

## THE BOARD OF DIRECTORS APPROVES

### > THE HALF-YEAR RESULTS AS AT 30 JUNE 2011

- Net profit for the year: EUR 20.2 million (+102% yoy, +32% yoy normalised)
- Operating income: EUR 131.5 million (+8.1% yoy)
- Operating expenses: EUR 76.6 million (+1.3% yoy)
- Net income from banking activities: EUR 54.9 million (+24.6% yoy)
- Income before tax from continuing operations: EUR 29.5 million (+30% yoy normalised)
- Loans to customers: EUR 7,075 million (+7.25% compared to December 2010)
- Direct deposits: EUR 7,946 million (+9.9% compared to December 2010)
- Indirect deposits: EUR 5,461 million (+3% compared to December 2010)
- Total deposits: EUR 13,407 million (+7% compared to December 2010)

### > THE MERGER BY INCORPORATION OF CARIFANO - CASSA DI RISPARMIO DI FANO

**Milan, 9 August 2011** - The Board of Directors of Credito Artigiano, chaired by Aldo Fumagalli Romario, approved today the half-year results as at 30 June 2011, which confirms the growth in balance sheet aggregates and economic margins, albeit the ongoing fragility of the economic context.

During the same meeting, the Board of Directors also approved the merger by incorporation of Carifano - Cassa di Risparmio di Fano into Credito Artigiano, additional step implementing the company reorganisation project outlined by the 2011-2014 Strategic Plan of the Creval Group.

#### **Half-year results**

As at 30 June 2011, **direct customers deposits** totalled EUR 7,946 million, up by 10% compared to EUR 7,228 million of the previous year. **Indirect deposits** totalled EUR 5,461 million, 3% up on 5,300 million at the end of the year. The “administered” component recorded a 6.4% increase compared to December to EUR 3,211 million, whereas the “asset management”, which totalled EUR 2,250 million compared to the same period showed a 1.4% decrease. **Total deposits** reached EUR 13,407 million, compared to EUR 12,528 million last year, up approximately by 7%.

**Loans to customers** reached EUR 7,075 million and showed a 7.2% increase compared to EUR 6,597 million in December last year, confirming the constant attention of the Bank in support of the production company system of the operating areas.

Impaired loans totalled EUR 402 million, net of value adjustments, up by 11.4% compared to EUR 361 million for the previous year and still reflecting the ongoing and widespread weakness of the economic cycle. In detail, doubtful loans totalled EUR 132 million compared to EUR 108 million of the previous year, showing a 22% increase, with a 1.86% impact on the loans portfolio (1.63% at the end of the year). Other doubtful loans stood at EUR 270 million, up by 6.4% compared to EUR 253 million of December 2010, representing 3.82% of loans portfolio, against 3.84% at the end of the previous year.

**Shareholders' equity** totalled EUR 761 million. The *Regulatory capital* amounted to EUR 740 million, against risk-weighted assets of 6,957 million. This consistency guarantees that regulatory requirements under the new regulations will be met. The *core capital ratio* amounted to 8.5% compared to 8.7% as at 31 December 2010. The *total capital ratio* was equal to 10.6%, almost unchanged compared to the end of December 2010.

With regard to profits, overall **operating income** totalling EUR 131.5 million showed an 8% increase compared to EUR 121.6 million of the first half of 2010. The **interest margin** stood at EUR 77.8 million and recorded a 2.9% increase on an annual basis, benefiting from the slight recovery of market interest rates as from the fourth quarter last year. The positive trend of *net fee and commission income* reached EUR 44 million, up by 9.1% compared to EUR 40.3 million of the previous year. The *income from investments in associates and companies subject to joint control measured at equity* – entirely consisting of investments in companies of the Credito Valtellinese Group – totalling EUR 7.4 million, increased compared to EUR 4.5 million of the first half of 2010; in the same way, the *profits (losses) on trading activities and disposals/repurchases AFS* increased and reached EUR 1.4 million compared to the substantially void result of the previous year.

**Operating expenses**, totalling EUR 76.6 million, decreased by 1.3% compared to June 2010. Personnel costs were substantially stable, amounting to EUR 41 million, whilst other administrative expenses, which stood at EUR 31.8 million decreased by 1.8%.

Performance ratios further improved. The *“cost-income ratio”* – the ratio of operating expenses to operating income – stood at 58.3%, compared to 60.6% in December 2010 and 63.8 in June last year.

The **net income from banking activities** was almost to reach EUR 55 million, marking an increase of almost 25% against EUR 44 million recorded for the corresponding period of the previous year.

*Adjustments to loans* reached EUR 31.1 million, compared to EUR 26.1 million of the first half of 2010; the “cost of credit”, expressed as a percentage of total loans to customers, reached approximately 87 basis points, compared to 83 b.p. last year.

*Profits (losses) on disposal of investments in associates and companies subject to joint control* of EUR 7 million – due to the disposal of minority shares in companies of the Group – fixed the **income (loss) before tax from continuing operations** to EUR 29.5 million compared to EUR 17.2 million of the previous year. Net of the non-recurring component referring to the aforesaid disposal of investments, income before tax from continuing operations showed a 30% increase.

*Tax expenses for the period* were estimated as EUR 9.2 million, also considering the increase in IRAP envisaged by the latest economic measures, compared to EUR 7.2 million and determine a **net result** of EUR 20.2 million compared to 10 million of the previous year, with a 32% normalised increase on an annual basis.

## **Business Outlook**

The macroeconomic scenario is subject to high uncertainty. The main risks are associated with a possible slowdown of international recovery and with the trend in the European total debt crisis. Over the last few weeks, tensions have increased and extended, also affecting our country, in particular where growth prospects remain fragile, influencing the development of the market still subject to a high and persistent volatility.

In this context, the Board of Directors expresses prudent assessments on the management trend in the remaining part of the year, with expected results broadly consistent with those outlined in the first half year.

## **Merger by incorporation of Carifano into Credito Artigiano**

The Boards of Directors of Credito Artigiano S.p.A and Carifano, both companies belonging to the Credito Valtellinese Group, approved today the merger by incorporation of Carifano into Credito Artigiano drawn up pursuant to Article 2501- *ter* Italian Civil Code.

The merger is part of the operations contemplated by the company reorganisation and simplification project, outlined by the 2011-2014 Strategic Plan of the Creval Group and already announced to the market on 22 February 2011, which provides for:

- the merger by incorporation into Credito Artigiano of Banca Cattolica S.p.A. and Credito del Lazio S.p.A.; the operation, after obtaining the authorisation of the Bank of Italy on 21 July 2011, will be submitted to the approval of the Extraordinary Shareholders' meetings of the relevant companies called on 6 September 2011 and is expected to be fully implemented within October 2011;

– the merger by incorporation into Credito Artigiano of Carifano – Cassa di Risparmio di Fano S.p.A. – operation subject-matter of this press release – and the subsequent conferment, almost at the same time, of the business branch, consisting of the branch network present in the Marche and Umbria Regions, in favour of a newly set-up bank, fully controlled by Credito Artigiano, which will be called “Carifano” and will keep the territorial monitoring of those regions;

- the merger by incorporation into Credito Valtellinese S.c. Parent Company of Bancaperta S.p.A., Credito Piemontese S.p.A. and Banca dell’Artigianato e dell’Industria S.p.A. subsidiaries;

- the overall reorganisation of the branch network with the establishment of Regional Areas, currently being implemented, with the aim of further enhancing the proximity to the territories of origin.

The Boards of Directors of Credito Artigiano, assisted by Equita SIM S.p.A., and Carifano, assisted by Deloitte Financial Advisory Services S.p.A., after sharing the assessments and conclusions of their advisors, determined the share exchange ratio, without adjustment in cash, in

- 5 Credito Artigiano ordinary shares for each ordinary share of Carifano.

The shareholders of the companies taking part in the operation have no right of withdrawal.

The Merger is expected to be carried out no later than 31 December 2011, subject to the authorisation of the Bank of Italy pursuant to Article 57 of the Italian Legislative Decree 385/93.

Following the merger, Credito Artigiano will be subject to the control through voting rights by Credito Valtellinese.

The Merger - in that carried out by and between companies subject to joint control - consists in a related party transaction pursuant to Consob Regulation no. 17221/2010 (“OPC Consob Regulation”).

Therefore, the Committee for related party transactions, envisaged pursuant to OPC Consob Regulations and to the internal procedure of Credito Artigiano, has previously expressed unanimously a reasoned favourable opinion regarding the interest of the company in completing the operation, as well as on the appropriateness and substantive and procedural correctness of its conditions.

As this is a related party transaction of major importance, Credito Artigiano will publish the Information Document set forth in Article 5 of the OPC Consob Regulations within the terms indicated by the applicable laws and regulations.

## **The reorganisation of the branch network**

The commercial reorganisation project, by setting up the Geographical Areas, was started by Credito Artigiano. The Board of Directors approved the new organisational structure of the company that, effective as from 18 July 2011, contemplates the establishment of the new "Milan" Regional Areas, to which the Branches working in the Lombardy region are functionally assigned in addition to the Piacenza and "Centre" branch, to which the Branches located in Tuscany and Lazio refer.

The new structures are attributed functions of commercial and operational coordination, with appropriate autonomy also concerning credit risk monitoring, with the aim to further enhance the competitive advantage represented by the proximity of the Territories concerned.

*Financial and economic highlights and reclassified Statement of financial position and Income Statement are set below. The audit activities are currently being carried out by the independent auditing firm.*

## **Declaration of the Executive in charge of drawing up the corporate accounting documents**

I, the undersigned Executive in charge of drawing up the corporate accounting documents, hereby declare that pursuant to Article 154 bis, paragraph 2, of the Consolidated Law on Finance, the accounting information provided in this press release matches the information reported on the company's documents, books and accounting records.

Signed: Alberto Cesari

### Company contacts

#### Investor relations

Telephone + 39 02 80637471

Email: [investorrelations@creval.it](mailto:investorrelations@creval.it)

#### Media relations

Telephone + 39 02 80637403

Email: [mediarelations@creval.it](mailto:mediarelations@creval.it)

## HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION DATA	30/06/2011	31/12/2010	% change	30/06/2010	% change
(in thousands of EUR)					
Loans to customers	7,074,976	6,596,907	7.25%	6,869,731	2.99%
Financial assets and liabilities	15,347	17,048	-9.98%	16,776	-8.52%
Investments in associates and companies subject to joint control	218,789	277,938	-21.28%	255,658	-14.42%
Total assets	9,432,420	8,829,605	6.83%	9,192,881	2.61%
Direct deposits from customers	7,945,955	7,227,998	9.93%	7,573,969	4.91%
Indirect deposits from customers	5,461,232	5,300,061	3.04%	5,231,407	4.39%
- of which Asset management	2,249,719	2,280,744	-1.36%	2,359,925	-4.67%
Total deposits	13,407,187	12,528,059	7.02%	12,805,376	4.70%
Shareholders' equity	761,445	759,556	0.25%	750,616	1.44%

SOLVENCY RATIOS	30/06/2011	31/12/2010
Tier 1 Regulatory Capital/Risk-weighted assets	8.5%	8.7%
Regulatory capital/Risk-weighted assets	10.6%	10.6%

FINANCIAL STATEMENT RATIOS	30/06/2011	31/12/2010
Indirect deposits from customers / Total deposits	40.7%	42.3%
Managed savings / Indirect deposits from customers	41.2%	43.0%
Direct deposits from customers / Total liabilities	84.2%	81.9%
Customer loans / Direct deposits from customers	89.0%	91.3%
Customer loans / Total assets	75.0%	74.7%

CREDIT RISK	30/06/2011	31/12/2010	% change
Net doubtful loans (in thousands of EUR)	131,765	107,652	22.40%
Other net doubtful loans (in thousands of EUR)	269,941	253,633	6.43%
Net doubtful loans / Loans to customers	1.86%	1.63%	
Other net doubtful loans / Loans to customers	3.82%	3.84%	
Hedging of doubtful loans	55.62%	56.61%	
Hedging of other doubtful loans	7.50%	6.63%	
Cost of credit (*)	0.87%	0.83%	

(\*) Calculated as the ratio between the net value adjustments due to deterioration of loans and year-end loans.

ORGANISATIONAL DATA	30/06/2011	31/12/2010	% change
Number of employees	1,091	1,103	-1.09%

Number of branches	144	144	-
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## RECLASSIFIED BALANCE SHEET

(in thousands of EUR)

	30/06/2011	31/12/2010	% change
Cash and cash equivalents	50,366	49,894	0.95%
Financial assets held for trading	12,932	12,834	0.76%
Financial assets available for sale	3,810	5,090	-25.15%
Due from banks	1,662,547	1,537,908	8.10%
Loans to customers	7,074,976	6,596,907	7.25%
Investments in associates and companies subject to joint control	218,789	277,938	-21.28%
Property, plant and equipment and intangible assets (1)	235,838	235,573	0.11%
Other assets (2)	173,161	113,460	52.62%
<b>Total assets</b>	<b>9,432,420</b>	<b>8,829,605</b>	<b>6.83%</b>

(1) Includes balance sheet items "110. Property, plant and equipment" and "120. Intangible assets".

(2) Includes items "130. Tax assets" and "150. Other assets".

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2011	31/12/2010	% change
Due to banks	327,712	592,359	-44.68%
Direct customer deposits (1)	7,945,955	7,227,998	9.93%
Financial liabilities held for trading	1,394	876	59.13%
Other liabilities	355,196	201,632	76.16%
Provisions for specific purpose (2)	40,717	47,183	-13.70%
Shareholders' equity (3)	761,445	759,556	0.25%
<b>Total liabilities and shareholders' equity</b>	<b>9,432,420</b>	<b>8,829,605</b>	<b>6.83%</b>

(1) Includes items "20. Due to customers" and "30. Securities issued".

(2) Includes items "80. Tax liabilities", "110. Employee termination indemnities" and "120. Provisions for risks and charges";

(3) Includes items "130. Valuation reserves", "160. Reserves", "170. Share premium reserve", "180. Capital" and "200. Profit (loss) for the period".

## RECLASSIFIED INCOME STATEMENT

(in thousands of EUR)

INCOME STATEMENT	1st half of 2011	1st half of 2010	% change
<b>Interest margin</b>	<b>77,820</b>	<b>75,659</b>	<b>2.86%</b>
Net fee and commission income	44,011	40,338	9.11%
Dividends and similar income	6	21	- 71.43%
Income from investments in associates and companies subject to joint control carried at equity (1)	7,419	4,528	63.85%
Profit (losses) on trading, hedging activities and disposals/repurchases	1,373	- 29	n/a
Other operating expenses/income (4)	849	1,120	- 24.20%
<b>Operating income</b>	<b>131,477</b>	<b>121,638</b>	<b>8.09%</b>
Personnel expenses	- 41,010	- 41,017	- 0.02%
Other administrative expenses (2)	- 31,759	- 32,354	- 1.84%
Net adjustments to/recoveries on property, plant and equipment and intangible assets (3)	- 3,836	- 4,237	- 9.46%
<b>Operating costs</b>	<b>- 76,605</b>	<b>- 77,608</b>	<b>-1.29%</b>
<b>Net operating margin</b>	<b>54,872</b>	<b>44,030</b>	<b>24.62%</b>
Net losses/recoveries on impairment of loans and other financial assets	- 31,086	- 26,068	19.25%
Net provisions for risks and charges	- 1,221	- 773	57.96%
Profit on disposal of investments in associates and companies subject to joint control	6,962	58	n/a
<b>Income before tax from continuing operations</b>	<b>29,526</b>	<b>17,247</b>	<b>71.19%</b>
Taxes on income from continuing operations	- 9,320	- 7,242	28.69%
<b>Net income (loss) for the period</b>	<b>20,206</b>	<b>10,004</b>	<b>101.98%</b>

- (1) *Income from investments in associates and companies subject to joint control carried at equity include the profit (loss) on investments carried at equity included in item "210. Profits (losses) on investments in associates and companies subject to joint control" net of the profit deriving from the sale of the Bancaperta and Banca dell'Artigianato e dell'Industria subsidiaries (6,958) that is included in profits (loss) from disposal of investments in associates and companies subject to joint control, together with item "240. Profits (losses) on disposal of investments";*
- (2) *Other administrative expenses include recoveries of taxes and other recoveries recognised in item "190. Other operating expenses/income" (EUR 7,214 thousand in the first half of 2011 and EUR 7,312 thousand in the first half of 2010);*
- (3) *Net adjustments to/recoveries on property, plant and equipment and intangible assets include items "170. Net adjustments to/recoveries on property, plant and equipment", "180. Net adjustments to/recoveries on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements, included in item "190. Other operating expenses/income" (EUR 1,220 thousand in the*

*first half of 2011 and EUR 1,310 thousand in the first half of 2010);*

*(4) Other expenses and income correspond to item "190. Other operating expenses/income" net of the above reclassifications.*