

PRESS RELEASE

Banks: ABI, profits on the decline but the banking system is sound and stable despite the ongoing crisis

ABI's semi-annual report as of 31 December 2008 illustrates the following results: ROE declined to 5%, a 56% drop in net profit, non-performing loans are under control at 1.4% and Italian banks are well-capitalized, with the main indicators on the rise

In 2008, the Italian banking system was also affected by the financial crisis; despite a decrease in profits, Italian banks proved to be sound and stable with respect to their major European and international competitors. This is due to a virtuous and cautious use of financial leveraging by Italian banks and to a traditionally prudent management with respect to households and companies. This is the picture resulting from ABI's semi-annual report, based on full-year financial statements. The negative trend in the main financial figures shows that the ongoing recessionary cycle could not avoid leaving its mark on the Italian banking system as well; nonetheless, it is still "in good shape" in terms of capitalization, in relation to the rest of the world.

ABI presented its *Report on the Italian banking system* today in Rome. Giuseppe Zadra, General Manager of ABI, Giovanni Sabatini, Head of the Issuer Relations Department of CONSOB (the Italian Stock Exchange Authority), Carlo Calandrini, Head of the "Budget and Reporting" Department – Supervisory Rules and Policies Service – of the Bank of Italy, Gregorio De Felice, President of the Italian Association of Financial Analysts (AIAF), Alex Cataldo, General Manager of Moodys Italia and Mauro Bini, Full Professor of Corporate Finance at Bocconi University, participated in the meeting. The main financial figures are provided below:

ROE

The analysis of the profit and loss accounts of a sample of 41 banking groups revealed a decrease in average ROE, which was 5% in 2008 with respect to 11.9% in 2007.

Fees and commissions

Net fees and commissions, which account for 22.8 billion euros of the brokerage margin, decreased by 13.3% with respect to 2007.

Expenses

There was a 1.4% increase in administrative expenses, mainly attributable to an increase in expenses other than personnel expenses (+5.8%).

Net profit

Net profit significantly decreased by 56% (from 20 billion euros in 2007 to 8.9 billion in 2008).

Total assets

At the end of 2008, the total assets of the 41 banking groups analyzed were 2,631 billion euros, which contributed to a 3.9% growth rate with respect to 2007. Loans to customers, which accounted for a significant part of total assets (63.8% with respect to 60.8% in 2007), were 1,678 billion euros in December 2008, registering a 9% growth rate with respect to 2007.

Non-performing loans

In 2008, net non-performing loans were 23.9 billion euros with respect to 20.6 billion at the end of 2007. Non-performing loans accounted for approximately 1.4% of total loans to customers, with respect to 1.3% the previous year, thereby they are still marginal.

Capitalization

Despite the current economic situation, Italian banks are still well-capitalized. *Tier 1 capital ratio* (which regards the core "regulatory capital") increased from 6.76% in 2007 to 6.90% in 2008. The *total capital ratio*, on the other hand, which regards the total "regulatory capital", was 10.44% with respect to 9.68% the previous year.

Basel 2 Pillar 3

With the implementation of the so-called "Pillar 3" of Basel 2 more information on banks will be made available. The supervisory rules on the issue impose specific information disclosure requirements on banks, with respect to their capital adequacy and risk exposure profiles, as well as risk identification, measurement and management systems.

Rome, Palazzo Altieri, 22 May 2009