



CREDEM: THE BOARD OF DIRECTORS APPROVES FIRST HALF 2010 GROUP'S CONSOLIDATED RESULTS: NET PROFIT €53.4 MILLION (+123.4%).

- **Net Consolidated Profit** €53.4 million (+123.4% yoy);
- **Strong capital ratios: core Tier 1** 8.5%, **total capital ratio** 11.2%;
- **Operating Costs** down yoy -2.3%;
- **Customers' Deposits** +6.1% at €57,506 million;
- **strong growth in AUM volumes** +26.8% at €16,582 million (new production €799 million);
- **Net Cash Loans** to customers +5.8% at €17,833 million, new mortgage loans to households in the semester at €435.9 million;
- **credit quality confirmed: annualized cost of risk¹** 33bps, **net NPLs ratio** 0.9%.

Credem's Board of Directors, chaired by Giorgio Ferrari, approved today 1H10 individual and consolidated results, that highlight a **net profit for the period²** at €53.4 million, +123.4% compared with €23.9 million of 1H09. Results also confirm a **strong capital position** (core Tier 1 8.5%), a **credit quality** among the best in the industry (annualized cost of risk¹ 33 bps) and net NPLs ratio at 0.9%.

General Manager, **Adolfo Bizzocchi**, will present 1H2010 results during a conference call scheduled on 30 August, 2010 at 15.30 CET.

During 1H10 either AUM and Loans volumes increased (26.8% and 5.8% yoy, respectively) while cost/income went down because of operating costs reduction and higher efficiency.

The Group is currently implementing its recently presented 2010-2012 business plan whose strategic guidelines are: focus on core business intended as modern commercial banking; increase of market shares; asset management development and strong support to SMEs and retail customers; value extraction from recent acquisitions; preservation of excellent credit quality and solid capital ratios; strong cost control. Plan also include strong IT investments aimed at supporting the business as well as improving efficiency and a new corporate identity project.

Consolidated Income Statement²

Total Income is up 2.8% to €461 million, compared to €448.6 million, in 1H09.

In particular, **Net Interest Income³** comes at €230.9 million vs. €214.3 million in 1H09 (+7.7%). The increase is due to loans' volumes increase, strategies to reduce the impact coming from interest rates decrease and funding rebalance actions as a result of maturities of bonds issued in the past to institutionals.

Net Non Interest Income⁴ comes at €230.1 million, down 1.8% if compared to €234.3 million in 1H09. Uncertainty and volatility associated with financial markets recent trends impacted negatively on trading performance. On the other hand, though, banking fees as well asset management and brokerage fees increased significantly. In detail, fees related to discretionary accounts are up 27.6% and those related to mutual funds and SICAVs are up 43.3%, insurance fees are up 45.3%. Banking fees are up 17.6%.

Operating Costs are down 2.3% at €320.5 million, compared to the €328.2 million in the first half 2009, also because a significant benefit coming from Abaxbank downsizing and private banking business reorganization (Banca Euromobiliare). In particular, Administrative Expenses decrease 7.5% yoy at €112.7 million. Payroll Costs come at €207.8 million (+0.7% yoy).

Cost/Income Ratio⁵ is 69.5% compared to 73.2% in 1H09.

Gross Operating Profit is €140.5 million, up 16.7% compared to €120.4 million in the first half 2009.

Depreciation and Amortization equal €13.9 million vs. €15 million in 1H09 (-7.3%).

Net Operating Profit is up 20.1% at €126.6 million compared to €105.4 million in 1H09.

Net Provisions for Risk and Charges equal €1.3 million (€7.8 million in 1H09). **Net Loans Write-downs** are €29.2 million (€60.9 million in 1H09, -52.1%). The remarkable reduction is a result of the a very conservative approach in provisioning adopted in 2009. In addition to that, starting 2Q10 the aggregate benefits from the recalculation of cumulated collective adjustments on performing loans, in accordance with group's advanced methodology approach already validated or currently under BoI review.

Net Extraordinary Income/Expenses shows a negative balance for €1.7 million (was positive for €9.2 million in 1H09).

Pre-tax Profit equals €94.4 million vs. €45.9 million in 1H09 (+105.7%).

Income Taxes come in at €41 million (€22 million in 1H09).

Net Profit for the period comes at €53.4 million (€23.9 million in 1H09, +123.4%).

Consolidated Balance Sheet

Group Customers Funding comes at €57,506 million at the end of 1H10, vs. €54,194 million at the end 1H09 (+6.1%).

Direct Deposits and Bonds, net of repos, are €16,064 million vs. €16,787 million at the end of 1H09 (-4.3%). Direct deposits⁶, including repos, have reached €16,107 million compared to €17,489 million at 30 June 2009 (-7.9%). In detail, deposits are €12,715 million (€12,676 million at the end of 1H09). Bonds are €3,349 million (€4,111 million at the end of 1H09); repos are €43 million vs. €702 million at the end of 1H09.

Insurance Reserves⁶ growth is 18.7% to €2,511 million vs. €2,115 million at the end of 1H09.

Indirect Funding equals €38,888 million compared to €34,590 million at the end of June 2009 (+12.4%). **Assets Under Management** equals at €16,582 million compared to €13,077 million at the end of 1H09 (+26.8%). Within this aggregate, discretionary accounts are at €4,781 million (+26.5% yoy), mutual funds and SICAVs are at €9,246 million (+14.4% yoy). **Assets Under Custody** equal €22,306 million compared to €21,513 million at the end of June 2009 (+3.7%).

Net Cash Loans to customers come at €17,833 million, +5.8% compared to €16,850 million at 30 June 2009. **Residential Mortgage Loans** are €5,615 million (+3.5%) at the end of June 2009 and inflows come at €435.9 million.

Net NPL ratio comes in at 0.9% of total loans (0.7% at 30 June 2009) while the remarkable reduction in Net Loans Write-downs is a result of the a very conservative approach in provisioning adopted in 2009. **Coverage ratio is 59%** (61.4% at the end of June 2009). **Net**

Total Impaired Loans equal €505.6 million (€324.2 million at the end of June 2009 and €466.4 million at the end of December 2009) and represent 2.84% of total loans.

Annualized Cost of risk¹ at the end of June 2010 is 33 bps, well below 1H09 figure (71 bps) and FY09 figure (62 bps).

Shareholders equity, including net profit, is up to €1,780.1 million (€1,775.7 million at the end of 1H09).

Core Tier 1 capital ratio is 8.5%. **Total Capital ratio** equals 11.2%.

As at 30 June 2010 Credem's distribution network consisted of 563 branches, 42 corporate centres, 53 financial stores with 5,657 employees, 946 financial advisors with mandate and 189 Creacasa agents.

As for the outlook for the year and considering that the current scenario is not yet stabilizing, there are no signs of any substantial change of the macroeconomic trends that affected the first semester of the year, also in the near future. Anyway, even though the uncertainty in the macroeconomic environment is expected to continue during next months.

Other Information

Given a liquidity position already adequate and in spite of its ALM strategy, Credem Group is currently arranging, a covered bond programme to issue securities, up to a total amount of €5 billion, backed by a pool of existing residential mortgage loans. The funds to be raised under the programme will be used for ordinary banking and lending activities. The first issue, for an amount in the range of €1 billion, is expected to take place within the end of 2010. Credem is assisted by Barclays Capital and Societe Generale Corporate & Investment Banking as arrangers for the programme.

Credem General Manager, Adolfo Bizzocchi, will present 1H10 results to the financial community, during a conference call on 30 August, 2010 at 15.30 CET. To participate, attendees can call, 10 minutes before the starting time, the following numbers: +39 06 8336 0549 (from Italy and other internationals than UK and USA), +44 (0)207 138 0832 (from UK) and +1 212 444 0482 (from USA). After connecting, attendees will be able to choose the language by entering the 3216435 code for Italian and the 8489762 code for English. A live webcast of the call will also be available on the Credem website www.credem.it

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.

Group's Interim Report, that is subject to the auditor's review, will be made 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 Net Loans Write Downs on Loans average principals in the quarter, multiplied by 4;

2) comparative figures reflect the effects of the definitive purchase price allocation PPA referred to Banco Popolare and Unicredit

acquired branches.

3) includes dividends from "Financial Assets Available for Sale" and "Profit/(Loss) from Equity Investments";

4) includes Abaxbank and Credemvita Total Income and "Other operating income/charges" net of extraordinary income/expenses;

5) Calculated as Operating Costs on Total 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.

Reggio Emilia, 27 August 2010

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CREDEM - CONSOLIDATED BALANCE SHEET (€,000)

Assets		30 June 2010	30 June 2009
10	Cash and balances with central banks	106,192	140,298
20	Financial assets held for trading	1,204,827	1,255,886
30	Financial assets at fair value	1,087,189	1,084,300
40	Financial assets available for sale	6,151,427	3,757,714
50	Financial assets held to maturity	607,582	-
60	Loans and advances to banks	803,784	1,170,809
70	Loans and advances to customers	17,833,253	17,535,701
80	Hedging derivatives	145,220	34,231
90	Net adjustment due to fair value hedge option on financial assets	60,930	37,917
100	Equity investments	20,094	14,040
110	Technical reserves attributable to reinsurers	595	397
120	Tangible assets	329,434	333,283
130	Intangible assets	358,047	360,851
	of which: goodwill	285,945	285,945
140	Tax assets	199,164	184,329
	a) current	59,358	76,284
	b) prepaid	139,806	108,045
150	Non-current assets and groups of assets being disposed	1,047	1,047
160	Other assets	543,162	528,238
	Total Assets	29,451,947	26,439,041
Liabilities		30 June 2010	30 June 2009
10	Due from banks	6,694,505	2,394,643
20	Due to customers	12,097,857	12,691,347
30	Outstanding securities	3,626,689	5,000,157
40	Financial liabilities held for trading	573,984	521,388
50	Financial liabilities valued at fair value	1,506,016	1,488,745
60	Hedging derivatives	293,799	222,129
70	Net adjustment due to fair value hedge option on financial liabilities	43,543	1,237
80	Tax liabilities	82,017	127,423
	a) current	21,889	69,488
	b) deferred	60,128	57,935
100	Other liabilities	1,178,799	747,509
110	Staff termination indemnity	89,112	90,909
120	Provisions for risks and charges	81,293	85,499
	a) pensions and similar	1,980	2,007
	b) other	79,313	83,492
130	Technical reserves	1,387,347	1,218,044
140	Valuation reserves	-98,775	-16,560
170	Reserves	1,226,707	1,161,956
180	Share premium	283,052	283,052
190	Share capital	332,392	332,392
210	Minority interests	235	343
220	Profit /(Loss) for the period	53,375	88,828
	Total Liabilities	29,451,947	26,439,041

Comparative figures reflect the effects of the definitive purchase price allocation PPA referred to Banco Popolare and Unicredit acquired branches.

CREDEM - CONSOLIDATED INCOME STATEMENT (€,000)

		1H2010	1H2009
10	Interests income and similar revenues	338,414	607,905
20	Interest expense and similar charges	(85,281)	(226,727)
30	Interest Margin	253,133	381,178
40	Commission income	233,202	180,657
50	Commission expense	(44,723)	(37,850)
60	Net Commissions	188,479	142,807
70	Dividend and similar revenues	1,151	1,705
80	Net result from trading activities	(9,201)	(103,774)
90	Net result from hedging activities	(3,337)	2,518
100	Profit (loss) from sale or repurchase of:	12,112	17,802
	a) loans	-	(6,104)
	b) available for sale financial assets	12,316	5,933
	d) financial liabilities	(204)	17,973
110	Net result from financial assets and liabilities valued at fair value	327	(6,679)
120	Operating Income	442,664	435,557
130	Net value adjustments/write-backs due to impairment of:	(29,193)	(60,808)
	a) loans	(29,535)	(60,746)
	b) available for sale financial assets	-	47
	d) other financial transactions	342	(109)
140	Net Income from Banking Activities	413,471	374,749
150	Net premiums	235,032	323,981
160	Other income/expenses from insurance activities	(251,325)	(329,171)
170	Net Income from Banking and Insurance Activities	397,178	369,559
180	Administrative costs:	(320,493)	(328,171)
	a) personnel costs	(207,754)	(206,342)
	b) other administrative costs	(112,739)	(121,829)
190	Net provisions for risks and charges	(1,292)	(7,829)
200	Net value adjustments/write-backs to tangible assets	(7,593)	(7,852)
210	Net value adjustments/write-backs to intangible assets	(6,291)	(7,231)
220	Other operating income/charges	32,430	28,041
230	Operating Costs	(303,239)	(323,042)
240	Profit/(loss) from equity investments	455	(647)
270	Profit/(loss) from disposal of investments	32	28
280	Profit (loss) before tax from continuing operations	94,426	45,898
290	Taxes on income from continuing operations	(41,028)	(21,977)
300	Profit (loss) after-tax from continuing operations	53,398	23,921
320	Profit (loss) for the period	53,398	23,921
330	Profit (loss) attributable to minority interests	(23)	(24)
340	Profit (loss) attributable to the parent company	53,375	23,897

Comparative figures reflect the effects of the definitive purchase price allocation PPA referred to Banco Popolare and Unicredit acquired branches.

CREDEM - RECLASSIFIED CONSOLIDATED INCOME STATEMENT (€million)

	1Q10	2Q10	1H10	1H09	yoy %	2Q09	FY09
Net Interest Income	109.4	121.5	230.9	214.3	7.7	94.9	431.1
Net Non Interest Income	120.5	109.6	230.1	234.3	(1.8)	131.4	517.5
Total Income	229.9	231.1	461.0	448.6	2.8	226.3	948.6
Payroll Costs	(101.8)	(106.0)	(207.8)	(206.4)	0.7	(103.2)	(424.6)
Administrative Expenses	(57.1)	(55.6)	(112.7)	(121.8)	(7.5)	(60.0)	(237.2)
Operating Costs	(158.9)	(161.6)	(320.5)	(328.2)	(2.3)	(163.2)	(661.8)
Gross Operating Profit	71.0	69.5	140.5	120.4	16.7	63.1	286.8
Depreciation and Amortization	(6.8)	(7.1)	(13.9)	(15.0)	(7.3)	(3.5)	(29.5)
Net Operating Profit	64.2	62.4	126.6	105.4	20.1	59.6	257.3
Net Provisions for Risks and Charges	(0.4)	(0.9)	(1.3)	(7.8)	(83.3)	(6.4)	(0.4)
Net Extraordinary Income/Expenses	(0.7)	(1.0)	(1.7)	9.2	(118.5)	8.6	14.4
Net Loans Write-Downs	(25.4)	(3.8)	(29.2)	(60.9)	(52.1)	(35.0)	(108.5)
Pre-Tax Profit	37.7	56.7	94.4	45.9	105.7	26.8	162.8
Minority Interests	0.0	0.0	0.0	0.0	-	0.0	(0.1)
Income Taxes	(17.6)	(23.4)	(41.0)	(22.0)	86.4	(14.2)	(73.9)
Net Profit	20.1	33.3	53.4	23.9	123.4	12.6	88.8
<i>EPS (€)</i>			0.16	0.07			0.27
<i>Diluted EPS (€)</i>			0.16	0.07			0.27

Comparative figures reflect the effects of the definitive purchase price allocation PPA referred to Banco Popolare and Unicredit acquired branches.

Depreciation and Amortization amount in 2Q09 is the result of changed D&A charges adopted

Reclassification rules:

Net Interest Income

+ Item 30 + Item 70 (only dividends from minority stakes) + Item 240
 – Abaxbank Total Income – Credemvita Total Income

Non Interest Income

+ Item 60 + Item 70 (only dividends from equity investments) + Item 80 + Item 90
 + Item 100 + Item 110 + Item 150 + Item 160 + Item 220 (net of extraordinaries)
 + Abaxbank Total Income + Credemvita Total Income

Payroll Costs

Item 180 (only a)

Administrative Expenses

Item 180 (only b)

Depreciation and Amortization

+ Item 200 + Item 210

Net Provision for Risk and Charges

+ Item 190

Net Loans Write-downs

+ Item 130

Net Extraordinary Income/Expenses

+ Item 100 ((only a) + Item 220 (only extraordinaries)
 + Item 270

Income Taxes

+ Item 290