million at the end of 9M10). **Net Adjustments to Loans** were €31.0 million (-19.9% compared to €38.7 million at the end of 9M10).

Net Extraordinary Income/Charges showed a negative balance of €9.7 million (was negative for €1.7 million at the end of 9M10).

Profit before Tax equalled €182.3 million, +21.9% compared to €149.6 million at the end of September 2010.

Income Taxes were €96.8 million (+53.9% compared to €62.9 million at the end of September 2010) affected by the settlement of the fiscal claim with the Agenzia delle Entrate with reference to 2004 and 2005 accounts and by both 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 €85.5 million compared to €86.7 million at the end of 9M10 (-1.4%) negatively affected by the settlement of the fiscal claim with the Agenzia delle Entrate, with reference to 2004 and 2005 accounts, that, considering what already provisioned in 2010 for the matter and the IRES deductibility of interests, amounted in the period to about €19 million.

Consolidated Balance Sheet

Group Customers' Funding came at €53,971 million at the end of September 2011 compared to €57,413 million at the end of 9M10 (-6.0%).

Direct Deposits⁶, including repurchase agreements, were €16,859 million vs. €15,966 million at the end of September 2010 (+5.6%). In June 2011, within its covered bonds programme announced on 27 August 2010, Credem issued the first tranche for €500 million to institutional investors. Also, about €1,200 million bonds were also issued to retail customers, to allow them to reposition their maturing assets. Bonds and Certificates of Deposits showed a remarkable recovery, +24.6% in comparison with September 2010 and +9.7% vs. the end of 2010. In detail, Deposits were €12,144 million (12,771 million at the end of 9M10). Bonds and Subordinated Debt came at €4,620 million (€3,137 million at the end of 9M10); Repurchase Agreements were €95 million compared to €58 million at the end of 9M10.

Insurance Reserves⁶ were €2,466 million compared to €2,517 million at the end of 9M10 (-2.0%).

Indirect deposits at countervalue were €34,646 million compared to €38,930 million at the end of 9M10 (-11.0%). In detail, total **assets under management** were €15,464 million compared to €16,872 million at the end of 9M10 (-8.3% yoy), negatively affected by the financial markets performances and by a weaker trend in clients' wealth generation. In detail, portfolio management accounts came at €4,348 million (-12.1% yoy) while mutual funds and Sicavs equaled €7,731 million (-15.6% yoy) and third parties products and others were €3,385 million (+22.4% yoy). Total **assets under custody** were €19,182 million, compared to €22,058 million at the end of 9M10 (-13.0% yoy).

Loans to customers were up 9.3% at €19,440 million compared to €17,782 million at the end of 9M10. **Residential mortgages** to households, showed a stock amounting to €6,247 million (+9.8% yoy) with new mortgages sold in the period for €938 million (+38.5%).

Net NPLs ratio, at the end of September 2011 was 1.19% compared to 1.01% at the end of 9M10. **Total net impaired loans** were €566.8 million (€504.7 million at the end of 9M10) and account for 2.92% of total loans.

Annualized cost of risk¹ at the end of 9M11 was 22 bps, strongly down if compared to the FY10 figure (34 bps), and to the 9M10 figure (29 bps).

Core Tier 1 capital ratio at the end of 1H11 was a 8.85%. **Total capital ratio** was a 11.64%.

As at 30 September 2011 Credem's distribution network consisted of 561 branches, 41 corporate centres, 52 financial stores with 5,597 employees, 821 financial advisors with mandate and 280 Creacasa agents.

Forecast on operating trends and evolution of the business

Despite the outside unfavourable scenario, for the current year, the Group has the chance of consolidating the profitability performance posted so far, primarily thank to the development of high-quality lending volumes to households and small-medium enterprises.

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

NOTE:

- 1) calculated as Net Loans Write Downs as at 30 September 2011, on Loans average principals in the 9 months period, divided by 3 and multiplied by 4;
- 2) 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 €5.1 million in 9M10 schemes has been reclassified to "Personnel Costs ", for the sake of an effective comparison;
- 3) Includes dividends from "Available-for-sale financial assets" (minority equity investments) and "Profit/(Loss) from Equity Investments";
- 4) Includes Credemvita Operating Income and "Other operating income/charges" net of extraordinary income/expenses;
- 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, 11 November 2011

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CREDEM - CONSOLIDATED BALANCE SHEET (€,000)

Assets		30 September 2011	30 September 2010
10.	Cash and cash equivalents	114,178	135,334
20.	Financial assets held for trading	778,136	830,852
30.	Financial assets valued at fair value	961,661	1,020,438
40.	Available-for-sale financial assets	6,715,190	6,584,605
60.	Due from banks	674,423	937,345
70.	Loans to customers	19,439,563	18,883,850
80.	Hedging derivatives	96,654	72,182
90.	Value adjustments to financial assets subject to macro-hedging (+/-)	61,860	39,575
100.	Equity investments	16,478	19,435
110.	Technical reserves attributable to reinsures	1,445	914
120.	Tangible assets	318,252	327,076
130.	Intangible assets	362,479	365,995
	of which: goodwill	287,295	287,295
140.	Tax assets	280,922	231,870
	a) current	59,566	83,073
	b) prepaid	221,356	148,797
150.	Non-current assets & groups of assets being disposed	119,015	-
160.	Other assets	610,764	548,763
	Total Assets	30,551,020	29,998,234
Liabilities and shareholders' equity		30 September 2011	30 September 2010
10.	Due to banks	7,263,839	7,716,866
20.	Due to customers	12,068,966	11,883,047
30.	Outstanding securities	4,465,884	3,994,911
40.	Financial liabilities held for trading	367,026	362,782
50.	Financial liabilities valued at fair value	1,283,123	1,440,551
60.	Hedging derivatives	329,406	252,985
70.	Value adjustments to financial liabilities subject to macro-hedging (+/-)	40,980	21,405
80.	Tax liabilities	107,466	106,563
	a) current	35,751	44,554
	b) deferred	71,715	62,009
90.	Liabilities referred to group of assets being disposed	129,014	-
100.	Other liabilities	1,107,191	835,798
110.	Staff termination indemnity	77,245	83,114
120.	Provisions for risks and charges	84,914	116,492
	a) pensions and similar	1,875	1,880
	b) other provisions	83,039	114,612
130.	Technical reserves	1,507,092	1,380,189
140.	Valuation reserves	-243,820	-118,451
170.	Reserves	1,261,517	1,228,300
180.	Share premium reserve	283,052	283,052
190.	Share capital	332,392	332,392
210.	Minority interests (+/-)	251	285
220.	Profit (Loss) for the period (+/-)	85,482	77,953
	Total Liabilities and shareholders' equity	30,551,020	29,998,234

CREDEM - CONSOLIDATED INCOME STATEMENT (€,000)

		30 September 2011	30 September 2010
10.	Interests income and similar revenues	610,912	511,580
20.	Interest expense and similar charges	(224,058)	(131,676)
30.	Interest Margin	386,854	379,904
40.	Commission income	350,319	346,456
50.	Commission expense	(76,162)	(67,631)
60.	Net Commissions	274,157	278,825
70.	Dividend and similar revenues	733	1,351
80.	Net result from trading activities	48,250	3,117
90.	Net result from hedging activities	(6,631)	(3,589)
100.	Profit (loss) from sale or repurchase of:	1,947	12,296
	b) available-for-sale financial assets	181	12,477
	d) financial liabilities	1,766	(181)
110.	Net result from financial assets and liabilities valued at fair value	(10,222)	1,587
120.	Operating Income	695,088	673,491
130.	Net value adjustments/write-backs due to impairment of:	(33,259)	(38,710)
	a) loans	(29,153)	(39,068)
	b) available-for-sale financial assets	(2,218)	-
	d) other financial transactions	(1,888)	358
140.	Net Income from Banking Activities	661,829	634,781
150.	Net premiums	416,811	277,994
160.	Other income/expenses from insurance activities	(416,743)	(298,730)
170.	Net Income from Banking and Insurance Activities	661,897	614,045
180.	Administrative costs:	(484,829)	(484,319)
	a) personnel costs	(318,158)	(319,009)
	b) other administrative costs	(166,671)	(165,310)
190.	Net provisions for risks and charges	(8,921)	(1,383)
200.	Net value adjustments/write-backs to tangible assets	(11,845)	(11,530)
210.	Net value adjustments/write-backs to intangible assets	(10,712)	(9,908)
220.	Other operating income/charges	35,751	42,055
230.	Operating Costs	(480,556)	(465,085)
240.	Profit (loss) from equity investments	800	639
270.	Profit (loss) from disposal of investments	192	(5)
280.	Profit (loss) before tax from continuing operations	182,333	149,594
290.	Taxes on income from continuing operations	(96,846)	(62,846)
300.	Profit (loss) after-tax from continuing operations	85,487	86,748
320.	Profit (loss) for the period	85,487	86,748
330.	Profit (loss) attributable to minority interests	(5)	(39)
340.	Profit (loss) attributable to the parent company	85,482	86,709

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" has been reclassified to "Personnel Costs"; the amount of this portion, in 9M10, was €5,092 million;

CREDEM - RECLASSIFIED CONSOLIDATED INCOME STATEMENT (€million)

	I/10	II/01	III/10	IV/10	2010	I/11	II/11	III/11	9/2011	9/2010	%
Interest Margin	109.4	121.5	111.6	105.9	448.4	112.1	118.1	118.5	348.7	342.5	1.8
Non-Interest Margin	120.5	109.6	124.6	159.4	514.1	123.9	132.3	134.4	390.6	354.7	10.1
Operating Income	229.9	231.1	236.2	265.3	962.5	236.0	250.4	252.9	739.3	697.2	6.0
Personnel Costs	-103.5	-107.7	-107.8	-107.2	-426.2	-108.4	-108.7	-101.0	-318.1	-319.0	-0.3
Other Administrative Costs	-55.4	-53.9	-56.0	-51.7	-217.0	-56.6	-54.4	-55.7	-166.7	-165.3	0.8
Operating Costs	-158.9	-161.6	-163.8	-158.9	-643.2	-165.0	-163.1	-156.7	-484.8	-484.3	0.1
Gross Operating Profit	71.0	69.5	72.4	106.4	319.3	71.0	87.3	96.2	254.5	212.9	19.5
Amortisation & Depreciation	-6.8	-7.1	-7.6	-7.3	-28.8	-7.2	-7.4	-8.0	-22.6	-21.5	5.1
Operating profit	64.2	62.4	64.8	99.1	290.5	63.8	79.9	88.2	231.9	191.4	21.2
Provisions for Risks and Charges	-0.4	-0.9	-0.1	-55.3	-56.7	-2.2	4.7	-11.4	-8.9	-1.4	n.s.
Extraordinary Income/Charges	-0.7	-1.0	0.0	-1.7	-3.4	-1.1	-5.1	-3.5	-9.7	-1.7	n.s.
Net Adjustments to Loans	-25.4	-3.8	-9.5	-23.4	-62.1	-6.8	-12.5	-11.7	-31.0	-38.7	-19.9
Profit before Tax	37.7	56.7	55.2	18.7	168.3	53.7	67.0	61.6	182.3	149.6	21.9
Income Taxes for the Period	-17.6	-23.4	-21.9	-27.3	-90.2	-23.1	-43.8	-29.9	-96.8	-62.9	53.9
Profit for the Period	20.1	33.3	33.3	-8.6	78.1	30.6	23.2	31.7	85.5	86.7	-1.4

KEY:

Interest Margin

- + Item 30 Interest margin
- + Item 70 Dividends and similar revenues (solely for the portion relating to dividends of AFS equity securities)
- + Item 240 Profit (Loss) from equity investments
- Interest margin of Abaxbank (2010) and Credemvita

Non-Interest Margin

- + Item 60 Net Commissions
- + Item 80 Net result from trading activities
- + Item 90 Net result from hedging activities
- + Item 100 Profit (Loss) from sale or repurchase excluding profit/loss on equity securities
- + Item 110 Net result from financial assets and liabilities valued at fair value
- + Item 150 Net premiums
- + Item 160 Other income/expenses from insurance activities
- + Item 220 Other operating income/charges (net of extraordinary items)
- + Item 70 Dividends and similar revenues (net of the portion relating to dividends of AFS equity securities)
- + Interest margin of Abaxbank (2010) and Credemvita

Operating Profit

- + Operating Income
- + Item 180 Operating costs (personnel costs and other administrative costs)
- + Item 200 Net value adjustments/write-backs to tangible assets
- + Item 210 Net value adjustments/write-backs to intangible assets

Profit before tax

- + Operating Profit
- + Item 190 Provisions for risks and charges
- + Item 130 Net Adjustments to Loans
- + Extraordinary income/charges:
 - Item 220 Other operating income/charges (only extraordinary items – imbalance of extraordinary items)
 - + Item 100 Profit (Loss) from sale or repurchase for profit/loss on equity securities only
 - + Item 270 Profit (Loss) from disposal of investments

This reclassification has been made by also considering non-operational data that cannot be directly deduced from the financial statements and from the notes to the same.