

# CREDEM HOLDING

Capogruppo del Gruppo Bancario  
"CREDITO EMILIANO – CREDEM"



Gruppo Bancario  
CREDITO EMILIANO – CREDEM

## PRESS RELEASE

### CREDEM, THE BOARD OF DIRECTORS APPROVES THIRD QUARTER 2007 RESULTS: NET PROFIT AT €176.4 MILLION (+5.1%).

- **Total Income** +5.9% at €813.1 million, versus €768.0 million in 3Q06;
- **EBITDA** +3% at 328.0 million versus 318.3 million in the same period of 2006;
- **EBIT** +2.1% at €306.0 million, versus €299.7 million at 30 September 2006;
- **Consolidated Net Profit** +5.1% at €176.4 million (167.8 million at 30 September 2006)
- **Customers Lending** (net of repos) +14.5% at €15,253 million (vs. €13,318 million at the end of September 2006);
- **Credit Quality** (NPL ratio) equals to 0.23% (0.20% at the end of September 2006).
- **Customers Fundings** +4.0% equal to €59,544 million versus €57,239 million at the end of September 2006;
- **Cost/Income**<sup>1</sup> at 59.7% (58.6% at 30 September 2006);
- **Tier 1 capital ratio** 7.7%, **Total capital ratio** at 9.0%

Credem's Board of Directors, chaired by Giorgio Ferrari, approved today 3Q07 individual and consolidated results.

### Third Quarter 2007 RESULTS

#### **Consolidated Income Statement at 30 September, 2007**

At 30 September 2007 **Credem's** profit and loss shows a consolidated net profit at €176.4 million (€167.8 million at the end of September 2006) increasing by 5.1%.

**Total Income** grew by 5.9% to €813.1 million, compared to €768.0 million in the same period of 2006. In particular, **Net Interest Income**<sup>2</sup> is up by 20.2% at €386.1 million (€321.1 million at September 2006) due to the overall increase in spreads and volumes; **Net Non Interest Income**<sup>3</sup> is at €427.0 million, decreasing by 4.5% on third quarter 2006 (€446.9 million).

Commissions remain substantially stable (-0.2%), in particular management and brokerage commissions (+0.1%), while banking services fees slightly decrease by 1.1%. Asset management fees, considering the difficult market scenario, decrease by 4.4%, in particular those related to funds and SICAV's. Portfolio managed accounts fees trend is positive

<sup>1</sup> Calculated as operative costs/total income.

<sup>2</sup> Includes dividends from financial assets available for sale (associated companies) and gains/losses from participation carried at equity; it doesn't include Abaxbank total income.

<sup>3</sup> Includes Abax total income other operating income/charges net of extraordinary components.

(+17.4%), including proceeds from distribution of third parties funds and group's insurance products.

Finance area suffered by exceptional market conditions during summertime.

**Operating Costs** equal €485.1 million (+7.9%) compared to €449.7 million in the same period of 2006. The increase is attributable to branch openings plan that is progressing according to schedule as the consequent staff expansion, specific commercial initiatives, provisions for medium term incentive plans and the national contract renewal. Personnel Costs were positively affected by the change of accounting policies, following the introduction of the pension fund reform. In particular, personnel expenses equal €298.1 million (+8.8%), while administrative expenses come in at €187.0 million (+6.4%).

**Cost/Income (1)** comes in at 59.7%, slightly increasing on the 3Q06 figure (58.6%).

**EBITDA** grew by 3.0% to €328.0 million compared to €318.3 million in the same period of 2006. Depreciation and Amortization equal €22 million (€18.6 million in the same period of 2006).

**EBIT** is up by 2.1% at €306.0 million (€299.7 million at the end of September 2006).

Balance for **provisions for Risk and Expenses** is positive, at 30 September 2007, at €0.2 million (€-3.6 in the same period last year). Net loan write downs equal €25.5 million at the end of September 2007 (€13.7 million at 30 September 2006).

**Net Extraordinary Items** impact 3Q07 for a total of €9.8 million (€4.3 million in the same period of 2006). In particular, the main positive extraordinary item is attributable to the capital gain from the disposal of the stakes in SIA and Parmalat.

**Pre-tax Profit** equals €290.5 million (+1.3%) versus €286.7 million at the end of third quarter 2006.

Income taxes come in at €106.6 million (€109.7million at 30 September 2006).

## **Consolidated Balance Sheet at September the 30<sup>th</sup> , 2007**

**Group Customers Funding** rose by 4.0% to €59,544 million at 30 September 2007, vs. €57,239 million in the same period of 2006. **Direct Deposits**, net of repos, are up by 18.4% at €16,068 million compared to €13,568 million at the end of 3Q06 (direct deposits including repurchase agreements is up by +16.3% to €16,875 million compared to €14,506 at the end of September 2006). In detail, deposits have climbed by 15.1% to €10,594 million (€9,203 million in the same period of 2006), while bonds have grown by 25.4% to €5,474 million (€4,365 at 30 September 2006). In particular, Credem issued over €1.5 billion to institutionals within the EMTN programme since January the 1<sup>st</sup> ,2007 in order to support assets organic growth.

Repurchase agreements are in at €807 million vs. €938 million at 30 September of 2006 (-14%) due to a clientele repositioning on alternative monetary products.

**Indirect Funding** is in at €42,669 million substantially stable on €42,733 million at the end of 3Q06). **Assets under Management** equals €17,596 million compared to €17,095 million in the same period of 2006 (+2.9%). In particular portfolio management grew by 12.6% (to €6,298 million) and Mutual Funds and Sicav's are at €8,832 million (-4.2%).

**Assets under Custody** decreased by 2.2% declining to €25,073 million from €25,638 million in the same period last year, even though AUC from retail customers only grew by 3.5% vs. September 2006.

**Cash Loans** (net of repos) to customers rose by 14.5% to €15,253 million (€13,318 million as at 30 September 2006), while the increase, comprehensive of repurchase agreements, was 17.4% (€15,636 million at 30 September 2007 versus €13,324 million in the same period of 2006).

Medium-long term lending grew significantly in private sector and small businesses; as for retail customers, lending volumes show a remarkable increase from €8.4 billion to €10.1 billion (+20.9%). **Total Mortgage Loans** were, at 30 September 2007, €4.6 billion (+15.5%), while disbursements decreased by 22.4% to €751.7 million. Corporate lending grew by 11.3% to 5.5 €billion.

Overall, lending growth still outperforms industry average.

**NPL ratio** at 30 September 2007 comes in at 0.23% of total loans (0.20% in the same period of 2006) well below banking sector average. **Coverage ratio on non performing loans** reaches 63.1% (61% in the same period of 2006). **Total Doubtful Loans** equal €145.9 million (€108.8 million at the end of 3Q06).

As at 9/30/2007 Credem's distribution network accounted on 490 branches, 42 corporate centres, 66 financial stores with 5,307 employees and 760 financial advisors with mandate.

**Shareholders Equity**, including net profit, is up to €1,476.1 million (€1,312.3 million at the end of 3Q06).

**Tier 1 capital ratio** is 7.7%. **Total capital ratio** equals 9%.

With reference to "subprime mortgage" crisis, as already highlighted in the 2007 Interim Report, Credem Group declares not to have sold mortgages to subprime customers nor to have commitments to do so in the future.

Credem Group did not invest directly or indirectly in US subprime mortgage related securities. Credem exposure in funds that allocated a portion of their portfolio to subprime sector related derivatives, amounts to €0.6 million equal to 0.01 % of its proprietary trading book.

Regarding derivatives contracts to clientele, Credem Group long since adopted procedures and actions helping analyzing customers needs, evaluating the real consciousness and information needed to understand risks associated to derivatives. Credem also has put in place a risk control and measurement system which provides a constant monitoring of clientele derivative exposure.

Toward Public Administration only a contract is still in place for a negligible amount.

As a result, on Credem Group third quarter consolidated accounts there are no remarkable provisions for possible derivative linked contentious procedures with customers.

In the month of June, Credem has signed an agreement for the disposal of Euromobiliare Sim, that will be executed at the closing after all Bank of Italy required authorizations will be obtained; therefore the accounting effects of the deal have not been posted in the 1H07 results. The disposal has been finalized in spite of a strategy oriented to find the best asset of Group's investment banking activities.

#### **Declaration by the senior Manager in charge of drawing up Company Accounts**

The undersigned, Paolo Tommasini, in his capacity as senior manager in charge of drawing up the Credem Group Spa company accounts

DECLARES

as prescribed by §154bis, 2 of the Testo Unico delle disposizioni in materia di intermediazione finanziaria (The "Single Financial Service Act") that, to the best of his knowledge and belief, the Consolidated Quarterly Report at 30 September agrees with the documentary records, ledgers and accounting data.

Attached please find the individual and consolidated balance sheets and income statements as well as the reclassified consolidated P&L and the reclassification rules. Third Quarter consolidated report is still under certification by the Independent Auditors. Third Quarter consolidated report at 30 September 2007 will be at public disposal within law terms.

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

Reggio Emilia, 14 November 2007

CREDITO EMILIANO SPA  
(Chairman)  
Giorgio Ferrari

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## Consolidated Balance Sheet (€/000)

	<b>Assets</b>	<b>9.30.2007</b>	<b>12.31.2006</b>
10	Cash and balances with central banks	89,150	126,524
20	Financial assets held for trading	4,838,444	4,901,710
30	Financial assets valued at fair value	475,775	-
40	Financial assets available for sale	64,977	83,910
60	Loans and advances to banks	4,421,165	3,575,988
70	Loans and advances to customers	15,635,776	14,386,083
80	Hedging derivatives	9,151	9,754
100	Equity investments	38,494	37,464
120	Property, plant and equipment	328,259	337,115
130	Intangible assets	51,958	54,619
	of which:		
	goodwill	31,187	31,187
140	Tax assets	125,128	168,157
	<i>a)</i> current	61,546	94,756
	<i>b)</i> deferred	63,582	73,401
150	Non-current assets held for sale	288,045	-
160	Other assets	613,466	569,588
	<b>Total assets</b>	<b>26,979,788</b>	<b>24,250,912</b>

	<b>Liabilities</b>	<b>9.30.2007</b>	<b>12.31.2006</b>
10	Deposits from banks	5,732,780	4,494,247
20	Deposits from customers	11,216,156	10,917,324
30	Debt securities in issue	4,685,555	3,248,192
40	Financial liabilities held for trading	1,274,072	1,557,630
50	Financial liabilities at fair value	973,122	1,363,955
60	Hedging derivatives	9,067	6,171
80	Tax liabilities	261,269	281,704
	a) current	103,565	130,227
	b) deferred	157,704	151,477
90	Liabilities associated with non-current assets held for sale	144,800	-
100	Other liabilities	1,041,633	815,301
110	Provision for severance indemnities	85,819	101,586
120	Provisions for risks and charges:	60,380	63,647
	a) pensions and similar liabilities	1,498	1,503
	b) other	58,882	62,144
140	Revaluation reserves	87,187	74,673
170	Reserves	849,152	713,067
180	Share premium	81,326	78,728
190	Share capital	281,988	281,476
210	Minority interests	19,057	21,149
220	Net profit (loss) for the period	176,425	232,062
	<b>Total equity and liabilities</b>	<b>26,979,788</b>	<b>24,250,912</b>

## CONSOLIDATED INCOME STATEMENT (€/000)

		9.30.2007	9.30.2006
10	Interests and similar incomes	958,671	670,640
20	Interest expenses and similar charges	(604,327)	(357,069)
30	<b>Net interest income</b>	<b>354,344</b>	<b>313,571</b>
40	Fee and commission income	374,554	376,892
50	Fee and commission expense	(63,539)	(72,717)
60	<b>Net fee and commission income</b>	<b>311,015</b>	<b>304,175</b>
70	Dividend and similar income	274,361	208,075
80	Net trading income	(180,833)	(104,461)
90	Hedging activity income	11	-
100	Gains (losses) on disposal or repurchase of:	11,360	7,649
	<i>a) credits</i>	-	(1)
	<i>b) financial assets available for sale</i>	11,193	7,668
	<i>d) financial liabilities</i>	167	(18)
110	Net change in value of financial a/l at fair value	4,216	1,700
120	<b>Total income</b>	<b>774,474</b>	<b>730,709</b>
130	Net impairment adjustments on:	(25,478)	(13,673)
	<i>a) loans and advances</i>	(25,364)	(15,396)
	<i>d) other financial assets</i>	(114)	1,723
140	<b>Net income from financial activities</b>	<b>748,996</b>	<b>717,036</b>
170	<b>Net income from financial and insurance activities</b>	<b>748,996</b>	<b>717,036</b>
180	Administrative expenses:	(485,087)	(449,639)
	<i>a) payroll</i>	(298,083)	(273,981)
	<i>b) other</i>	(187,004)	(175,658)
190	Net increases in provisions for risks and charges	207	(3,627)
200	Net adjustments to property, plant and equipment	(13,524)	(13,406)
210	Net adjustments to intangible assets	(8,499)	(5,249)
220	Other operating income (charges)	43,038	40,859
230	<b>Operating costs</b>	<b>(463,865)</b>	<b>(431,062)</b>
240	Share of profit (loss) from equity stakes	5,657	373
270	Share of profit (loss) from sale of investments	(245)	357
280	<b>Profit (loss) from current operations before tax</b>	<b>290,543</b>	<b>286,704</b>
290	Income taxes on current operations	(106,615)	(109,695)
300	<b>Profit (loss) from current operations after tax</b>	<b>183,928</b>	<b>177,009</b>
320	<b>Net profit (loss) for the period</b>	<b>183,928</b>	<b>177,009</b>
330	Minority interests	(7,503)	(9,178)
340	<b>Net profit (loss) for the period attributable to the parent bank</b>	<b>176,425</b>	<b>167,831</b>

**Consolidated reclassified income statement (€/million)**

	1Q07	2Q07	3Q07	9/06	9/07	change %/y/y	3Q06	FY06
Net interest income	124.9	124.4	136.8	386.1	321.1	20.2	112.8	440.3
Net commissions	149.7	172.7	104.6	427.0	446.9	(4.5)	124.7	620.6
<b>Total income</b>	<b>274.6</b>	<b>297.1</b>	<b>241.4</b>	<b>813.1</b>	<b>768.0</b>	5.9	<b>237.5</b>	<b>1,060.9</b>
Payroll expenses	(100.9)	(99.0)	(98.2)	(298.1)	(274.0)	8.8	(89.3)	(388.5)
Administrative expenses	(59.4)	(64.1)	(63.5)	(187.0)	(175.7)	6.4	(62.4)	(230.3)
<b>Operating costs</b>	<b>(160.3)</b>	<b>(163.1)</b>	<b>(161.7)</b>	<b>(485.1)</b>	<b>(449.7)</b>	7.9	<b>(151.7)</b>	<b>(618.8)</b>
<b>EBITDA</b>	<b>114.3</b>	<b>134.0</b>	<b>79.7</b>	<b>328.0</b>	<b>318.3</b>	3.0	<b>85.8</b>	<b>442.1</b>
Amortization and depreciation	(6.7)	(7.3)	(8.0)	(22.0)	(18.6)	18.3	(6.3)	(25.9)
<b>EBIT</b>	<b>107.6</b>	<b>126.7</b>	<b>71.7</b>	<b>306.0</b>	<b>299.7</b>	2.1	<b>79.5</b>	<b>416.2</b>
Net provisions for risks and expenses	(0.3)	(0.3)	0.8	0.2	(3.6)	n.s.	1.1	(8.6)
Extraordinary income/expenses	2.0	0.7	7.1	9.8	4.3	127.9	(2.0)	7.6
Net write downs	(6.0)	(10.5)	(9.0)	(25.5)	(13.7)	86.1	(5.6)	(25.6)
<b>Pre-tax profit</b>	<b>103.3</b>	<b>116.6</b>	<b>70.6</b>	<b>290.5</b>	<b>286.7</b>	1.3	<b>73.0</b>	<b>389.6</b>
Minorities interest in net profit/loss	(2.0)	(3.3)	(2.2)	(7.5)	(9.2)	(18.5)	(1.8)	(9.6)
Income taxes	(41.4)	(41.4)	(23.8)	(106.6)	(109.7)	(2.8)	(29.2)	(147.9)
<b>Net profit</b>	<b>59.9</b>	<b>71.9</b>	<b>44.6</b>	<b>176.4</b>	<b>167.8</b>	<b>5.1</b>	<b>42.0</b>	<b>232.1</b>
<b>Earning per share</b>	<b>0.21</b>	<b>0.26</b>	<b>0.16</b>	<b>0.63</b>	<b>0.60</b>	<b>5.0</b>	<b>0.15</b>	<b>0.83</b>
<b>Diluted earning per share</b>	<b>0.21</b>	<b>0.25</b>	<b>0.16</b>	<b>0.62</b>	<b>0.60</b>	<b>3.3</b>	<b>0.15</b>	<b>0.82</b>

**Reclassification rules:**

**Net Interest income**

+ Item 30 + Item 240 + Item 70 dividends and similar incomes (on stakes dividends) - Abaxbank interest margin

**Non interest income**

+ Item 60 + Item 70 (net of stake dividends)+ Item 80 + Item 90 + Item 100 (only item "d") + Item 110 + Item 220 (net of extraordinary components)+ Abaxbank interest margin

**Total income**

Net Interest income+ Non interest income

**Operative costs**

+ Item 180

**EBITDA**

(Total income – Operative costs)

**Depreciation and admortization**

+ Item 200+ Item 210

**EBIT**

(Ebitda – depreciation&admortization)

**Net provisions for risk and charges**

+ Item 190

**Net adjustment on credits**

+ Item 130 ("a" and "d")

**Extraordinary income/losses**

+ Item 100 (net of "d" )+ Item 130 ("b" and "c")+ Item 220 (only extraordinary components) + Item 270 + Item 310

**Pre-tax profit**

(EBIT +/- Net provisions for risk and charges+/- Loan loss provisions Extraordinary income/losses)