

CREDEM: THE BOARD OF DIRECTORS APPROVES FIRST QUARTER 2013 GROUP'S CONSOLIDATED RESULTS

- **Operating Income** +8.3% YoY at €258.4 million;
- **Net Operating Profit** +19.9% YoY at €92.2 million;
- **Customers' Loans** at €19,838 million, +1% YoY;
- **Net Adjustments to Loans** 11.6% down YoY at €19.9 million;
- **credit quality: Net NPLs** at 1.38% well below industry's average;
- **sound capital ratios: Core Tier 1⁽¹⁾** at 9.61%;
- **Assets Under Management** +9.2% YoY at €16,766 million;
- **Net Profit for the Period** +1.9% YoY at €42.4 million;
- **well balanced growth and development strategy** with strong focus on distribution: group's headcount increased by 42 units QoQ and by 77 units YoY.

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 1Q13 individual and consolidated financial results. The Group continued its effort in maintaining its structure flexible and reactive and continued as well to invest on its distribution network, as it is proved by the increase of the headcount by 42 units in the first quarter of 2013 and by 77 units in comparison with the first quarter 2012. The main objective remains to grow in a balanced way given the current difficult macroeconomic scenario. 1Q13 results confirmed the positive performance of Credem's commercial banking business, as a continuation of the trend already experienced in 2012.

In detail, Customers' Loans to companies and households grew 1% compared to the end of March 2012, reaching €19,838 million. **AUM** at the end of March 2013 were €16,766 million, +9.2% compared to the same period of 1Q12. The focus on credit quality remained high with **Net NPLs** at 1.38% (1.22% at the end of March 2012) well below industry's average, while maintaining as well solid capital ratios, with a **Core tier 1⁽¹⁾** at 9.61%. **Net Profit for the Period** was up 1.9% YoY at €42.4 million.

Consolidated Income Statement

Operating Income was up 8.3% YoY at €258.4 million compared to €238.7 million at the end of March 2012.

Interest Margin⁽²⁾ was €112.6 million compared to €115.1 million as at end of March 2012 (-2.2% YoY) penalized by a lower contribution of the securities portfolio. Customers' spread was instead on the rise.

Non Interest Margin⁽³⁾⁽⁴⁾ was up 18% YoY at €145.8 million compared to €123.6 million as at end of March 2012. The positive performance is mainly due to trading activity (+43.8% YoY) as well as insurance business (+45.8% YoY). Commissions were also positive (+0.2% YoY) with growing asset management fees (+1.4% YoY) and a slight reduction of banking fees (-1.2% YoY). Other Income gave a positive contribution (13.6 million compared to €3.3 million in 1Q12) also due to a changed accounting rule imposing to post a portion of banking fees within Other Income line.

Operating Costs⁽⁴⁾ were €157.8 million compared to €154.1 million in 1Q12 (+2.4% YoY). In detail, Administrative Expenses were €48.6 million, stable if compared to 1Q12. Payroll Costs were €109.2 million (+3.5% YoY) mainly due to the increase in group's headcount and the application of the new national contract for banking workers.

Cost/income ratio ⁽⁵⁾ was 61.1% in reduction if compared both to 1Q12 (64.6%) and to FY12 (62.2%).

Gross Operating Profit was €100.6 million, +18.9% compared to €84.6 million in 1Q12. **Amortisation and Depreciation** equalled €8.4 million compared to €7.7 million in 1Q12 (+9.1% YoY).

Net Operating Profit was up 19.9% YoY at €92.2 million compared to €76.9 million in 1Q12.

Provisions for Risk and Charges equalled €0.8 million (€5.7 million in 1Q12). **Net Adjustments to Loans** were €19.9 million, down 11.6% compared to €22.5 million in 1Q12.

Net Extraordinary Income/Charges were -€0.7 million (€16.1 million in 1Q12).

Profit before Tax was €70.8 million, +9.3% compared to €64.8 million in 1Q12.

Income Taxes were €28.4 million (+22.4% compared to €23.2 million in 1Q12).

Net Profit for the Period was €42.4 million, +1.9% compared to €41.6 million in 1Q12 (when the result had been significantly improved by the accounting of the capital gain resulting by the disposal, occurred in 2008, of the 50% stake in Credemassicurazioni).

Consolidated Balance Sheet ⁽⁶⁾

Group's Customers' Funding at the end of 1Q13, was up 5.5% YoY at €16,474 million compared to €15,615 million at the end of 1Q12. Group's Total Funding was €17,010 million compared to €17,445 million at the end of 1Q12 (-2.5% YoY). Deposits were up at €13,096 million, +5.7% YoY compared to €12,385 at the end of 1Q12. Bonds and Subordinated Debts were €3,914 million (€5,042 million at the end of 1Q12).

Insurance Reserves were €2,721 million, +7.5% compared to €2,532 million at the end of 1Q12.

Indirect Customers' Deposits were €27,364 million, +2.7% compared to €26,651 million at the end of 1Q12. Group's Indirect Deposits were €32,157 million compared to €35,123 million at the end of 1Q12 (-8.4% YoY). In detail, **AUM** were €16,766 million, +9.2% compared to €15,355 million at the end of 1Q12; within AUM aggregate, Portfolio Management Accounts were €3,755 million (-1.4% YoY) while Mutual Funds and SICAVs were €8,055 million (+1.4% YoY).

Loans to Customers were €19,838 million, +1% compared to €19,643 million at the end of 1Q12 while maintaining a strong attention to the quality of the portfolio. In detail, residential mortgages to households were €6,206 (-0.38% YoY) with new inflows in 2013 amounting to €109.8 million (-14.7% YoY).

Net NPLs Ratio was 1.38% (compared to 1.22% in 1Q12) well below industry average. **Net Impaired Loans** were €738.1 million (€661.2 million at the end of 1Q12). The macroeconomic environment does not permit yet to observe a slow down in impaired loans generation, with reference specifically to watchlist and non performing loans. However, as for Credem, indicators look very much manageable and definitely better than industry average.

Core Tier I Ratio ⁽¹⁾ was 9.61%. **Toal Capital Ratio** ⁽⁷⁾ was 13.9%.

At the end of 1Q13 Credem's distribution network consisted of 636 branches, corporate centres and financial stores with 5,646 employees, 753 financial advisers with mandate. 259 Creacasa agents and 84 agents with exclusive mandate for "salary backed loans".

Forecast on operating trends and evolution of the business

Latest updates related to macroeconomic scenario lead to believe that revenues generation could be enhanced by quieter and less volatile financial and interbanking markets. As for costs, they could be impacted by further rationalization actions, new projects for being compliant with new regulations and by a careful strengthen of distribution networks. These trends will be accompanied, as usual, by the necessary care in appreciating the evolution of the risk associated to the lending activity. However, in the current scenario, the evolution of the macroeconomic picture, the future performance of sovereign debts deemed to be risky, the financial markets expectable trends and the still growing cost of risk remain crucial for the future performances of the group.

Other information

In the first months of 2013, Credem has been inspected by Bank of Italy, within the frame of a monitoring activity on the entire banking system. Such analysis was mainly directed to assess the adequacy of loan losses adjustments on impaired loans, as well as all the related policies and procedures. Individual and consolidated 2012 accounts adopt the indications coming from such inquiry. At the end of March 2013, with respect of the periodical inspection plan to be performed on all banks, Bank of Italy started a new inspection, that is still under way, concerning a broader inquiry over all matters related to credit risk management inside the group.

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 1Q13 report will be soon available to the public in due terms.

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

NOTES:

- (1) Calculated as Tier I Capital on Risk Weighted Assets;
- (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) The recovery of indirect taxes charged to clientele (€11.7 million in 1Q12 and €14.7 million in 1Q13) was deducted either from Non Interest Margin and Operating Costs;
- (5) Calculated as Operating Costs on Operating Income;
- (6) Following the changes occurred to the interbank collateralized market, with the transfer to Cassa di Compensazione e Garanzia and to Monte Titoli of some functions that Bank of Italy used to manage to date, in item 20 ("Due to customers") on the liabilities side of balance sheet were accounted €1.2 billion of interbanking credit lines. Comments to "Loans to Customers" and "Customer's Fundings" refer to aggregates that do not include such credit lines. Starting from last quarter 2011, such credit lines have being included in Loans to Customers and Due to Customers, rather than Due from Banks and Due to Banks where they had been posted in 2010. Regarding Direct Customers' Fundings, bonds issued to institutional investors are



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deducted from the total for an amount of €536 million at the end of 1Q13 and €1,830 million at the end of 1Q12. Indirect Customers' Deposits are calculated net of institutional deposits amounting to €4,793 million in 1Q13 and €8,472 million in 1Q12.

(7) Calculated as Tier I Capital plus subordinated debts on Risk Weighted Assets.

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CREDEM - CONSOLIDATED BALANCE SHEET (€,'000)

	March 31, 2013	Dec 31, 2012
10. Cash and cash equivalents	126,324	165,458
20. Financial assets held for trading	291,359	312,437
30. Financial assets valued at fair value	838,660	828,980
40. Available-for-sale financial assets	7,061,860	6,069,413
60. Due from banks	1,055,887	946,699
70. Loans to customers	19,837,547	20,643,301
80. Hedging derivatives	150,759	174,872
90. Value adjustments to financial assets subject to macro-hedging (+/-)	75,876	79,640
100. Equity investments	23,685	23,637
110. Technical reserves attributable to reinsurers	1,978	1,949
120. Tangible assets	312,042	315,638
130. Intangible assets	368,254	370,387
of which: goodwill	287,295	287,295
140. Tax assets	254,609	253,764
a) current	62,828	63,679
b) prepaid – not as per L. 214/2011	191,781	190,085
b1) prepaid – as per L. 214/2011	38,880	37,343
160. Other assets	680,487	562,528
Total Assets	31,079,327	30,748,703

	March 31, 2013	Dec 31, 2012
10. Due to banks	5,859,985	5,668,549
20. Due to customers	14,262,771	14,456,923
30. Outstanding securities	3,841,360	4,075,089
40. Financial liabilities held for trading	192,746	232,682
50. Financial liabilities valued at fair value	912,964	920,865
60. Hedging derivatives	409,513	431,120
70. Value adj. to financial liabilities subject to macro-hedging (+/-)	66,988	77,559
80. Tax liabilities	154,622	155,117
a) current	50,766	43,728
b) deferred	103,856	111,389
100. Other liabilities	1,296,454	727,939
110. Staff termination indemnity	93,577	92,055
120. Provisions for risks and charges	148,047	151,795
a) pensions and similar	2,187	2,188
b) other provisions	145,860	149,607
130. Technical reserves	1,872,124	1,773,925
140. Valuation reserves	-99,331	-79,693
170. Reserves	1,412,656	1,331,113
180. Share premium reserve	283,052	283,052
190. Share capital	332,392	332,392
200. Treasury shares (-)	-3,388	-3,388
210. Minority interests (+/-)	380	367
220. Profit (Loss) for the period (+/-)	42,415	121,242
Total Liabilities and Shareholders' Equity	31,079,327	30,748,703

CREDEM - CONSOLIDATED INCOME STATEMENT (€,'000)

		1Q2013	1Q2012
10.	Interests income and similar revenues	197,516	228,337
20.	Interest expense and similar charges	(71,568)	(96,614)
30.	Interest Margin	125,948	131,723
40.	Commission income	115,880	115,413
50.	Commission expense	(25,254)	(24,722)
60.	Net Commissions	90,626	90,691
70.	Dividend and similar revenues	531	97
80.	Net result from trading activities	4,205	11,796
90.	Net result from hedging activities	580	781
100.	Profit (loss) from sale or repurchase of:	49,395	24,558
	b) available-for-sale financial assets	49,308	24,285
	d) financial liabilities	87	273
110.	Net result from financial assets and liabilities valued at fair value	437	(653)
120.	Operating Income	271,722	258,993
130.	Net value adjustments/write-backs due to impairment of:	(19,899)	(22,467)
	a) loans	(19,582)	(22,664)
	d) other financial transactions	(317)	197
140.	Net Income from Banking Activities	251,823	236,526
150.	Net premiums	143,314	64,702
160.	Other income/expenses from insurance activities	(170,106)	(87,601)
170.	Net Income from Banking and Insurance Activities	225,031	213,627
180.	Administrative costs:	(172,563)	(165,824)
	a) personnel costs	(109,247)	(105,472)
	b) other administrative costs	(63,316)	(60,352)
190.	Net provisions for risks and charges	(791)	(5,703)
200.	Net value adjustments/write-backs to tangible assets	(3,909)	(3,840)
210.	Net value adjustments/write-backs to intangible assets	(4,324)	(3,856)
220.	Other operating income/charges	27,311	15,570
230.	Operating Costs	(154,276)	(163,653)
240.	Profit (loss) from equity investments	151	14,781
270.	Profit (loss) from disposal of investments	(112)	(1)
280.	Profit (loss) before tax from continuing operations	70,794	64,754
290.	Taxes on income from continuing operations	(28,366)	(23,151)
300.	Profit (loss) after-tax from continuing operations	42,428	41,603
320.	Profit (loss) for the period	42,428	41,603
330.	Profit (loss) attributable to minority interests	(13)	(12)
340.	Profit (loss) attributable to the parent company	42,415	41,591

CREDEM – CONSOLIDATED INCOME STATEMENT (€ Million)

	1Q13	1Q12	Var %	2012
Interest Margin	112.6	115.1	(2.2)	468.3
Non Interest Margin	145.8	123.6	18.0	502.9
Operating Income	258.4	238.7	8.3	971.2
Personnel Costs	(109.2)	(105.5)	3.5	(415.0)
Other Administrative Costs	(48.6)	(48.6)	-	(189.5)
Operating Costs	(157.8)	(154.1)	2.4	(604.5)
Gross Operating Profit	100.6	84.6	18.9	366.7
Amortisation & Depreciation	(8.4)	(7.7)	9.1	(32.7)
Net Operating Profit	92.2	76.9	19.9	334.0
Provisions for Risks and Charges	(0.8)	(5.7)	(86.0)	(63.1)
Extraordinary Income/ Charges	(0.7)	16.1	n.a.	46.4
Net Adjustments to Loans	(19.9)	(22.5)	(11.6)	(89.1)
Profit before Tax	70.8	64.8	9.3	228.2
Minority Interests	-	-	-	(0.1)
Income Taxes for the Period	(28.4)	(23.2)	22.4	(106.9)
Profit for the Period	42.4	41.6	1.9	121.2

<i>ROE</i>	2.2%	2.4%	6.9%
<i>Non Interest Margin/Operating Income</i>	56.4%	51.8%	51.8%
<i>Cost/Income Ratio</i>	61.1%	64.6%	62.2%
<i>Tax Rate</i>	40.1%	35.8%	46.8%

The recovery of indirect taxes charged to clientele (€11.7 million in 1Q12 and €14.7 million in 1Q13) was deducted either from Non Interest Margin and Operating Costs

KEY:

Interest Margin

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

Non-Interest Margin

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

Operating Profit

- + Operating Income
- + Line 180 Operating costs (personnel costs and other administrative costs and of indirect taxes' recovery charged to clientele)
- + Line 200 Net value adjustments/write-backs to tangible assets
- + Line 210 Net value adjustments/write-backs to intangible assets

Profit before tax

- + Operating Profit
- + Line 190 Provisions for risks and charges
- + Line 130 Net Adjustments for impaired loans and other financial transactions
- + Extraordinary income/charges:
 - Line 220 Other operating income/charges (only extraordinary Lines – imbalance of extraordinary Lines)
 - + Line 100 Profit (Loss) from sale or repurchase for profit/loss on equity securities only
 - + Line 130 Net Adjustments to assets available for sale
 - + Line 270 Profit (Loss) from disposal of investments
 - + Line 240 Profit (Loss) from equity investments
 - + Line 310 Profit (Loss) referred to group of assets being disposed net of taxes