



## PRESS RELEASE

### **CREDEM, BOD APPROVED FY2010 RESULTS: DIVIDEND PROPOSED 0.10 EURO PER SHARE.**

- Strong support to households and enterprises: **loans** (+7.7% yoy) at €18.884 billion, of which **residential mortgage inflows** account for more than €1 billion;
- Solid capital ratios: **core Tier 1 ratio** 8.6%, **Total Capital Ratio** 11.3%; the group is already in line with Basel III requirements on capital;
- Credit quality confirmed: **Cost of Risk**<sup>1</sup> 34 bps, **net NPLs ratio** at 1.0% and **Net Adjustments to Loans** significantly down (-42.8% yoy);
- **Operating Costs**<sup>2</sup> remarkably lower (-2.8%) than in 2009;
- **AUM volumes** at €16.889 billion, posting a considerable increase (+12.2% yoy);
- **Profit for the year** at €78.0 million (-12.2% yoy) in line with 2010-2012 plan target, affected by conservative provisions almost entirely related to a fiscal claim; proposed **dividend** is €0.10 euro per share (was €0.08 euro per share the previous year, +25%).

Credem Board of Directors, chaired by **Giorgio Ferrari**, approved today 2010 individual and consolidated results that will be submitted to the shareholders' meeting called for 27 April 2011.

Credem's General Manager Adolfo Bizzocchi, will present today FY2010 Consolidated Results in a conference call starting at 4 pm CET.

Mr. Bizzocchi declared "In 2010 we posted a remarkable increase in customers' loans and I believe that this performance is particularly important as it proves the capacity of the group to support households and enterprises, leveraging on best in class capital ratios and credit quality that allow us to be fairly confident for the future, even within a macro scenario that still looks uncertain. 2010 profit for the year, even if lower than 2009 because of extraordinary provisions, is in line with 2010-2012 plan targets announced at the beginning of 2010 and allows us to propose to our shareholders a higher dividend compared to the one that we distributed last year. These results outline a path, made of organic growth and quality, that is in line with our mission of creating value consistently on the long term".

In 2010, Credem Group confirmed its support to households and enterprises with **loan volumes** that grew 7.7% to €18.9 billion, **high credit quality** with a cost of risk<sup>1</sup> of 34 bps, net NPLs ratio at 1.0% and **solid capital ratios** (core Tier 1 at 8.6%). The group is already in line with Basel III requirements on capital.

Profit for the year is €78.0 million (it was €88.8 million in 2009, -12.2% yoy) in line with 2010-2012 plan, affected by conservative provisions almost entirely related to a fiscal claim. The dividend that will be proposed to the shareholders' meeting is €0.10 per share

(higher than €0.08 euro per share distributed last year, +25%). The dividend will be payable as from 19 May 2011, with shares going ex-div on 16 May 2011. Total dividends paid to shareholders will amount to €33.2 million

### **Consolidated Income Statement**

**Operating Income** was €962.5 million in 2010, compared to €948.6 million in 2009 (+1.5% yoy).

In particular, **Interest Margin**<sup>3</sup> increased by 4.0% to €448.4 million vs €431.1 million in 2009 despite a further interest rates downward movement seen during the year. 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, as a result of past years' issues to institutional investors coming to their maturities during the year.

**Non Interest Margin**<sup>4</sup> was €514.1 million vs €517.5 million in 2009 (-0,7%) affected by markets' uncertainty and volatility, particularly regarding trading and hedging related incomes. It is anyway worth to mention the positive contribution coming from the active management of Italian Government Bonds in group's portfolio as well as the remarkable value appreciation of Credem Venture Capital private equity fund, of which Credem owns a significant stake. As for commissions, Banking Services Commissions as well as Management and Brokerage Commissions posted a good performance. The latter was positively affected by a general AUM volumes' increase and by the shift from monetary products to other asset classes in customer's portfolios. In detail, portfolio management's fees grew 9.4% while mutual funds and SICAVs' fees grew 23.8% and insurance products fees went up 28.7%. Placement fees showed a similar trend (+26.1%) mostly due to third parties products sold to clientele.

**Operating Costs**<sup>2</sup> were down 2.8% to €643.2 million in 2010, in comparison with €661,8 million in 2009. In detail, Other Administrative Costs decreased by 5.0% yoy to €217 million. Personnel Costs were €426.2 million (-1.7% yoy).

**Cost/Income Ratio**<sup>5</sup> was 66.8% vs 69.8% in 2009.

**Gross Operating Profit** was up by 11.3% to €319.1 million vs €286.8 million in 2009. **Amortisation and Depreciation** were €28.8 million vs €29.5 million in 2009 (-2.4%).

**Operating Profit** was up by 12.9% to €290.5 million vs €257.3 million in 2009.

**Provisions for Risks and Charges** were €56.7 million (0.4 million in 2009). This aggregate was mainly affected by provisions on fiscal risks assessed with reference to a claim under dispute with the Italian Tax Authority. **Net Adjustments to Loans** were €62.1 million (-42.8% vs €108.5 million in 2009): such strong reduction 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 benefitting from the recalculation of the cumulated collective provision on performing loans, in accordance with group's advanced methodology approach currently under BoI review for extended validation to the entire loans portfolio.

**Net Extraordinary Income /Charges** were -€3.4 million (€14.4 million in 2009).

**Profit before Tax** was €168.3 million, +3.4% vs €162.8 million in 2009.

**Income Taxes** were €90.2 million (+22.1% vs €73.9 million in 2009).

**Profit for the year** was €78.0 million (€88.8 million in 2009 (-12.2%)).

Consolidated **ROE** in 2010 was 4.3% (5.0% in 2009).

## **Consolidated Balance Sheet**

**Group Customers' Funding**, at the end of 2010, was €57,499 million, -1.3% vs 58,278 million at the end of 2009.

**Direct Deposits and Bonds**, net of repos, were €16,188 million vs €17,928 million at the end of 2009 (-9.7%). Direct Deposits and Bonds<sup>6</sup>, including repos, were €16,250 million vs €18,086 million at the end of 2009 (-10.2%). The decrease is a result of maturities of previous institutional investors issues and of the preference toward different asset classes showed by clientele. In detail, deposits were €12,668 million (€14,080 million at the end of 2009). Bonds and subordinated debt were €3,520 million (€3,848 million at the end of 2009); repos were €62 million vs €158 million at the end of 2009.

**Insurance Reserves**<sup>6</sup> grew 5.9% to €2,448 million vs €2,312 million at the end of 2009. During 2010, customers' propensity toward capital protection products continued to be relevant while demand for products with an higher financial content grew significantly.

**Indirect Funding**<sup>7</sup> grew 2.4% to €38,801 million vs €37.880 million at the end of 2009. In detail, **AUM** volumes were up 12.2% to €16,889 million vs €15,051 million at the end of 2009, with a new production amounting to €322 million. The overall AUM increase concerned portfolio management, third parties' products and insurance products as well. In detail, portfolio management were €4,978 million (+15.7% yoy) mutual funds and SICAVs were €8,896 million (-1.5% yoy). As for asset classes, yields decrease in monetary products pushed the demand for more profitable products, such as bond and flexible funds. **AUC** was €21,912 million, vs €22,829 million at the end of 2009 (-4.0%).

**Net Loans** to customers were up 7.7% a €18,884 million vs €17,536 million at the end of 2009. Short term lending was impacted by the macro scenario, but showed signs of recovery in the last part of the year. The increase concerned corporate lending (+10.9%), and, within this aggregate, mainly the middle corporate segment (+18.1%). Short term lending to small business was fairly stable (+0.3%). Long term lending, on the other hand, continue to grow remarkably either for retail (+6.9%) and for corporate (+7.5%) customers. In particular, residential mortgages to households stock was €5.845 million at the end of 2010 (+5.6% yoy) with inflows for the year amounting to €1,014 million.

**Net NPLs ratio**, at the end of 2010, were 1.0% vs 0.8% at the end of 2009. **Net Impaired Loans** were €523.4 million (€466.4 million at the end of 2009) and correspond to 2.77% of net total loans. 2010 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 2010 slowed down significantly compared to previous years, both in absolute and relative terms.

**Cost of Risk**<sup>1</sup>, in 2010, was 34 bps, showing a sharp reduction on 2009 performance (62 bps).

**Core Tier 1 capital ratio** was 8.6%. **Total capital ratio** was 11.3%.

At the end of 2010 Credem Group distribution network consisted of 563 branches, 43 corporate centres, 53 financial stores with 5,544 employees, 885 financial advisers with mandate and 212 Creacasa brokers.

**Credem's General Manager Adolfo Bizzocchi will today present FY2010 Consolidated Results in a conference call starting at 4 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)207138 0832 (from UK)  
+1 718 354 1153 (from US).**

**The presentation will be available in Italian and English by choosing a confirmation code after the access (9037904 for Italian and 4711501 for English).**

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

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

Group's perspectives related to future profitability will be 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 stable; cost of risk will see a normalized growth, not being affected by non recurrent components.

Given such a scenario, in 2011 group's operating performance should not differ significantly in comparison with 2010.

### **Other Information**

The Agenzia delle Entrate (the Italian Tax Authority) started inquiries at country level, on financial deals put in place in the past that had generated fiscal assets for taxes paid abroad; claims are essentially related to asimmetries in the fiscal treatment among different countries.

Deals under assessment concern the period 2004-2008 and were contested through a number of "processi verbali di constatazione" (formal tax reports of findings), notified during 2009 and 2010 to Credito Emiliano, Abaxbank and Banca Euromobiliare.

Given that such claims are mostly based on the "abuso del diritto" (abuse of right) legal assumption, for which the jurisprudential ground is still under dispute with regard to its legitimacy, the group is considering the possibility of coming to a settlement. It is worth mentioning that the matter has been indeed the object of different legal interpretations that seem to extend the field of application beyond the rule against elusion set by art. 37-bis, D.P.R. n. 600/1973., and therefore to increase the uncertainty of any possible substantial judgement.

Despite the belief of having operated with correctness in connection to all the deals under dispute and despite the fact that five draft laws are currently under discussion at the competent Parliamentary Commissions to define the subject, the group considered appropriate, as an alternative to the decision to continue the litigation, to take into account the possibility of a settlement by means of a negotiation with the Italian Tax Authority. Such a choice would be adopted to avoid the continuation of the controversy, considering its uncertain length and outcome, and the high incidence of related sanctions, inflicted at the maximum level provided by the rule.

In December 2010 the merger by incorporation of AbaxBank in Credem was approved by the boards of the two companies. The merger, that has already been authorised by the competent regulatory bodies, will deploy its statutory effect since 26 march 2011.

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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.

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

As of today the independent auditors have not completed the auditing Group's Annual Operating Report.

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

**NOTES:**

- 1) Calculated as Net Adjustments to Loans on Loans Average Principals for the period;
- 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 " has been reclassified to "Personnell Costs " in 2010, for 2009 a corresponding amount of €8.8 million has been reclassified from "Other Administrative Costs " to "Personnell Costs ", for the sake of an effective comparison;
- 3) Includes dividends from "Financial Assets Available for Sale" and "Profit/(Loss) from Equity Investments";
- 4) Includes Abaxbank and Credemvita Operating Income and "Other operating income/charges" net of extraordinary income/expenses;
- 5) Calculated as Operating Costs on Operating Income.
- 6) Direct Deposits & Bonds include the contribution of each company belonging to the banking group, while Insurance Reserves include Credemvita's reserves and financial liabilities valued at fair value;
- 7) Indirect Funding figures are exposed at their market value.

Reggio Emilia, 22 march 2011

CREDITO EMILIANO SPA  
(The Chairman)  
Giorgio Ferrari

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**CREDEM - CONSOLIDATED BALANCE SHEET (€,000)**

<b>Assets</b>		<b>31 December 2010</b>	<b>31 December 2009</b>
10	Cash and cash equivalents	135,334	140,298
20	Financial assets held for trading	830,852	1,255,886
30	Financial assets valued at fair value	1,020,438	1,084,300
40	Financial assets available for sale	6,584,605	3,757,714
60	Due from banks	937,345	1,170,809
70	Loans to customers	18,883,850	17,535,701
80	Hedging derivatives	72,182	34,231
90	Value adjustments to financial assets subject to macro hedging (+/-)	39,575	37,917
100	Equity investments	19,435	14,040
110	Technical reserves attributable to reinsurers	914	397
120	Tangible assets	327,076	333,283
130	Intangible assets	365,995	360,851
	of which: goodwill	287,295	285,945
140	Tax assets	231,870	184,329
	a) current	83,073	76,284
	b) prepaid	148,797	108,045
150	Non-current assets and groups of assets being disposed	-	1,047
160	Other assets	548,763	528,238
	<b>Total Assets</b>	<b>29,998,234</b>	<b>26,439,041</b>
<b>Liabilities</b>		<b>30 December 2010</b>	<b>31 December 2009</b>
10	Due to banks	7,716,866	2,394,643
20	Due to customers	11,883,047	12,691,347
30	Outstanding securities	3,994,911	5,000,157
40	Financial liabilities held for trading	362,782	521,388
50	Financial liabilities valued at fair value	1,440,551	1,488,745
60	Hedging derivatives	252,985	222,129
70	Value adjustments to financial liabilities subject to macro hedging (+/-)	21,405	1,237
80	Tax liabilities	106,563	127,423
	a) current	44,554	69,488
	b) deferred	62,009	57,935
100	Other liabilities	835,798	747,509
110	Staff termination indemnity	83,114	90,909
120	Provisions for risks and charges	116,492	85,499
	a) pensions and similar	1,880	2,007
	b) other provisions	114,612	83,492
130	Technical reserves	1,380,189	1,218,044
140	Valuation reserves	-118,451	-16,560
170	Reserves	1,228,300	1,161,956
180	Share premium reserve	283,052	283,052
190	Share capital	332,392	332,392
210	Minority interests (+/-)	285	343
220	Profit (Loss) for the period (+/-)	77,953	88,828
	<b>Total Liabilities and shareholders equity</b>	<b>29,998,234</b>	<b>26,439,041</b>

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

		2010	2009
10	Interests income and similar revenues	684,494	973,425
20	Interest expense and similar charges	(181,167)	(343,446)
<b>30</b>	<b>Interest Margin</b>	<b>503,327</b>	<b>629,979</b>
40	Commission income	476,198	426,091
50	Commission expense	(94,492)	(87,682)
<b>60</b>	<b>Net Commissions</b>	<b>381,706</b>	<b>338,409</b>
70	Dividend and similar revenues	1,657	1,762
80	Net result from trading activities	3,084	(83,869)
90	Net result from hedging activities	4,242	3,659
100	Profit (loss) from sale or repurchase of:	30,610	55,125
	a) loans	-	(6,104)
	b) available for sale financial assets	30,714	43,270
	d) financial liabilities	(104)	17,959
110	Net result from financial assets and liabilities valued at fair value	16,075	(24,658)
<b>120</b>	<b>Operating Income</b>	<b>940,701</b>	<b>920,407</b>
130	Net value adjustments/write-backs due to impairment of:	(62,142)	(108,500)
	a) loans	(62,460)	(108,184)
	d) other financial transactions	318	(316)
<b>140</b>	<b>Net Income from Banking Activities</b>	<b>878,559</b>	<b>811,907</b>
150	Net premiums	294,990	516,172
160	Other income/expenses from insurance activities	(331,098)	(523,984)
<b>170</b>	<b>Net Income from Banking and Insurance Activities</b>	<b>842,451</b>	<b>804,095</b>
180	Administrative costs:	(643,176)	(661,831)
	a) personnel costs	(426,219)	(433,406)
	b) other administrative costs	(216,957)	(228,425)
190	Net provisions for risks and charges	(56,779)	(449)
200	Net value adjustments/write-backs to tangible assets	(15,518)	(15,675)
210	Net value adjustments/write-backs to intangible assets	(13,269)	(13,839)
220	Other operating income/charges	52,220	52,599
<b>230</b>	<b>Operating Costs</b>	<b>(676,522)</b>	<b>(639,195)</b>
240	Profit (loss) from equity investments	1,131	(2,148)
270	Profit (loss) from disposal of investments	1,159	44
<b>280</b>	<b>Profit (loss) before tax from continuing operations</b>	<b>168,219</b>	<b>162,796</b>
290	Taxes on income from continuing operations	(90,195)	(73,859)
<b>300</b>	<b>Profit (loss) after-tax from continuing operations</b>	<b>78,024</b>	<b>88,937</b>
<b>320</b>	<b>Profit (loss) for the period</b>	<b>78,024</b>	<b>88,937</b>
330	<b>Profit (loss) attributable to minority interests</b>	(71)	(109)
<b>340</b>	<b>Profit (loss) attributable to the parent company</b>	<b>77,953</b>	<b>88,828</b>

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

	1Q10	2Q10	3Q10	4Q10	FY10	FY09	% Var FY10- FY09
Interest Margin	109.4	121.5	111.6	105.9	448.4	431.1	4.0
Non Interest Margin	120.5	109.6	124.6	159.4	514.1	517.5	(0.7)
<b>Operating Income</b>	<b>229.9</b>	<b>231.1</b>	<b>236.2</b>	<b>265.3</b>	<b>962.5</b>	<b>948.6</b>	<b>1.5</b>
Personnel Costs	(103.5)	(107.7)	(107.8)	(107.2)	(426.2)	(433.4)	(1.7)
Other Administrative Costs	(55.4)	(53.9)	(56.0)	(51.7)	(217.0)	(228.4)	(5.0)
<b>Operating Costs</b>	<b>(158.9)</b>	<b>(161.6)</b>	<b>(163.8)</b>	<b>(158.9)</b>	<b>(643.2)</b>	<b>(661.8)</b>	<b>(2.8)</b>
<b>Gross Operating Profit</b>	<b>71.0</b>	<b>69.5</b>	<b>72.4</b>	<b>106.4</b>	<b>319.3</b>	<b>286.8</b>	<b>11.3</b>
Amortisation & Depreciation	(6.8)	(7.1)	(7.6)	(7.3)	(28.8)	(29.5)	(2.4)
<b>Operating profit</b>	<b>64.2</b>	<b>62.4</b>	<b>64.8</b>	<b>99.1</b>	<b>290.5</b>	<b>257.3</b>	<b>12.9</b>
Provisions for Risks and Charges	(0.4)	(0.9)	(0.1)	(55.3)	(56.7)	(0.4)	n.s.
Extraordinary Income/ Charges	(0.7)	(1.0)	0.0	(1.7)	(3.4)	14.4	(123.6)
Net Adjustments to Loans	(25.4)	(3.8)	(9.5)	(23.4)	(62.1)	(108.5)	(42.8)
<b>Profit before Tax</b>	<b>37.7</b>	<b>56.7</b>	<b>55.2</b>	<b>18.7</b>	<b>168.3</b>	<b>162.8</b>	<b>3.4</b>
Profit attributable to minority interests	0.0	0.0	0.0	0.0	(0.1)	(0.1)	
Income Taxes for the Period	(17.6)	(23.4)	(21.9)	(27.3)	(90.2)	(73.9)	22.1
<b>Profit for the Period</b>	<b>20.1</b>	<b>33.3</b>	<b>33.3</b>	<b>(8.6)</b>	<b>78.0</b>	<b>88.8</b>	<b>(12.2)</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" has been reclassified to "Personnell Costs" in 2010, for 2009 a corresponding amount of €8.8 million has been reclassified from "Other Administrative Costs" to "Personnell 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 – Credemvita Operating Income – €128.6 million (for 2009 only) non recurrent income coming from treasury deals

**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 + Credemvita Operating Income + €128.6 million (for 2009 only) non recurrent income coming from treasury deals

**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 + 17 million settlement on a watchlist loan and 4.6 million capital gain on a minority stake sale (only in 2009)

**Net Adjustments to Loans**

+ Item 130

**Income Taxes for the Period**

+ Item 290