Informazione Regolamentata n. 0105-62-2017	Data/Ora Ricezione 04 Agosto 2017 17:36:55	MTA

Societa'	:	CREDITO VALTELLINESE
Identificativo Informazione Regolamentata	:	92897
Nome utilizzatore	:	CRVALTELN02 - COLOMBO
Tipologia	:	1.2
Data/Ora Ricezione	:	04 Agosto 2017 17:36:55
Data/Ora Inizio Diffusione presunta	:	04 Agosto 2017 17:36:56
Oggetto	:	Consolidated results as at 30 June 2017

Testo del comunicato

Vedi allegato.

GRUPPO BANCARIO Credito Valtellinese

PRESS RELEASE

CONSOLIDATED RESULTS AS AT 30 JUNE 2017

✓ **2017-2018 ACTION PLAN**

- THE TRANSFER (KNOWN AS "*PROJECT ELROND*") OF A PORTFOLIO OF NON-PERFORMING LOANS HAVING A GROSS BOOK VALUE (GBV) OF EUR 1.4 BILLION WAS COMPLETED ON SCHEDULE – THROUGH A SECURITISATION AND A "GACS" GUARANTEE OVER THE SENIOR TRANCHES[1]
- OBJECTIVES IN TERMS OF OPTIMISATION OF TERRITORIAL PRESENCE AND OPERATIONAL EFFICIENCY WERE ACHIEVED

✓ **CREDIT AND ASSET QUALITY DEVELOPMENTS**

- NEW LOANS FOR APPROXIMATELY EUR 1,147 MILLION WITH A GRADUAL IMPROVEMENT OF "EXPECTED LOSS"
- STOCK OF GROSS NON-PERFORMING LOANS OF 4 BILLION, NPL RATIO 21.6%, IMPROVING CONSIDERABLY, INCORPORATING THE EFFECTS OF THE ELROND OPERATION
- SLOWDOWN IN THE FLOW OF PERFORMING LOANS BECOMING NON-PERFORMING
- COVERAGE RATIO 41%, PRO FORMA 43% (INCLUDING WRITE-OFFS)

✓ **CAPITAL RATIOS**

- PHASING-IN COMMON EQUITY TIER1 RATIO PRO FORMA 10.8%, CONSIDERING THE ENVISAGED ACCOUNTING AND PRUDENTIAL DERECOGNITION OF THE SOLD PORTFOLIO AND THE BENEFITS OF GACS

✓ **LIQUIDITY INDICATORS**

- TOTAL COUNTERBALANCING CAPACITY EQUAL TO APPROXIMATELY EUR 4.1 BILLION (OF WHICH APPROXIMATELY EUR 3.7 BILLION UNENCUMBERED)[2]
- LCR AND NSFR WELL ABOVE THE MINIMUM REGULATORY REQUIREMENTS SET FOR 2018

✓ **OPERATING RESULTS**

- POSITIVE TREND IN CORE REVENUES: EXCELLENT PERFORMANCE OF NET FEE AND COMMISSION INCOME (+ 10.3%) AND A NET INTEREST INCOME BASICALLY UNCHANGED COMPARED TO THE FIRST QUARTER OF 2017
- OPERATING COSTS DOWN YEAR-ON-YEAR, PERSONNEL COSTS STRONGLY ON THE DECREASE (- 8.2%)
- MANY EXTRAORDINARY EFFECTS AFFECT THE COMPREHENSIVE INCOME (*ELROND* OPERATION, WRITE-DOWN OF FONDO ATLANTE, IN NEGATIVE TERMS, REAL ESTATE SALE & LEASE BACK OPERATION, IN POSITIVE TERMS)

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[1] Transaction completed after 30 June 2017.

[2] At 28 June 2017.

GRUPPO BANCARIO Credito Valtellinese

PRESS RELEASE

✓ **MAIN STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT DATA**

- Operating income: EUR 366 million (- 7.7% y/y)
- Operating costs: EUR 256 million (- 2% y/y)
- Operating profit: EUR 110 million (- 18.8% y/y)
- Net impairment losses on loans and receivables and other financial assets: EUR 369 million (of which EUR 31 million referred to Fondo Atlante and EUR 229 million to the "Elrond" operation)
- Net gains on sales of investments (real estate "sale & lease back"): EUR 69 million
- Net income for the period: - EUR 195 million

- Loans and receivables with customers: EUR 16.9 billion (+ 0.8% compared to 31 December 2016, on a like-for-like basis [3])
- Direct funding: EUR 20 billion (- 5.1% compared to 31 December 2016)
- Indirect funding: EUR 11.7 billion (+ 1% compared to 31 December 2016)
- "Managed" funds: EUR 7.5 billion (+ 2.9% compared to 31 December 2016)

Sondrio, 4 August 2017 - The Board of Directors of Credito Valtellinese approved the Condensed interim consolidated report as at 30 June 2017.

The consolidated results of the first half-year show, on the one side, a positive operating trend, and on the other side, are affected by the effects of the extraordinary transactions aimed at improving the risk profile of the bank, in line with the priority objectives set out in the 2017-2018 Action Plan, approved in November last year.

Initiatives aimed at improving asset quality:

✓ The securitisation[4] of a non-performing loan portfolio for a gross book value on the cut-off date[5] of approximately EUR 1.4 billion was completed at the beginning of July (known as "Elrond Project"), by transferring this portfolio to a vehicle for securitisation – Elrond NPL

[3] Value at 31 December 2016 restated net of the Elrond portfolio.

[4] The transaction ended on 14 July 2017, i.e. after the end of the half year. The economic effects of the transaction recognised in the condensed interim consolidated report were recorded in "Net impairment losses on loans and receivables and other financial assets". The Elrond portfolio was classified in "Non-current assets held for sale and disposal groups". Accounting and prudential derecognition of the portfolio will be recognised in the third quarter, upon finalisation of the transaction, as well as the positive effect – by means of *risk substitution* – of the expected obtaining of a GACS over senior notes.

[5] 30 November 2016.

2017 S.r.l. - established pursuant to Italian Law 130/99, and issue by the latter of three different classes of ABS securities:

- a senior tranche of EUR 464 million, with Baa3/BBB- rating by Moody’s and Scope Ratings, which is expected to be covered by the State guarantee (GACS),

- a mezzanine tranche – with B1/B+ rating by Moody’s and Scope Ratings - and a junior tranche, of EUR 42.5 million and EUR 20 million respectively, placed by 95% with an institutional investor at the end of a competitive process.

✓ During the half-year, an agreement was reached for the sale of a portfolio of non-performing secured loans, classified as unlikely to pay (UTP) and bad loans, for a gross book value of approximately EUR 50 million, against a total value of the portfolio approximately equal to 44% of the GBV.

Initiatives aimed at increasing operational efficiency:

✓ The objective of reducing the workforce was reached through the use of the Solidarity Fund for the credit sector, making use only of voluntary schemes. 234 employees subscribed to the plan of redundancy incentives and early retirement packages, agreed with the trade unions signed in December 2016. The first 160 employees left on 1 April 2017, while the others will be terminated on 1 December 2017. The decrease in the workforce will cut costs for about 9 million in 2017 and, when fully implemented, for about 18 million a year, from 2018;

✓ The objective of branch network rationalisation was fully reached, in advance compared to the timeframe expected: more than 90 "traditional" branches were closed between December and June (number of branches -16.7% compared to June 2016). Some of these were transformed in “digital” branches, bringing to 7 the total of the format "Bancaperta" operating units.

Statement of Financial Position Items

As at 30 June 2017, **loans and receivables with customers** amounted to EUR 16.9 billion compared to EUR 16.7 billion at the end of December 2016, restated net of the Elrond portfolio. The new loans totalled EUR 1.1 billion. The quality of the loans is clearly improving (EL *"expected loss"* on new loans equal to *32 basis point* for the *"individuals"* segment*, 47 bps for the "corporate" and 59 bps for the "retail"* segment).

At the end of the period, Non-Performing Exposure (NPE)*,* net of impairment losses, were EUR 2.4 billion compared to EUR 3.2 billion at the end of December 2016. The reduction is essentially attributable to disposals made during the period and mainly to the Elrond operation. The coverage ratio of total NPE was 41% (43%, including write offs) compared to 41.5% at the end of December 2016.

In detail, net bad loans amounted to EUR 0.6 billion, with a coverage ratio of 61% (64% including write-offs). The unlikely to pay loans were stable at EUR 1.6 billion, with a 29.8% coverage ratio, while little less than EUR 150 million loans were past due and/or overdue non-performing loans.

Direct funding was EUR 20 billion, down by 5.1% compared to EUR 21.1 billion at the end of December 2016, mainly as a result of the reduction of the deposits of central counterparties (Cassa di Compensazione e Garanzia). "Commercial" deposits slightly decreased over the previous quarter, affected by the negative trend of bond issues and by the reduction of more expensive technical forms in favour of managed funds.

Indirect funding amounted to EUR 11.7 billion compared to EUR 11.6 billion at the end of December 2016. Assets "under management" showed a more pronounced trend (+2.9%), led by an increase in the sale of mutual funds and insurance products.

Financial assets were EUR 5.3 billion. Of these, EUR 4.6 billion were Italian Government bonds, mainly included in the AFS (Available for sale) portfolio, with a duration of approximately 3.18 years, considering the interest-rate risk hedges. The valuation reserve on AFS securities, recorded among equity items net of tax effects, was negative for EUR 38 million and almost entirely referred to government bonds.

The **liquidity position was largely positive**. The counterbalancing capacity at 3 months was equal to EUR 4.1 billion (of which 3.7 billion unencumbered), equal to 14.7% of total assets. The exposure to the ECB for TLTRO2 (Targeted Longer-Term Refinancing Operations) refinancing operations stood at EUR 2.5 billion.

The liquidity ratios – LCR and NSFR – were well above the minimum levels set by regulations.

Equity and capital ratios

The Group's equity at 30 June 2017 totalled EUR 1,549 million, against EUR 1,753 million at 31 December 2016.

In application of the transitional regime ("phased in"), Common Equity Tier 1 (CET1) was equal to EUR 1,511 million, against risk-weighted assets (RWAs), calculated with the standard method, of EUR 14,361 million. Total own funds amounted to EUR 1,795 million.

The phased-in capital ratios, on a pro forma basis (considering the accounting and prudential derecognition of the Elrond portfolio and the benefits of GACS) amounted to:

- 10.8% for Common Equity Tier 1 ratio,

- 10.8% for Tier 1 ratio,

- 12.8% for Total Capital ratio, respectively.

Those requirements were well above the SREP minimum levels, respectively:

- 7.75% for CET1 ratio,

- 9.25% for Tier 1 ratio,

- 11.25% for Total Capital ratio.

Operating results

In the first half of 2017, **net interest income** was EUR 199 million, down by 5.8% with respect to EUR 211 million in the first half of 2016 but basically unchanged compared to the first quarter of 2017.

Net fee and commission income amounted to EUR 142 million, up by 4.4% year on year and by 10% over the first quarter of 2017, driven by the significant performance of management, trading and consulting fees (+ 18.2% year on year). Commissions related to current account management increased by 5.9%, whereas commissions related to the credit sector decreased.

Net trading and hedging income and profit on sales/repurchases stood positively at EUR 11 million, compared to EUR 36 million of the corresponding period in 2016. The item includes losses of EUR 13 million for the sale of non-performing loans – other than the Elrond portfolio – concluded in the period.

Operating income was EUR 366 million, down by 7.7% with respect to EUR 396 million of the corresponding prior period.

Operating costs totalled EUR 256 million, down by 2% compared to the same period last year. Personnel expenses amounted to EUR 134 million (compared to EUR 146 million in the first half of 2016) and also include a positive component of EUR 7.5 million, as a contribution of the expenses for the implementation of the Solidarity Fund, introduced by the 2017 Budget Law ("NASPI" - Nuova Assicurazione Sociale per l'Impiego contribution). Other administrative expenses reached EUR 108 million (compared to EUR 99 million in the first half of 2016), of which EUR 8 million for the ordinary contribution to the Single Resolution Fund.

Operating profit reached EUR 110 million, against EUR 135 million in the first half of 2016.

Net impairment losses on loans and receivables and other financial assets totalled EUR 369 million, EUR 229 million of which refer to the Elrond operation, whereas EUR 31 million consist of the write-down of Fondo Atlante.

Net gains on sales of investments and tangible assets measured at fair value include gains of EUR 69 million of the sale of a portfolio of capital properties as part of the "sale & lease back" transaction concluded at the end of June.

Thus, the period reported a **pre-tax loss from continuing operations** amounting to EUR 191 million.

Considering income taxes for the period, for approximately EUR 2 million, and the profit attributable to minority interests for EUR 2 million, the **net loss for the period** was equal to EUR 195 million.

Current-year outlook

The Italian economy is headed towards a stronger recovery. Growth estimates were fully revised upwards, economic indicators confirm the acceleration of production and the latest quality surveys report high confidence consolidation and restart in investments. Prospects for exports and employment also remain favourable. Looking ahead, the profitability of Italian banks remains exposed to risks: first of all, a stronger and lasting consolidation of recovery that can support increase in revenues and their diversification, as well as encourage the disposal and proactive management of impaired loans. The recovery of profitability also requires a further, decisive progress in cost reduction, company reorganisation, review of business models, to meet the challenges implied in the pervasive changes in progress, at the level of technologies, regulations, market structure and customer requirements.

In compliance with the above premises, the activity of the bank in the remaining part of the year will be guided by the achievement of the objectives of the 2017-2018 Action plan. From an operating point of view, the positive management trend of the first part of the year is expected to be confirmed, however, income prospects for the current year will suffer the effects of the transfers of assets carried out, with the aim of returning to a sustainable profitability in the medium period.

The General Manager, Mauro Selvetti, will present the consolidated results as at 30 June 2017 to the financial community, during the conference call scheduled for today at 6:00 p.m. (CET).

Financial statement highlights, alternative performance indicators, and reclassified consolidated Statement of Financial Position and Income statement will follow.

The audit activities are currently being carried out by the audit company.

GRUPPO BANCARIO
Credito Valtellinese

PRESS RELEASE

Declaration of the Manager in charge of financial reporting

The Manager in charge of financial reporting, Simona Orietti, hereby declares that, pursuant to Article 154-bis, paragraph 2 of the Consolidated Finance Act, the accounting information provided in this report matches the information reported in the company's documents, books and accounting records.

Signed Simona Orietti

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GRUPPO BANCARIO Credito Valtellinese

PRESS RELEASE

FINANCIAL STATEMENT HIGHLIGHTS AND PERFORMANCE INDICATORS

STATEMENT OF FINANCIAL POSITION DATA	30/06/2017	31/12/2016	change
(in thousands of EUR)			
Loans and receivables with customers	16,857,488	17,429,196	-3.28%
Financial assets and liabilities	5,061,749	5,159,559	-1.90%
Non-current assets held for sale and disposal groups	507,709	1,498	n.s.
Total assets	25,393,944	25,469,459	-0.30%
Direct funding from customers	20,023,354	21,108,765	-5.14%
Indirect funding from customers	11,715,846	11,602,693	0.98%
of which:			
- Managed funds	7,504,682	7,290,205	2.94%
Total funding	31,739,200	32,711,458	-2.97%
Equity	1,548,538	1,753,430	-11.69%

SOLVENCY RATIOS	30/06/2017	31/12/2016
Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	10.5%	11.8%
Tier 1 capital/Risk-weighted assets (Tier1 capital ratio)	10.5%	11.8%
Total own funds/Risk-weighted assets (Total capital ratio)	12.5%	13.0%

Figures calculated provisionally pending the submission to the Supervisory Authority,

FINANCIAL STATEMENT RATIOS	30/06/2017	31/12/2016
Indirect funding from customers / Total funding	36.9%	35.5%
Managed funds / Indirect funding from customers	64.1%	62.8%
Direct funding from customers / Total liabilities	78.9%	82.9%
Customer loans / Direct funding from customers	84.2%	82.6%
Customer loans / Total assets	66.4%	68.4%

CREDIT RISK (*)	30/06/2017	31/12/2016	change
Net bad loans (in thousands of EUR)	609,244	1,272,106	-52.11%
Other net doubtful loans (in thousands of EUR)	1,760,193	1,881,922	-6.47%
Net non-performing loans (in thousands of EUR)	2,369,437	3,154,028	-24.88%
Net bad loans / Loans and receivables with customers	3.6%	7.3%	
Other net doubtful loans / Loans and receivables with customers	10.4%	10.8%	
Net non-performing loans / Loans and receivables with customers	14.1%	18.1%	
Coverage ratio of bad loans	61.0%	54.4%	
Coverage ratio of other doubtful loans	28.4%	27.6%	
Coverage ratio of non-performing loans	41.0%	41.5%	
Cost of credit (**)	3.48%	2.68%	

(*) Loans and receivables with customers classified under assets held for sale are not included.
(**) Calculated as the ratio between the net impairment losses due to deterioration of loans and year-end loans.

ORGANISATIONAL DATA	30/06/2017	31/12/2016	change
Number of employees	3,938	4,055	-2.89%
Number of branches	438	503	-12.92%

OTHER FINANCIAL INFORMATION	1st half of 2017	2016	1st half of 2016
Cost/Income ratio (*)	69,4%	69,7%	63,2%
Personnel expenses (**) / Number of employees	69	68	69

(*)First half 2017 figure calculated net of contributions paid for SRF (7,922 thousands of EUR), of DTA fee (1,077 thousands of EUR) and of non-recurring profit related to the implementation of the "Solidarity Fund" (6.816 thousands of EUR); 2016 figure calculated net of ordinary and extraordinary contributions paid for SRF, NRF and DGS (32,110 thousands of EUR), of DTA fee (4,200 thousands of EUR) and of non-recurring expenses related to the implementation of the "Solidarity Fund" (60,995 thousands of EUR); first half 2016 figure calculated net of non-recurring expenses related to the contribution to the SRF (7,594 thousands of EUR) and the DTA fee for EUR 3,170 thousand.
(**)Costs non chargeable to employees and non-recurring profit related to the implementation of the "Solidarity Fund" (EUR 6,816 thousand).

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PRESS RELEASE

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(*figures in thousands of EUR*)

ASSETS	30/06/2017	31/12/2016	change
Cash and cash equivalents	156,385	170,735	-8.40%
Financial assets held for trading	20,280	18,999	6.74%
Available-for-sale financial assets	4,495,735	5,436,165	-17.30%
Non-current assets held for sale and disposal groups	810,229	-	-
Loans and receivables with banks	916,938	821,748	11.58%
Loans and receivables with customers	16,857,488	17,429,196	-3.28%
Equity Investments	23,268	9,559	143.41%
Property, equipment and investment property and intangible assets (1)	449,962	483,816	-7.00%
Non-current assets held for sale and disposal groups	507,709	1,498	n.s.
Other assets (2)	1,155,950	1,097,743	5.30%
Total assets	**25,393,944**	**25,469,459**	**-0.30%**

(1) Include the items "120. Property, equipment and investment property" and "130. Intangible assets",
(2) Include the items "140. Tax assets" and "160. Other assets",

(*figures in thousands of EUR*)

LIABILITIES AND EQUITY	30/06/2017	31/12/2016	change
Due to banks	2,655,250	1,661,670	59.79%
Direct funding from customers (1)	20,023,354	21,108,765	-5.14%
Financial liabilities held for trading	674	1,468	-54.09%
Hedging derivatives	263,821	294,137	-10.31%
Other liabilities	727,207	437,838	66.09%
Provisions for specific purpose (2)	171,722	208,111	-17.49%
Equity attributable to non-controlling interests	3,378	4,040	-16.39%
Equity (3)	1,548,538	1,753,430	-11.69%
Total liabilities and equity	**25,393,944**	**25,469,459**	**-0.30%**

(1) Includes the items "20. Due to customers" and "30. Securities issued",
(2) Include the items "80. Tax liabilities", "110. Post-employment benefits" and "120. Provisions for risks and charges",
(3) Includes items "140. Valuation reserves", 170. Reserves", "180. Share premium reserve", "190. Share Capital", "200. Treasury shares" and "220. Loss for the period",

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PRESS RELEASE

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(*figures in thousands of EUR*)

ITEMS	1st half of 2017	1st half of 2016	change
Net interest income	**198,772**	**211,100**	**-5.84%**
Net fee and commission income	142,316	136,280	4.43%
Dividends and similar income	2,876	4,128	-30.33%
Profit of equity-accounted investments (1)	158	256	-38.28%
Net trading and hedging income (expense) and profit (loss) on sales/repurchases	10,810	35,729	-69.74%
Other operating net income (5)	10,700	8,746	22.34%
Operating income	**365,632**	**396,239**	**-7.72%**
Personnel expenses	(134,315)	(146,386)	-8.25%
Other administrative expenses (2)	(107,711)	(98,713)	9.12%
Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets (3)	(13,854)	(16,053)	-13.70%
Operating costs	**(255,880)**	**(261,152)**	**-2.02%**
Operating profit	**109,752**	**135,087**	**-18.75%**
Net impairment losses on loans and receivables and other financial assets	(369,013)	(151,777)	143.13%
Net accruals to provisions for risks and charges	(42)	(1,883)	-97.77%
Net gains on sales of investments and valuation differences on property and equipment at fair value (4)	68,780	26,252	162.00%
Pre-tax profit (loss) from continuing operations	**(190,523)**	**7,679**	**n.s.**
Income taxes	(2,477)	13,612	-118.20%
Post-tax profit (loss) from continuing operations	**(193,000)**	**21,291**	**n.s.**
Profit for the period attributable to non-controlling interests	(1,828)	(2,155)	-15.17%
Profit (loss) for the period	**(194,828)**	**19,136**	**n.s.**

(1) Net gains on equity-accounted investments include net gains (losses) on equity-accounted investments included in item "240. Net gains on investments". The residual amount of that item is included in gains on sales of investments, together with item "270. Net gains on sales of investments";
(2) Other administrative expenses include taxes and other recoveries recognised to item "220. Other operating net income" (EUR 25,718 thousand in the first half of 2017 and EUR 27,117 thousand in the first half of 2016);
(3) Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets include items "200. Depreciation and net impairment losses on property, equipment and investment property", "210. Amortisation and net impairment losses on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements, under item "220. Other operating net income" (EUR 688 thousand in the first half of 2017, and EUR 1,073 thousand in the first half of 2016);
(4) Net gains on sales of investments include the residual amount of item "240. Profit of investments" not included among profit of equity-accounted investments together with item "270, Net gains on sales of investments" and item "250. Valuation differences on property, equipment and intangible assets measured at fair value";
(5) Other income and costs correspond to item "220. Other operating net income" net of the above reclassifications.

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