Informazione Regolamentata n. 0105-74-2017	Data/Ora Ricezione 07 Novembre 2017 17:57:39	MTA

Societa'	:	CREDITO VALTELLINESE
Identificativo Informazione Regolamentata	:	95553
Nome utilizzatore	:	CRVALTELN02 - COLOMBO
Tipologia	:	REGEM
Data/Ora Ricezione	:	07 Novembre 2017 17:57:39
Data/Ora Inizio Diffusione presunta	:	07 Novembre 2017 17:57:39
Oggetto	:	The Board of Directors approves the 2018-2020 business plan “RUN2: Restart Under New-Normality”

Testo del comunicato

Vedi allegato.

GRUPPO BANCARIO Credito Valtellinese

PRESS RELEASE

This communication does not constitute an offer or an invitation to subscribe for or purchase any securities. The securities referred to herein have not been registered and will not be registered in the United States under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or in Australia, Canada or Japan or any other jurisdiction where such an offer or solicitation would require the approval of local authorities or otherwise be unlawful. The securities may not be offered or sold in the United States unless such securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Credito Valtellinese does not intend to register any portion of the offering of the securities in the United States or to conduct a public offering of the securities in the United States. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from Credito Valtellinese and will contain detailed information about the bank and management, as well as financial statements. Copies of this announcement are not being made and may not be distributed or sent into the United States, Canada, Australia or Japan.

THE BOARD OF DIRECTORS APPROVES

THE 2018-2020 BUSINESS PLAN

"RUN^2: Restart Under New-Normality"

ACCELERATION OF DE-RISKING AND RESTRUCTURING ACTIONS AIMED AT DECISIVELY OVERCOMING THE LEGACY OF THE PAST AND SETTING THE CONDITIONS FOR A RETURN TO SUSTAINABLE, ORGANIC PROFITABILITY IN THE MEDIUM TERM, WITH A RISK PROFILE THAT WILL POSITION THE BANK AS AMONG THE "BEST IN CLASS" IN ITALY

✓ **CAPITAL STRENGTHENING**

- **SHARE CAPITAL INCREASE WITH OPTION RIGHTS UP TO A MAXIMUM OF EUR 700 MILLION ("*PROJECT RENAISSANCE*")**
- **SIGNING OF A PRE-GUARANTEE AGREEMENT WITH MEDIOBANCA – BANCA DI CREDITO FINANZIARIO**
- **SALE OF NON-CORE ASSETS FOR AN EXPECTED CET1 IMPACT OF EUR 61 MILLION**
- ➢ **FULLY LOADED CET1 GREATER THAN 11,0% AT END OF 2018, 11,6% AT END OF 2020, CALCULATED ACCORDING TO STANDARD RISK WEIGHTING METHODOLOGIES**
- ➢ **VALIDATION OF AIRB MODEL, SUBJECT TO REGULATORY APPROVAL, ASSUMED BY END OF 2018**

✓ **DE-RISKING AND ASSET QUALITY ACTIONS**

- **NEW SALE TRANSACTION FOR NON-PERFORMING EXPOSURES WITH "GACS" (ASSUMING THE EXTENSION) UP TO A MAXIMUM OF EUR 1.600 MILLION ("*PROJECT ARAGORN*"), BY THE FIRST HALF OF 2018**
- **ADDITIONAL NPE SALES OF EUR 500 MILLION IN THE SECOND PART OF 2018**
- ➢ **GROSS NPE RATIO OF 10,6% AT END OF 2018, 9,6% AT END OF 2020**
- ➢ **BAD LOANS COVERAGE RATIO OF 74,2% AT END OF 2018, 77,7% AT END OF 2020**

GRUPPO BANCARIO
Credito Valtellinese

PRESS RELEASE

- UTP COVERAGE RATIO OF 44,9% AT END OF 2018, 47,0% AT END OF 2020
- TOTAL NPE COVERAGE RATIO OF 50,3% AT END OF 2018, 59,1% AT END OF 2020
- TEXAS RATIO OF 74,7% AT END OF 2018, 62,4% AT END OF 2020

✓ RETURN TO A SUSTAINABLE PROFITABILITY, OPERATING EFFICIENCY AND RIGOROUS COST CONTROL

- **OPERATING COST REDUCTION PLAN FOR AROUND EUR 63 MILLION TO BE FULLY REALISED BY 2019 ("*PROJECT LIGHT BANK 60*")**
- **ESTABLISHMENT OF COST MANAGEMENT DEPARTMENT TO PROVIDE FURTHER OVERSIGHT ON EXPENDITURES AND OPERATING COST CONTROL**
- **MERGER OF CREDITO SICILIANO INTO THE PARENT COMPANY CREDITO VALTELLINESE ("*PROJECT ONE BANK*"), TO BE CARRIED OUT BY JUNE 2018**
- **CLOSURE OF ADDITIONAL 88 BRANCHES, WITH A TARGET OF 350 BRANCHES BY END OF 2018**
- **FURTHER REDUCTION IN WORKFORCE, INCLUDING THROUGH THE USE OF THE SOLIDARITY FUND FOR THE CREDIT SECTOR, WITH A TARGET OF LESS THAN 3.700 AT THE END OF THE PLAN PERIOD**
- **ROTE 8,2% IN 2020**
- **COST/INCOME RATIO 57,5% IN 2020**
- **NET INCOME: EUR 150 MILLION AT END OF 2020**

Sondrio, 7 November 2017 - The Board of Directors of Credito Valtellinese today approved the 2018-2020 Business Plan "**RUN^2 - Restart Under New-Normality**".

"*The new Plan assumes a significant strengthening of the Group's capital, which will allow further, targeted actions of de-risking and recovery of operating efficiency, with the aim of decisively overcoming the legacy of the past and creating the conditions for a significant improvement in the sustainability of the Group's business model in the medium term,*" comments the General Manager **Mauro Selvetti**. *"In implementing this Plan, we will realise, as quickly as possible, a significant reduction in the Group's risk profile and operating cost base, in order to position us in the future as one of the best Italian banks in terms of NPE ratio, coverage and operating profitability."*

Hence, with the new Business Plan, the Board of Directors reaffirms and imposes a determined acceleration of the measures undertaken, in a positive scenario of recovery in the global and Italian economic framework, however, still characterised by pressure on profits, margins and profitability.

The Plan - in full consistency and continuity with the objectives defined in the 2017-2018 Action Plan - rests on three fundamental pillars, defining concrete, realistic and achievable goals for each.

1. Capital strengthening

1) Share capital increase ("***Project Renaissance***") for a maximum of EUR 700 million, to be submitted for the approval of the Extraordinary Shareholders' Meeting, which will be convened in single call on **19 December 2017**. The transaction entails delegating the authority to the Board of Directors to increase share capital, in accordance with Article 2443 of the Italian Civil Code, to be carried out no later than 31 July 2019. The share capital increase will be realised by issuing new shares to be offered in option to shareholders, pursuant to Article 2441, paragraph 1 of the Italian Civil Code (the "**Offer in Option**").

The final terms of the transaction, such as the amount of the share capital increase, issue price of the new shares, and the option ratio, will be determined by the Board of Directors just prior to the launch of the Offer in Option. The transaction is expected to be carried out - subject to market conditions and obtaining the required authorisations - in the first quarter of 2018.

The Issuer entered into with Mediobanca - Banca di Credito Finanziario, as Global Coordinator and Bookrunner, a pre-underwriting agreement (that will be effective until 30 June 2018) regarding the commitment - subject to conditions in line with the market practice for similar transactions and to specific provisions, including the absence of any preclusions or events which may affect the achievement by the Issuer of the financial targets set forth in the Business Plan, and the fact that the issuance conditions that will be actually applicable on the launch of the offer, considering the market conditions and the feedback of the institutional investors, allow to successfully complete the Share Capital Increase - to enter into an underwriting agreement for the subscription of any shares that might remain unsubscribed at the end of the offering on the stock exchange of the unexercised rights, pursuant to article 2441, third paragraph of the Italian civil code, up to a maximum amount equal to Eur 700 million.

2) Sale and valuation of non-core assets / non-strategic investments, with expected positive effects on CET1 capital of up to EUR 61 million.

3) Adoption of AIRB models for the calculation of credit risk, expected during 2018, subject to approval by the competent supervisory authorities. Validation would complete the itinerary of the gradual implementation of the rating system for the corporate and retail segments as part of the credit, commercial, risk management and control processes of Creval Group, in order to ensure the fundamental objectives of continuous improvement in loan portfolio quality and the constant reduction of expected losses on performing loans and the cost of credit risk, in line with the Plan's objectives.

- CET1 ratio of 11,01% at the end 2018 and 11,64% at the end of 2020, fully loaded and without considering the potential effects of possible validation of the internal rating system.

2. *De-risking and asset quality*

- Clean-up of portfolio of non-performing exposures (NPEs) with additional loan impairments up to a maximum of EUR 772,5 million, with the aim of significantly increasing coverage levels, thereby positioning the bank among the best Italian banks, and considerably reducing the Group's risk profile. These impairments will be recorded in the third quarter of 2017 for EUR 185 million, following the application of a new assessment policy, and in 2018, using, to the extent possible, the options permitted for the first-time application of the new IFRS 9 accounting standard (as well as the phasing-in mechanism of its effects on CET1 capital from 2018 for an expected 5-year period).

- New transaction to deconsolidate non-performing exposures ("***Project Aragorn***") after reclassifying unlikely to pay (UTP) to non-performing for EUR 800 million, with a gross countervalue up to EUR 1.600 million, through a new securitisation transaction, with issue of securities and possible use of the government guarantee (GACS), assuming it is extended, for the senior tranche with investment grade rating. The transaction is expected to be finalised in the first half of 2018.

For this transaction, the Board of Directors has granted a mandate to JP Morgan and Mediobanca – Banca di Credito Finanziario, as arrangers, and Bonelli Erede for legal aspects. Similar to the securitisation in July 2017 ("*Project Elrond*"), the management of collection activities for the portfolio of non-performing exposures would be entrusted to Cerved Credit Management, a Cerved Group company, with which the strategic partnership for managing the non-performing loans of Creval Group is fully operational.

- Additional sale of non-performing exposures for EUR 500 million, to be carried out in the second half of 2018, through a non-recourse sale to be completed at the end of a competitive bidding process.

- Gross NPE of 9,6% in 2020
- Bad loans coverage ratio of 77,7% in 2020
- UTP coverage ratio of 47,0% in 2020
- Total NPE coverage ratio of 59,1% in 2020
- Texas ratio of 62,4% in 2020

3. Operating efficiency and cost control

- Further simplification of the Group's corporate structure ("***Project One Bank***"). In particular, the Board decided today to begin the activities for defining the project for the **merger of Credito Siciliano into the parent company Credito Valtellinese**. The transaction is expected to be completed in the first half of 2018.

- Optimisation of regional presence. This entails the closure of additional 88 "traditional" branches, of which 23 will be transformed into "Bancaperta" branches, with a target of a network of 350 branches at the end of 2018.

- Release of approximately 400 resources, as a result of: i) merger of Credito Siciliano into Credito Valtellinese, ii) closure of branches and network reorganisation, iii) optimisation of corporate center structures and gradual development of digital bank services and optimisation of front and back office. Of these, i) nearly 170 are expected to be able to access the Solidarity Fund for the credit sector at an estimated one-off cost of around EUR 61 million, and around EUR 15 million in savings on personnel costs once fully implemented, ii) other resources could be relocated within the network in order to increase commercial performance and improve the front-to-back ratio. All available tools will be activated with the aim of achieving a structural reduction in personnel costs, in line with the Plan's financial targets.

- In order to support the implementation of Project Light Bank 60, the Cost Management Department has been established - within the CFO Area, which reports to the General Manager - with the objective of constantly monitoring KPIs and proposing cost reduction measures as part of continuous optimisation.

- Reduction of operating costs totalling EUR 63 million, including nearly EUR 36 million of reductions in other administrative expenses, mainly in the following areas:

planned closure of branches over the Plan period, sales of NPL portfolios expected in 2018, renegotiation of supply contracts, merger of Credito Siciliano, rationalisation of consumer models (reimbursements, costs for sponsorship events)

At the same time, significant investments in IT for business support are planned, with total CAPEX of EUR 44 million throughout the Plan period, mainly in the following areas:

development of new collaborative business models in line with the PSD2 (Open Bank) regulations, greater incisiveness in customer behavioural analysis and the enhancement of Big Data, as well as optimisation of operational processes, through the use of innovative technologies such as Blockchain, Robotic Process, Automation Cognitive/Artificial Intelligence, and Cyber Security.

In addition, the possibility of enhancing the expertise of Creval Sistemi e Servizi in the IT area will also be explored, including through strategic partnerships with leading market players, which will allow for new, meaningful investments in digital development.

- Cost income ratio of 57,5% at the end of 2020

Evolution of the sales model

The Plan envisages a significant increase in fee-based revenue, through initiatives that are targeted to develop specific business areas:

- **consumer credit**, leveraging, among other things, existing agreements - with Compass, IBL, Pythagoras, Findomestic - and further strengthening the offer

- **farm loans**, with the implementation of a dedicated business structure, training of specialised managers, bolstering of commercial agreements; all of which is based on the regional presence of Creval in areas with strong agricultural traditions (Valtellina, South Lombardy, Marche, Viterbo, Sicily)

- **factoring**, leveraging the start-up **Creval PiùFactor** - authorisation pending - and on the strategic partnership with **Generalfinance**, a highly specialised intermediary, with important synergies, particularly in distressed/high risk SMEs

- **bancassurance** - non-life services, with strong recovery of productivity in the standard non-life policy segment and enhancement of tailor-made offers for corporate customers through **Global Broker**

- **life insurance and asset management**, with a target of cumulative net funding of EUR 1.7 billion over the Plan period. This includes the progressive development of an “Off-Premises Offer” model for private and affluent customers, designed to increase profits in the specific segment.

As regards bancassurance, a process is being launched to enhance the current operating model with the aim of establishing a strategic partnership with a leading player in the sector, in order to improve the performance of the life segment, including through more effective commercial support to the sales network.

2017-2020 economic - financial projections

Economic-financial projections use the following macroeconomic assumptions[1]:
- GDP growth in Italy of 1.2% in 2018, 0.9% in 2019, and 1.0% in 2020
- inflation increase (consumer price index) of 0.9% in 2018, 1.3% in 2019, and 1.8% in 2020
- 3M Euribor at -0.3% in 2018, -0.2% in 2019, and 0.4% in 2020

[1] **Source: Prometeia (Forecast Report - September 2017)**

GRUPPO BANCARIO Credito Valtellinese

PRESS RELEASE

	3Q 2017	2020E	2017-2020 CAGR
STATEMENT OF FINANCIAL POSITION (EUR milions)			
Direct funding	19.896	20.096	+0,3%
Indirect funding	11.918	14.050	+5,6%
Loans and receivables with customers	17.119	17.417	+0,6%

	3Q 2017	2020F	VAR 3Q2017-2020
CREDIT QUALITY			
Gross NPL ratio[2]	21,1%	9,6%	- 11,5p.p.
Texas ratio[3]	127,3%	62,4%	-64,9p.p.
LCR	191%	>100%	n.s.
ROTE[4]	Neg.	8,2%	n.s.
Cost/Income	67,1%	57,5%	-9,6p.p.
Fully phased-in CET1 ratio	9,2%	14,3%	+5,1p.p.

The General Manager, Mauro Selvetti, will present the 2018-2020 Business Plan to the financial community during the conference call scheduled for today at 6:00 pm (CET).

Company contacts

Investor relations
Telephone + 39 02 80637471
Email: investorrelations@creval.it

Media relations
Telephone + 39 02 80637403
Email: mediarelations@creval.it

---

[2] **Calculated as the ratio of gross non-performing exposures / gross loans and receivables with customers**
[3] **Calculated as gross non-performing exposures / net tangible assets less accumulated depreciation**
[4] **Calculated as net profit / shareholders' equity less intangible assets**

GRUPPO BANCARIO
Credito Valtellinese

PRESS RELEASE

This press release may contain "forward-looking statements", which includes all statements that do not relate solely to historical or current facts and which are therefore inherently uncertain. All forward-looking statements rely on a number of assumptions, expectations, projections and provisional data concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the control of Credito Valtellinese. There are a variety of factors that may cause actual results and performance to be materially different from the explicit or implicit contents of any forward-looking statements and thus, such forward-looking statements are not a reliable indicator of future performance. Credito Valtellinese undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Neither this document nor any part of it nor the fact of its distribution may form the basis of, or be relied on or in connection with, any contract or investment decision. Neither Credito Valtellinese nor any member of the Credito Valtellinese Group nor any of its or their respective representatives, directors or employees accept any liability whatsoever in connection with this document or any of its contents or in relation to any loss arising from its use or from any reliance placed upon it.

Fine Comunicato n.0105-74	Numero di Pagine: 9