

CREDEM, THE BOARD OF DIRECTORS APPROVES FIRST HALF 2013 GROUP'S CONSOLIDATED RESULTS: NET PROFIT +7.1% YoY AND LOANS TO CUSTOMERS UP BY 1.3% YoY

- *Profitability and solidity: **Consolidated Net Profit** at €71 million, +7.1% YoY, **Core Tier 1**⁽¹⁾ at €9.6% with no recourse to rights issues;*
- *Strong support to companies and households: **Loans to Customers**⁽²⁾ +1.3% YoY at €19.8 billion; since the beginning of 2010 loan volumes grew by more than €2.2 billion;*
- *Constant growth: about 20,000 **net new customers** since the beginning of the year⁽³⁾;*
- *Credit quality confirmed: **Net NPLs Ratio** at 1.5%;*
- *Deposits and Asset Under Management remarkable increase: **Direct Deposits** from Customers⁽⁴⁾ +10.9% YoY at €17,022 million, **Asset Under Management** +10.8% YoY at €16,812 million.*

Credem's Board of Directors, chaired by **Giorgio Ferrari**, approved today 1H13 individual and consolidated financial results. **Consolidated Net Profit** was up by 7.1% YoY at €71 million compared to €66.3 million in 1H12. The Group continued to sustain the economy with Loans to Customers⁽²⁾ up by 1.3% YoY, reaching €19.8 billion.

*"I'm very proud of these results that prove our effort in preserving a sustainable profitability while keeping an outstanding asset quality and sound Group capital ratios." declared **Credem General Manager, Mr. Adolfo Bizzocchi** - "Our Group, thanks to the keen work of all Credem's people, continued to support households and enterprises also during the last semester. Since the beginning of 2010 and until the end of June 2013, the Group has increased its loans to customers by €2.2 billion reaching a total value of € 19.8 billion composed by residential mortgages, personal loans and loans to enterprises. We also invested significantly on our retail networks' growth, by delivering thousands of hours of training as well as hiring new people: 64 people since the beginning of this year, two third of which regarded people under 30 years of age. An important reward of the work that we have done" ended Mr. Bizzocchi, "is represented by the progressive increase of the number of customers that we gained in latest years, circa 20,000 net new costumers only in the first semester of 2013, which I believe, it comes from a strong customer satisfaction related to our service level and from paying attention to our clients' needs, especially in the most complex situations".*

Consolidated Income Statement

Operating Income was €502.8 million, +7.9% compared to €466 million in 1H12.

In particular, **Interest Margin**⁽⁵⁾ was €229.3 million compared to €233.9 million in 1H12 (-2% YoY) affected by the dynamic of interest rates that negatively impacted Loans to Customers and securities portfolio contribution, reducing on the other hand the cost of the funding.

Non Interest Margin⁽⁶⁾⁽⁷⁾ was €273.5 million, +17.8% compared to €232.1 million in 1H12. Net Commissions were up by 4.4% YoY at €186.5 million. In particular Banking Fees⁽⁸⁾ were €81.8 million (+7.1% YoY) while Asset Management and Brokerage Commissions were €104.7 million, +2.3% YoY; in detail mutual funds fees were up by 13.1%, portfolio management fees went down by 4.3%, product placement fees, especially thank to the placement of asset under management third parties' products,

increased by 33.6%, and insurance fees related to products not included in group's life insurance business went up by 24.1%. Instead, Group's life insurance related fees were €20.4 million, up by 53.4% thank to a stronger commercial effort as well as the better performances of the underlying assets. Trading revenues were €39.4 million, up by 72.1% YoY.

Operating Costs⁽⁷⁾ were €312.3 million compared to €302.8 million in 1H12 (+3.1% YoY) reflecting the revision and the strengthening of distribution networks, as well as specific actions aimed at increase the effectiveness of the commercial efforts. In detail Administrative Expenses were €98 million (+1.9% YoY) while Payroll Costs were €214.3 million (+3.7% YoY).

Cost/Income Ratio⁽⁹⁾ was 62.1%, down if compared to 65% in 1H12.

Gross Operating Profit was €190.5 million, +16.7% compared to €163.2 million in 1H12. **Amortisation and Depreciation** were €16.9 million compared to €15.7 million in 1H12 (+7.6% YoY).

Net Operating Profit was €173.6 million, +17.7% compared to €147.5 million in 1H12.

Provisions for Risk and Charges were €2.9 million (€15 million in 1H12). **Net Adjustments to Loans** were €47.9 million compared to €36.4 million in 1H12 (+31.6% YoY) because of the difficult scenario affecting companies and households. As a result of such provisions, **coverage on NPLs** was 55.9% at the end of 1H13 compared to 56.7% at the end of 1H12 and 55.4% at the end of 2012.

Net Extraordinary Income/Charges were -€1.7 million (€16.6 million in 1H12).

Profit before Tax was €121.1 million, +7.5% compared to €112.7 million in 1H12.

Income Taxes were €50.1 million (+8% compared to €46.4 million in 1H12).

Net Profit for the Period was €71 million, +7.1% compared to €66.3 million in 1H12.

Consolidated Balance Sheet⁽⁴⁾

Group's Customers' Funding was €46,980 million at the end of 1H13, compared to €44,014 million at the end of 1H12, +6.7% YoY. Group's Total Funding was €52,245 million, compared to €53,015 million at the end of 1H12 (-1.5% YoY).

Direct Deposits from Customers were €17,022 million, +10.9% compared to €15,346 million at the end of 1H12. **Group Direct Deposits** were €17,592 million compared to €16,645 million in 1H12 (+5.7% YoY). In detail, Sight and Time Deposits were €13,588 million, +11.3% compared to €12,212 million at the end of 1H12. Bonds and Subordinated Debt were €4,004 million (€4,433 million at the end of 1H12).

Insurance Reserves were €2,834 million, +10.8% compared to €2,557 million at the end of 1H12.

Total Customers Indirect Deposits were €27,124 million, +3.9% compared to €26,111 million at the end of 1H12. Group's Indirect Deposits were €31,819 million compared to €33,813 million at the end of 1H12 (-5.9% YoY). In detail, Asset Under Management were €16,812 million, +10.8% compared to €15,172 million at the end of 1H12, with Portfolio Management at €3,711 million (-1.6% YoY) and Mutual Funds and SICAVs at €7,886 million (+1.8% YoY).

Loans to Customers⁽²⁾ were €19,814 million, +1.3% compared to €19,553 million at the end of 1H12 while maintaining an outstanding quality of the portfolio. As for corporate lending, a change in the mix took place in favour of short term credit lines to "small" and "medium" enterprises. In detail, short term loans to corporate customers went up, in both the "medium" (+8.8% compared to the end of 1H12 and +1.2% compared to the end of 2012) and "small business" segments (+9.1% to the end of 1H12 and +0.5% compared to the end of 2012). Medium/long term lending contracted, both for "medium" (-7.7% compared to the end of 1H12 and -4.4% compared to the end of 2012) and "small" enterprises (-1.8% compared to the end of 1H12 and -1.3% compared to the end of 2012). Dynamic in medium/long term lending to retail customers was still more favourable (stable compared the end of 1H12. +0.2% compared the end of 2012); here, as for the whole industry, the contribution of new residential mortgages decelerated (-19% YoY), while personal loans increased (+30% YoY). As for this portion of the business, the Group increased its volumes, in the semester, by 50 million of salary backed loans to employees and retired individuals ("cessione del quinto"), mostly thank to the new agents network operating since the second half of 2012.

Net NPLs Ratio was 1.5% (compared to 1.2% in 1H12) well below industry average. **Net Impaired Loans** were €771.7 million (€674.6 million at the end of 1H12) while maintaining a strong advantage over the industry in terms of credit quality, despite the current situation that continued to create difficulties to both companies and households.

Core Tier I Capital Ratio⁽¹⁾ was 9.6%. **Total capital ratio**⁽¹⁰⁾ was 13.2%.

At the end of 1H13 Credem's distribution network consisted of 635 branches, corporate centres and financial stores with 5,561 employees, 770 financial advisers with mandate, 260 Creacasa agents and 90 agents with exclusive mandate for "salary backed loans".

Forecast on operating trends and evolution of the business

The volatility of main systemic evidences (the tentative signs of an economic growth that should, however, impact next year and that seem to be related more to the "euro area" as a whole rather than Italy, the recovery of financial markets and the positive impact on government bonds' and bank bonds' rates) do not allow to expect, on the short-term, operating trends dissimilar to the ones that have affected the first half of the year. In particular, both net interest income contraction and high level of loan losses provision should be seen also in the near future. Trading contribution appears to be extreme volatile, while contribution from commissions, not strictly related to the performance of the financial markets, should remain on the rise.

Operating Costs will be affected by investments made to support both commercial and risks monitor and control activities.

Conference call

Credem's General Manager, Mr. Adolfo Bizzocchi, will present 1H13 Consolidated Results on Friday, 30 August 2013 in a conference call starting at 10.30 am CET. To enter in the conference, attendees can call, 15 minutes before the start, the following numbers:

+39 06 8750 0875 or +39 02 3600 9866 (from Italy and other Internationals, excluding UK and US)

+44 (0)20 3427 1916 (from UK)

+1 646 254 3367 (from US).

The presentation will be available in Italian and English by choosing a confirmation code after the access (9527855 for Italian and 3702650 for English).

The conference completed with a synchronized slide show will also be accessible via webcast, by visiting Credem's corporate website www.credem.it, under the Investor Relations section.

In accordance with art. 81 ter, Regolamento CONSOB n. 11971/14 May 1999 and subsequent changes, 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 2013 Interim Report, that is subject to a limited audit, 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

NOTE:

- (1) Calculated as Tier I Capital on Risk Weighted Assets;
- (2) For a significant comparison, 2012 Loans were exposed net of those related to securitization and covered bonds issues programmes (€250 million). Following a recent Bank of Italy recommendation, since 2012 credits toward SPVs do not have to appear in the consolidated accounts. Loans do not include repos to Cassa di Compensazione e Garanzia;
- (3) Figure refers to Credem SpA net increase of the number of customers;
- (4) From Group's customers' funding were deducted the securities issued on institutional markets and the indirect funding of financial nature. Insurance reserves are included in the total customers' funding. Total direct funding include all companies belonging to the banking group, while insurance reserves include technical reserves and Credemvita financial liabilities valued at fair value;
- (5) Includes dividends from "Available-for-sale financial assets" (minority equity investments) and "Profit/(Loss) from Equity Investments";
- (6) Includes Credemvita Operating Income and "Other operating income/charges" net of extraordinary income/expenses and tax refund;
- (7) The recovery of indirect taxes charged to clientele (€28.2 million in 1H12 and €30.1 million in 1H13) was deducted either from Non Interest Margin (Other Income) and Operating Costs (Other Administrative Costs);
- (8) In line with the current accounting rules 2012 commissions that could be considered similar to the new "commissione di istruttoria veloce" were reclassified in the line 220 "Other operating Income/Charges";
- (9) Calculated as Operating Costs on Operating Income;
- (10) Calculated as Tier I Capital plus subordinated debts on Risk Weighted Assets.

Reggio Emilia, 29 August 2013

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

Assets		30 June 2013	31 Dec 2012
10	Cash and cash equivalents	123,645	165,458
20	Financial assets held for trading	240,231	312,437
30	Financial assets valued at fair value	842,301	828,980
40	Available-for-sale financial assets	7,626,652	6,069,413
60	Due from banks	833,213	946,699
70	Loans to customers	19,814,194	20,643,301
80	Hedging derivatives	117,604	174,872
90	Value adjustments to financial assets subject to macro-hedging (+/-)	63,108	79,640
100	Equity investments	24,086	23,637
110	Technical reserves attributable to reinsurers	2,173	1,949
120	Tangible assets	308,950	315,638
130	Intangible assets	366,370	370,387
	of which: goodwill	287,295	287,295
140	Tax assets	228,066	253,764
	a) current	51,989	63,679
	b) prepaid – not as per L. 214/2011	176,077	190,085
	b1) prepaid – as per L. 214/2011	42,139	37,343
160	Other assets	609,487	562,528
Total Assets		31,200,080	30,748,703
Liabilities		30 June 2013	31 Dec 2012
10	Due to banks	5,983,657	5,668,549
20	Due to customers	14,360,195	14,456,923
30	Outstanding securities	3,937,376	4,075,089
40	Financial liabilities held for trading	131,924	232,682
50	Financial liabilities valued at fair value	929,631	920,865
60	Hedging derivatives	341,687	431,120
70	Value adj. to financial liabilities subject to macro-hedging (+/-)	54,102	77,559
80	Tax liabilities	119,283	155,117
	a) current	19,369	43,728
	b) deferred	99,914	111,389
100	Other liabilities	1,121,334	727,939
110	Staff termination indemnity	92,405	92,055
120	Provisions for risks and charges	132,943	151,795
	a) pensions and similar	2,351	2,188
	b) other provisions	130,592	149,607
130	Technical reserves	1,973,715	1,773,925
140	Valuation reserves	-74,952	-79,693
170	Reserves	1,413,339	1,331,113
180	Share premium reserve	283,052	283,052
190	Share capital	332,392	332,392
200	Treasury shares (-)	-3,349	-3,388
210	Minority interests (+/-)	340	367
220	Profit (Loss) for the period (+/-)	71,006	121,242
Total Liabilities and Shareholders' Equity		31,200,080	30,748,703

CREDEM - CONSOLIDATED INCOME STATEMENT (€,'000)

		1H2013	1H2012
10	Interests income and similar revenues	399,045	444,867
20	Interest expense and similar charges	(141,336)	(176,764)
30	Interest Margin	257,709	268,103
40	Commission income	234,230	229,995
50	Commission expense	(55,522)	(50,490)
60	Net Commissions	178,708	179,505
70	Dividend and similar revenues	852	362
80	Net result from trading activities	5,836	8,909
90	Net result from hedging activities	3,475	(709)
100	Profit (loss) from sale or repurchase of:	62,723	29,233
	b) available-for-sale financial assets	62,663	28,346
	d) financial liabilities	60	887
110	Net result from financial assets and liabilities valued at fair value	6,657	(1,538)
120	Operating Income	515,960	483,865
130	Net value adjustments/write-backs due to impairment of:	(47,869)	(36,439)
	a) loans	(47,754)	(35,961)
	b) financial assets available for sale	(2)	-
	d) other financial transactions	(113)	(478)
140	Net Income from Banking Activities	468,091	447,426
150	Net premiums	274,339	180,902
160	Other income/expenses from insurance activities	(314,894)	(207,151)
170	Net Income from Banking and Insurance Activities	427,536	421,177
180	Administrative costs:	(342,436)	(330,966)
	a) personnel costs	(214,320)	(206,627)
	b) other administrative costs	(128,116)	(124,339)
190	Net provisions for risks and charges	(2,899)	(14,977)
200	Net value adjustments/write-backs to tangible assets	(7,894)	(7,723)
210	Net value adjustments/write-backs to intangible assets	(9,023)	(7,932)
220	Other operating income/charges	55,549	23,825
230	Operating Costs	(306,703)	(337,773)
240	Profit (loss) from equity investments	373	23,589
270	Profit (loss) from disposal of investments	(106)	5,743
280	Profit (loss) before tax from continuing operations	121,100	112,736
290	Taxes on income from continuing operations	(50,072)	(46,443)
300	Profit (loss) after-tax from continuing operations	71,028	66,293
320	Profit (loss) for the period	71,028	66,293
330	Profit (loss) attributable to minority interests	(22)	(23)
340	Profit (loss) attributable to the parent company	71,006	66,270

CREDEM – CONSOLIDATED INCOME STATEMENT (€ MILLION)

	1Q13	2Q13	1H13	1H12	Var%	2Q12	FY12
Interest Margin	112.6	116.7	229.3	233.9	(2.0)	118.8	468.3
Non Interest Margin (*)	145.8	127.7	273.5	232.1	17.8	108.5	502.9
Operating Income	258.4	244.4	502.8	466.0	7.9	227.3	971.2
Personnel Costs	(109.2)	(105.1)	(214.3)	(206.6)	3.7	(101.1)	(415.0)
Other Administrative Costs (*)	(48.6)	(49.4)	(98.0)	(96.2)	1.9	(47.6)	(189.5)
Operating Costs	(157.8)	(154.5)	(312.3)	(302.8)	3.1	(148.7)	(604.5)
Gross Operating Profit	100.6	89.9	190.5	163.2	16.7	78.6	366.7
Amortisation & Depreciation	(8.4)	(8.5)	(16.9)	(15.7)	7.6	(8.0)	(32.7)
Net Operating Profit	92.2	81.4	173.6	147.5	17.7	70.6	334.0
Provisions for Risks & Charges	(0.8)	(2.1)	(2.9)	(15.0)	(80.7)	(9.3)	(63.1)
Extraordinary Income/ Charges	(0.7)	(1.0)	(1.7)	16.6	(110.2)	0.5	46.4
Net Adjustments to Loans	(19.9)	(28.0)	(47.9)	(36.4)	31.6	(13.9)	(89.1)
Profit before Tax	70.8	50.3	121.1	112.7	7.5	47.9	228.2
Minority Interests	-	-	-	-	-	-	(0.1)
Income Taxes for the Period	(28.4)	(21.7)	(50.1)	(46.4)	8.0	(23.2)	(106.9)
Profit for the Period	42.4	28.6	71.0	66.3	7.1	24.7	121.2
Earnings per Share			0.21	0.20	5.0		0.37
Diluted Earnings per Share			0.21	0.20	5.0		0.37

(*)The recovery of indirect taxes charged to clientele (€28.2 million in 1H12 and €30.1 million in 1H13) 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