

CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2018

BANK'S CAPITAL SOLIDITY GROWING STRONGER:

- Bank of Italy approved AIRB models for the calculation of capital requirements on credit risk (positive capital impact of about 167 bps¹)
- Proforma phase-in CET1 ratio² at 17.6% (15.0% at 30/06/18)
- Proforma fully-loaded CET1 ratio ² at 12.8% (11.2% at 30/06/18)
- CET1 ratio capital buffer +1,050 bps over the minimum SREP requirement on a phase-in basis and +510 bps on a fully-loaded basis, among the highest across the banking system

CONFIRMED CREDIT QUALITY IMPROVEMENT:

- Completed the 2018 de-risking plan: sold NPLs for 2.1 billion euro of GBV
- Gross NPL ratio at 11.3%³ (21.7% at 31/12/2017), at its lowest since December 2011
- Gross NPL stock -50% over the end of 2017 (-55% net)
- NPL coverage of 50.4% (53.6% including write-offs on outstanding positions) after the NPL sales

CONFIRMED ROBUST LIQUIDITY POSITION:

- LCR > 100% and NSFR > 100%
- 3.2bn unencumbered ECB eligible assets

NET INCOME FOR THE PERIOD EQUAL TO 11.4M

¹ Based on fully-loaded CET1 ratio.

² Including the sale of the 'Gimli 2' portfolio (closing on 08/10/2018), the effects of the bancassurance reorganization and the consumer credit partnership agreements set to be closed by the end of 2018.

³ Excluding 5 billion euro of government bonds from customer exposures.

ADJUSTED GROSS NET INCOME⁴ OF ROUGHLY 56M EURO:

- Net interest income still in an uptrend +5.8% q/q
- Annualized cost of risk of 75 bps

IMPROVING COMMERCIAL PERFORMANCE:

- 1.9bn of new loans extended year to date (+22% y/y)
- Funding from c/a and deposits on the rise (+5.1% year to date)
- New partnership agreements in bancassurance (with Crédit Agricole and Ri-Fin) and consumer credit (with Dorotheum and Pitagora)

✓ **CAPITAL POSITION**

- PHASE-IN CET1 RATIO AT 16.8% (17.6% PROFORMA) AGAINST A 2018 SREP REQUIREMENT OF 7.075%
- FULLY LOADED CET1 RATIO AT 12.1% (12.8% PROFORMA) AGAINST A 2018 SREP REQUIREMENT OF 7.7%
- TANGIBLE BOOK VALUE AT 1,451 MILLION EURO COMPARED TO 1,398 MILLION EURO AT 31 DECEMBER 2017

✓ **CREDIT AND ASSET QUALITY DYNAMICS**

- GROSS NPL STOCK DOWN TO 2 BILLION FROM 4 BILLION AT THE END OF 2017
- GROSS NPL RATIO⁵ AT 11.3% (6.0% NET NPL RATIO)
- COVERAGE LEVELS ON THE RISE VS. 2017 NOTWITHSTANDING SALES:
 - BAD LOANS⁶: 75.5% VS. 65.2% AT 31/12/2017
 - UTP: 38.8% VS. 33.6% AT 31/12/2017

✓ **LIQUIDITY RATIOS**

- TOTAL 3-MONTH COUNTERBALANCING CAPACITY OF APPROX. 5.2 BILLION EURO (OF WHICH ABOUT 3.2 BILLION UNENCUMBERED)⁷
- LCR AND NSFR ABOVE 100%, WELL IN EXCESS OF MINIMUM REGULATORY REQUIREMENTS

⁴ Excluding main non-recurring 9M 2018 effects (SRF extraordinary contribution, cost tied to the Solidarity Fund, impacts tied to NP sales and the Badwill on the acquisition of Claris Factor).

⁵ Excluding 5 billion euro of government bonds from customer exposures

⁶ Including write-offs

⁷ Data at 06/11/2018

Sondrio, 12 November 2018 - The Board of Directors of Credito Valtellinese approved the consolidated results as at 30 September 2018.

*"The quarter that has just ended represents one more key milestone along Creval's relaunch process – remarked **Mauro Selvetti**, Creval's CEO. After a first half of the year during which the bank focused on achieving the targets set in the 2018-2020 Plan in terms of capital bolstering, de-risking and organizational structure streamlining, in Q3 the Bank of Italy authorized the use of our internal models, on which Creval had been working for quite some time, to measure credit risks for prudential purposes. Thanks to the implementation of these models, Creval could further strengthen its "credit discipline" – thus improving the loan asset quality and risk/return balance - besides bolstering its capital solidity even further. The proforma, fully-loaded CET1 ratio rose to 12.8%, reflecting a capital buffer of 510 bps compared to the minimum SREP requirement of 7.70%, among the highest throughout the Italian banking system, which places our bank in a rock-solid position.*

Therefore – continued the CEO – having completed the 2018 capital bolstering and NPL loan disposal plan, now the Bank is fully concentrating on increasing operating profitability.

An additional contribution will come from the development of the factoring business, with the merger by the end of the year of Claris Factor, which was acquired in June, into Creval Più Factor, that will spawn an operating company featuring a high expertise and an expected turnover of about 800 million euro in 2018.

With regard to our commercial activity, although it has been impacted by the numerous extraordinary transactions carried out this year and by the recent financial market turbulence, encouraging signs are coming from origination volumes, with 1.9 billion euro of new loans extended in 9M 2018, up 22% y/y, and from retail customer funds, in particular the deposits and checking accounts component, which came to 13.7 billion euro, up 5.1% ytd".

Key balance sheet items

At 30 September 2018, **loans and advances to customers** stood at 21.6 billion euro, as compared with 16.7 billion euro at 1 January 2018 (inclusive of reclassifications and impairments upon the FTA of IFRS9).

Under this aggregate, the **debt securities** component accounted for 6 billion euro, of which 5 billion euro of government bonds and 1 billion euro of corporate bonds, mainly represented by 0.9 billion euro of senior notes backed by the GACS guarantee from the "Aragorn" and "Elrond" NPL securitizations.

Performing loans (excluding debt securities) came to 14.6 billion euro, up 4.6% year to date, mainly driven by the increase in originations over the period, with 1.9 billion euro of new loans extended, up 22% y/y, which confirms the ongoing recovery of the commercial activity.

Net non-performing exposures⁸ totaled 990 million euro, down by 1.2 billion euro (-55%) from 2.2 billion at the end of December 2017. The decline was driven by the NPL disposals carried out at the beginning of the year and by the write-downs tied to the FTA of IFRS9.

⁸ The aggregate does not include 86 million euro related to the disposed Gimli 2 portfolio, as it had been reclassified under the line-item "non-current assets held for sale and discontinued operations". The sale was closed on 08/10/2018.

More specifically, **net bad loans** added up to 230 million euro, down 65% from 658 million at the end of 2017; net **unlikely-to-pay loans** came out at 667 million euro, down 54% from 1,437 million euro at year-end 2017; net **past dues** stood at 93 million euro, down 10% from 103 million euro at year-end 2017.

The **NPL coverage ratio** (excluding those reclassified under assets held for sale) came to 50.4%, up from 45.3% at 31 December 2017, notwithstanding the disposals. Including write-offs, total coverage rises to 53.6%.

In detail, the coverage of the single non-performing loan classes breaks down as follows:

- bad loans at 71.3% (62.3% at 31 December 2017) and at 75.5% including write-offs;
- unlikely-to-pay loans at 38.8% (33.6% at 31 December 2017);
- past-due loans at 11.4% (8.0% at 31 December 2017).

The coverage ratio of performing customer loans stood at 0.69%, excluding government bonds.

Direct funding added up to 20.3 billion euro, up 3.4% compared to 31 December 2017. The comparison shows a 5.1% increase in the checking accounts and term deposits component amounting to 13.7 billion euro (13.1 billion at 31/12/2017); both the retail and institutional bond funding components with 2.2 billion euro have stayed their declining course (-22.7% compared to 2.8 billion euro at 31/12/2017), in line with the policy to reduce the more expensive funding sources.

Indirect funding came out at 10.3 billion euro, compared to 11.3 billion at the end of December 2017. More specifically, managed assets were 7.3 billion euro (7.8 billion euro at 31/12/2017), while administered assets totaled 3.1 billion euro (3.5 billion euro at 31/12/2017). Both aggregates were weighed down by the negative market performance in Q2.

Financial assets represented by securities stood at 8.4 billion euro, of which 6 billion euro measured at amortized cost under loans to customers, 2.2 billion euro measured at fair value through other comprehensive income (FVTOCI) and 0.2 billion at fair value through profit or loss (FVTPL). **Government bonds** amounted to 6.8 billion euro, of which 1.8 billion euro measured at FVTOCI, mainly represented by Italian government bonds with a duration of about 2.2 years considering interest rate risk hedges, and 5 billion euro measured at amortized cost under loans to customers (of which 4 billion euro represented by Italian government bonds). The reserve of Italian govies measured at FVTOCI (net of tax effect) was -45.8 million euro.

The liquidity position is robust. At 6 November 2018, the 3-month counterbalancing capacity was 5.2 billion euro (of which 3.2 billion unencumbered), practically unchanged compared to the data at 8 August 2018, which already factored in the benefits of a 1.5-billion-euro securitization of SME secured and unsecured performing loans closed in July. The liquidity ratios – LCR and NSFR – were well above the minimum regulatory requirements.

Shareholders' equity and capital ratios

At 30 September 2018, the Group's net equity stood at 1,492 million euro against 1,442 million euro at 31 December 2017. The Group's net tangible book value at 30 September 2018 was 1,451 million euro, compared to 1,398 million euro at 31 December 2017.

Following the Bank of Italy's authorization issued on 26 September 2018, for the first time at 30 September 2018 capital ratios were calculated based on the A-IRB credit risk models (regulatory classes "corporate exposures" and "retail exposures"). This approach has generated a positive capital impact, consistent with the 2018-2020 Business Plan projections.

Under the phase-in regime, the Common Equity Tier1 (CET1) was 1,739 million euro, against risk-weighted assets (RWAs) of 10,337 million euro. Total own funds amounted to 1,936 million euro.

On a phase-in basis, capital ratios came in as follows:

- CET1 ratio at 16.8%
- Tier 1 ratio at 16.8%
- Total Capital ratio at 18.7%.

The above requirements exceed the SREP minimum requirements for 2018, namely:

- CET1 ratio of 7.075%,
- Tier1 ratio of 8.813%,
- Total Capital ratio of 11.125%.

The fully-loaded CET1 ratio at 30 September 2018 was 12.1%.

Including the benefits tied to the disposal of the 'Gimli 2' portfolio (closed on 08/10/2018), the effect of the bancassurance business reorganization and the consumer credit partnership agreements that are expected to be closed by the end of 2018, **the proforma phase-in CET 1 ratio rises to 17.6%, with a capital buffer of 1,050 bps over the SREP minimum requirement (7.075%).**

The proforma fully-loaded CET 1 ratio rises to 12.8%, with a capital buffer of +510 bps over the SREP minimum requirement of 7.70% (including a capital conservation buffer of 2.5%).

Operating results

Net interest income stood at 274.4 million euro, compared to 294.6 million euro in 9M 2017. Data are not comparable due to the adoption of IFRS9 and above all to the impacts from the disposal of bad and unlikely-to-pay loan (UTP) pools.

In Q3 2018, net interest income came to 95.5 million euro, up 5.8% compared to the prior quarter, mainly driven by the greater contribution from the securities portfolio, following the portfolio recomposition in the prior quarters. The NPL interest income ratio, that at the end of September was running at 15% from 17% in Q2 and 21% in Q1 2018, continued to decline, driven by the disposals of bad loans and UTP loans.

Net fees and commissions came out at 205.8 million euro, down 3.5% y/y, due to a lower commission stream from the credit intermediation business, and to the lower contribution from management, brokerage and advisory fees that were affected by the negative market performance in Q2 2018.

Net income from **trading, hedging, disposal and repurchase activities** was 15.9 million euro.

Operating income added up to 506.5 million euro, compared to 553.5 million euro in the period under comparison.

Operating costs stood at 420.7 million euro, compared to 379.1 million euro in the same period last year. **Personnel expenses** amounted to 259.8 million euro and include 63.5 million euro (vs. 57.5 million euro in Q1 and 6 million euro in Q2) of non-recurring expenses tied to the voluntary redundancy scheme under the agreement with trade unions entered on 16 April. The 9M 2017 figure had benefitted from a 7.5-million-euro positive component ("NASPI" contribution - Nuova Assicurazione Sociale per l'Impiego). Net of these components, personnel expenses went down 6.5% y/y, when including savings tied to last year's voluntary exits through the sector Solidarity Fund. **Other administrative expenses** added up to 141.8 million euro and include the contributions to the Single Resolution Fund (9.5 million euro, of which 3.4 million euro non-recurring) and to the Deposit Guarantee Scheme (6.7 million euro). They also include 6.1 million euro of non-recurring expenses tied to the securitization of non-performing loans (Project "Aragorn"). The 9M 2017 figure (155.5 million euro) included 5 million euro of non-recurring charges. Net of these non-recurring items, other administrative expenses went down 12.1% y/y.

As a result, **net operating profit** stood at 85.8 million euro.

Loan impairments/reversals (also affected by the adoption of IFRS9, hence not comparable with the 9M 2017 figure) totaled 13.1 million euro.

The **loss on sale/repurchase of financial assets measured at amortized cost** amounted to 94.7 million euro, and it is tied to the NPL disposals carried out in the first 9 months of 2018. The latter line-item combined with 'loan impairments/reversals' generated a negative value of 107.8 million euro, of which 94 million euro tied to ordinary loan loss provisions reflecting an annualized cost of credit of 75bps (excluding government bonds from customer loans).

The preliminary **badwill** arising from the purchase price allocation for the acquisition of Claris Factor, closed on 29 June, came to 15.4 million euro.

After accounting for provisions for risks and charges of 10.4 million euro, the **loss on continuing operations before tax** amounted to 17 million euro. Excluding non-recurring impacts in 9M (the extraordinary SRF contribution, the Solidarity Fund costs, costs tied to the NPL disposals and the Badwill arising from the acquisition of Claris Factor), gross income came to approx. 56 million euro.

Income taxes for the period made a positive contribution of 30.9 million euro and include 12.6 million euro from the recognition of off-balance-sheet DTAs, as a result of the probability test carried out upon approving the results as at 30 June 2018. After minority interests, **net income for the period** amounted to 11,4 million euro.

2018 outlook

The global economy keeps on growing despite the global trade slowdown and the repercussions from the protectionist measures rolled out at global level. Europe in 2018 saw a more muted growth momentum, although the demand by households and businesses is still making a positive contribution. The European business cycle is still expansionary, as highlighted by the ECB in its October meeting. The monetary policy remains accommodative, although against the backdrop of a QE tapering.

Among European countries, Italy has reported the greatest growth contraction. 2018 quarterly GDP data continued to fall short of expectations throughout the year: +0.3% in Q1, +0.2% in Q2 and stagnating in Q3. As a result, trend GDP growth stood at +0.8% vs. +1.6% at the end of 2017.

Against this scenario, having achieved the planned goals in terms of capital bolstering, de-risking and organizational structure streamlining, Creval will home in on the attainment of the 2018-2020 Business Plan targets, with a special focus on the recovery of profitability and core business development.

Consolidated financial highlights and alternative performance indicator, reclassified Statement of Financial Position and Income Statement, Consolidated Statement of Financial Position and Income Statement are provided below.

Statement of the financial reporting officer

The financial reporting officer, Mrs. Simona Orietti, in compliance with paragraph two of art. 154 *bis* of the "Consolidated act for financial intermediation", hereby states that the accounting information illustrated in this press release is consistent with documental evidence, accounting books and book-keeping entries.

Simona Orietti

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PRESS RELEASE

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CONSOLIDATED FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE INDICATORS

STATEMENT OF FINANCIAL POSITION DATA	30/09/2018	30/06/2018	31/12/2017	Change (1)	Change (2)
(in thousands of EUR)					
Loans and receivables with customers	21,584,701	21,434,668	16,680,944	0.70%	29.40%
Financial assets and liabilities measured at fair value	2,336,572	2,134,033	4,300,828	9.49%	-45.67%
Non-current assets held for sale and disposal groups	90,543	89,471	3,955	1.20%	n.s.
Total assets	26,600,696	26,033,597	24,956,824	2.18%	6.59%
Direct funding from customers	20,297,278	20,414,126	19,631,283	-0.57%	3.39%
Indirect funding from customers	10,347,670	10,437,811	11,273,213	-0.86%	-8.21%
of which:					
- Managed funds	7,277,495	7,331,272	7,801,592	-0.73%	-6.72%
Total funding	30,644,948	30,851,937	30,904,496	-0.67%	-0.84%
Equity	1,491,895	1,493,059	1,442,094	-0.08%	3.45%

(1) Calculated compared to 30/06

(2) Calculated compared to 31/12 of the previous year

SOLVENCY RATIOS	30/09/2018	30/06/2018	31/12/2017
Common Equity Tier 1 capital / Risk-weighted assets (CET1 capital ratio)	16.8%	14.0%	10.6%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	16.8%	14.0%	10.6%
Total own funds / Risk-weighted assets (Total capital ratio)	18.7%	15.5%	12.5%

FINANCIAL STATEMENT RATIOS	30/09/2018	30/06/2018	31/12/2017
Indirect funding from customers / Total funding	33.8%	33.8%	36.5%
Managed funds / Indirect funding from customers	70.3%	70.2%	69.2%
Direct funding from customers / Total liabilities and equity	76.3%	78.4%	78.7%
Loans and receivables with customers / Direct funding from customers	106.3%	105.0%	85.0%
Loans and receivables with customers / Total assets	81.1%	82.3%	66.8%

CREDIT RISK	30/09/2018	30/06/2018	31/12/2017	Change (1)	Change (2)
Net bad loans (in thousands of EUR)	230,309	228,456	657,512	0.81%	-64.97%
Other net doubtful loans (in thousands of EUR)	759,977	739,678	1,540,116	2.74%	-50.65%
Net non-performing loans (in thousands of EUR)	990,286	968,134	2,197,628	2.29%	-54.94%
Net bad loans / Loans and receivables with customers	1.1%	1.1%	3.9%		
Other net doubtful loans / Loans and receivables with customers	3.5%	3.5%	9.2%		
Net non-performing loans / Loans and receivables with customers	4.6%	4.5%	13.2%		
Coverage ratio of bad loans	71.3%	71.5%	62.3%		
Coverage ratio of other doubtful loans	36.4%	36.7%	32.3%		
Coverage ratio of net non-performing loans	50.4%	50.9%	45.3%		

(1) Calculated compared to 30/06

(2) Calculated compared to 31/12 of the previous year

Loans and receivables with customers classified under non-current assets held for sale and disposal groups are not included

CREDIT QUALITY	30/09/2018				31/12/2017			
	Gross amount	Impairment losses	Carrying amount	% coverage	Gross amount	Impairment losses	Carrying amount	% coverage
Non-performing loans								
Bad loans	801,872	-571,563	230,309	71.3%	1,745,548	-1,088,036	657,512	62.3%
Unlikely to pay	1,090,218	-423,398	666,820	38.8%	2,162,940	-726,153	1,436,787	33.6%
Past due non-performing loans	105,187	-12,030	93,157	11.4%	112,347	-9,018	103,329	8.0%
Total non-performing loans	1,997,277	-1,006,991	990,286	50.4%	4,020,835	-1,823,207	2,197,628	45.3%
Performing loans - stage 1	18,955,305	-45,650	18,909,655	0.24%	14,545,619	-62,303	14,483,316	0.43%
Performing loans - stage 2	1,748,163	-63,403	1,684,760	3.63%	-	-	-	
Total loans and receivables with customers	22,700,745	-1,116,044	21,584,701		18,566,454	-1,885,510	16,680,944	

The coverage ratio is calculated as the ratio between impairment losses and gross amount

Loans and receivables with customers classified under non-current assets held for sale and disposal groups are not included

At 30h September 2018 non-performing loans includes Government bond for a gross amount of EUR 4,965,203 thousand

<i>Government bond</i> /Countries	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	HTCS reserve(*)
Italy	10,759	1,801,836	3,979,000	5,791,595	-45,801
France	-	-	-	-	-
Spain	-	-	840,727	840,727	-
Portugal	-	-	109,585	109,585	-
Greece	-	29,986	-	29,986	-5
Other	4	-	34,951	34,955	-
Total	10,763	1,831,822	4,964,263	6,806,848	-45,806

(*) Reserve related to financial assets classified as Financial assets at fair value through other comprehensive income calculated after the tax effect

ORGANISATIONAL DATA	30/09/2018	30/06/2018	31/12/2017	Change (1)	Change (2)
Number of employees	3,694	3,902	3,819	-5.33%	-3.27%
Number of branches	363	363	412	-	-11.89%

(1) Calculated compared to 30/06

(2) Calculated compared to 31/12 of the previous year

OTHER FINANCIAL INFORMATION	9M 2018	2017	9M 2017
Cost/Income ratio (*)	69.8%	64.3%	69.7%

(*)9M 2018 figure calculated net of non operating expenses related to the extraordinary contributions for SRF for EUR 3,408 thousand and the "Solidarity Fund 2018" for EUR 63,687 thousand; 2017 figure calculated net of non operating profits related to the "Solidarity Fund 2016" for EUR 4,525 thousand; 9M 2017 calculated net of non operating profits related to the "Solidarity Fund 2016" for EUR 6,816 thousand

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

The period of comparison, financial year 2017, has been shown again in a reclassified form based on the new accounting tables in the 5th update of the Bank of Italy Circular no. 262/05. The accounting sums for the year ended 31/12/2017 have been traced back to the new accounting items without applying the new logics of classification and measurement.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	30/09/2018	31/12/2017	Change
Cash and cash equivalents	152,357	197,829	-22.99%
Financial assets at fair value through profit or loss	246,105	20,681	n.s.
Financial assets at fair value through other comprehensive income	2,223,626	4,419,352	-49.68%
Loans and receivables with banks	923,443	2,033,413	-54.59%
Loans and receivables with customers	21,584,701	16,680,944	29.40%
Hedging derivatives	-	199	-100.00%
Equity investments	25,707	24,371	5.48%
Property, equipment and investment property and intangible assets (1)	478,820	486,524	-1.58%
Non-current assets held for sale and disposal groups	90,543	3,955	n.s.
Other assets (2)	875,394	1,089,556	-19.66%
Total assets	26,600,696	24,956,824	6.59%

(1) Include items "90. Property, equipment and investment property" and "100. Intangible assets"

(2) Include items "110. Tax assets" and "130. Other assets"

LIABILITIES	30/09/2018	31/12/2017	Change
Due to banks	3,930,690	3,143,189	25.05%
Direct funding from customers (1)	20,297,278	19,631,283	3.39%
Financial liabilities held for trading	343	713	-51.89%
Hedging derivatives	132,816	138,691	-4.24%
Other liabilities	519,078	421,399	23.18%
Provisions for specific purpose (2)	228,081	174,103	31.00%
Equity attributable to non-controlling interests	515	5,352	-90.38%
Equity (3)	1,491,895	1,442,094	3.45%
Total liabilities and equity	26,600,696	24,956,824	6.59%

(1) Includes item "10. Financial liabilities measured at amortised cost: b) due to customers; c) securities issued"

(2) Include items "60. Tax liabilities", "90. Post-employment benefits" and "100. Provisions for risks and charges"

(3) Includes items "120. Valuation reserves", "150. Reserves", "160. Share premium reserve", "170. Capital", "180. Treasury shares" and "200. Profit (Loss) for the period"

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of EUR)

ITEMS	9M 2018	9M 2017	Change
Net interest income	274,386	294,610	-6.86%
Net fee and commission income	205,751	213,197	-3.49%
Dividends and similar income	1,895	2,900	-34.66%
Profit (loss) of equity-accounted investments (1)	1,931	990	95.05%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases (2)	15,911	27,457	-42.05%
Other operating net income (3)	6,669	14,369	-53.59%
Operating income	506,543	553,523	-8.49%
Personnel expenses	(259,805)	(202,383)	28.37%
Other administrative expenses (4)	(141,813)	(155,452)	-8.77%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets (5)	(19,109)	(21,217)	-9.94%
Operating costs	(420,727)	(379,052)	10.99%
Net operating profit	85,816	174,471	-50.81%
Net impairment losses for credit risk and gains/losses from amendments to contracts (6)	(13,054)	(387,118)	-96.63%
Losses on sale/repurchase of financial assets at amortised cost (7)	(94,748)	(257,190)	-63.16%
Net accruals to provisions for risks and charges	(10,418)	377	n.s.
Net gains (losses) on sales of investments and valuation differences on property and equipment at fair value (8)	15	68,877	-99.98%
Badwill (9)	15,357	-	-
Loss from continuing operations	(17,032)	(400,583)	-95.75%
Income taxes	30,856	126	n.s.
Post-tax profit (loss) from continuing operations	13,824	(400,457)	-103.45%
Profit for the period attributable to non-controlling interests	(2,416)	(2,159)	11.90%
Profit (loss) for the period	11,408	(402,616)	-102.83%

(1) Profit of equity-accounted investments include profit (losses) of equity-accounted investments included in item 250 "Net gains (losses) on equity investments"; the residual amount of that item is included in gains on sales of investments, together with item 280 "Net gains (losses) on sales of investments"

(2) Includes item "80. Profits (Losses) on trading", "90. Net hedging income (expense)", "100. Profits (losses) on sale or repurchase of: b) financial assets at fair value through other comprehensive income; c) financial liabilities" and "110. Profits (Losses) on other assets and liabilities at fair value through profit or loss: a) financial assets and liabilities at fair value; b) other financial assets mandatorily measured at fair value through profit or loss"

(3) Other income and costs correspond to item "230. Other operating net income" net of the following reclassifications

(4) Other administrative expenses include recoveries of taxes and other recoveries recognised in item "230. Other operating net income" (EUR 31,882 thousand in 9M 2018 and EUR 37,581 thousand in 9M 2017)

(5) Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets include items "210. Depreciation and net impairment losses on property, equipment and investment property", "220. Amortisation and net impairment losses on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements included in item "230. Other operating net income" (EUR 724 thousand in 9M 2018 and EUR 982 thousand in 9M 2017)

(6) Include items "130. Net impairment losses for credit risk relating to: a) financial assets at amortised cost; b) financial assets at fair value through other comprehensive income" and "140. Gains/losses from amendments to contracts without derecognition"

(7) Includes item "100. Profit (Loss) on sale or repurchase of: a) financial assets at amortised cost"

(8) Includes the residual amount of item “250. Net gains on sales of investments” not included among profit (losses) of equity-accounted investments together with item “280. Net gains (losses) on sales of investments” and item “260. Net result of property, equipment and investment property and intangible assets at fair value”

(9) Includes the goodwill recognised in item “230. Other operating net income”

NOTES

The statement of financial position and the income statement as at 30th September 2018 provide an overview of the situation of Credito Valtellinese and the companies that this directly or indirectly controls, or in which it directly holds the majority of the share capital or an equity investment below the absolute majority that still allows to govern the relevant activities of the investee.

The Group accounting policies used for preparing the information provided, with reference to the recognition, measurement and derecognition criteria for each asset and liability item, as with the recognition methods for revenue and costs, are represented in the condensed interim consolidated report at 30th June 2018, to which reference should be made.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	30/09/2018	31/12/2017
10. Cash and cash equivalents	152,357	197,829
20. Financial assets at fair value through profit or loss	246,105	20,681
a) financial assets held for trading	61,139	20,681
c) other financial assets mandatorily measured at fair value	184,966	-
30. Financial assets at fair value through other comprehensive income	2,223,626	4,419,352
40. Financial assets at amortised cost	22,508,144	18,714,357
a) loans and receivables with banks	923,443	2,033,413
b) loans and receivables with customers	21,584,701	16,680,944
50. Hedging derivatives	-	199
70. Equity investments	25,707	24,371
90. Property, equipment and investment property	438,035	441,933
100. Intangible assets	40,785	44,591
of which:		
- goodwill	26,666	30,385
110. Tax assets	651,643	676,630
a) current	67,706	80,987
b) deferred	583,937	595,643
120. Non-current assets held for sale and disposal groups	90,543	3,955
130. Other assets	223,751	412,926
Total assets	26,600,696	24,956,824

(in thousands of EUR)

LIABILITIES AND EQUITY	30/09/2018	31/12/2017
10. Financial liabilities at amortised cost	24,227,968	22,774,472
a) due to banks	3,930,690	3,143,189
b) due to customers	18,142,235	16,841,601
c) securities issued	2,155,043	2,789,682
20. Financial liabilities held for trading	343	713
40. Hedging derivatives	132,816	138,691
60. Tax liabilities	3,088	2,363
a) current	2,302	2,184
b) deferred	786	179
80. Other liabilities	519,078	421,399
90. Post-employment benefits	37,939	46,546
100. Provisions for risks and charges:	187,054	125,194
a) commitments and guarantees issued	16,872	9,931
b) pension and similar obligations	36,685	33,520
c) other provisions for risks and charges	133,497	81,743
120. Valuation reserves	-58,130	-12,145
150. Reserves	-1,016,733	-60,629
160. Share premium reserve	638,667	-
170. Share capital	1,916,783	1,846,817
180. Treasury shares (-)	-100	-100
190. Equity attributable to non-controlling interests (+/-)	515	5,352
200. Profit (loss) for the period (+/-)	11,408	-331,849
Total liabilities and equity	26,600,696	24,956,824

CONSOLIDATED INCOME STATEMENT (in thousands of EUR)

ITEMS	9M 2018	9M 2017
10. Interest and similar income	356,603	398,274
20. Interest and similar expense	(82,217)	(103,664)
30. Net interest income	274,386	294,610
40. Fee and commission income	228,521	235,379
50. Fee and commission expense	(22,770)	(22,182)
60. Net fee and commission income	205,751	213,197
70. Dividends and similar income	1,895	2,900
80. Profits (Losses) on trading	1,336	4,183
90. Net hedging expense	(214)	(138)
100. Profit (Loss) on sale or repurchase of:	(76,626)	(233,778)
a) financial assets at amortised cost	(94,748)	(257,190)
b) financial assets at fair value through other comprehensive income	18,051	24,020
c) financial liabilities	71	(608)
110. Profits (losses) on other assets and liabilities at fair value through profit or loss	(3,333)	-
b) other financial assets mandatorily measured at fair value	(3,333)	-
120. Total income	403,195	280,974
130. Net impairment losses for credit risk on:	(12,300)	(387,118)
a) financial assets at amortised cost	(10,115)	(347,784)
b) financial assets at fair value through other comprehensive income	(2,185)	(39,334)
140. Gains/losses from amendments to contracts without derecognition	(754)	-
150. Net financial income	390,141	(106,144)
190. Administrative expenses:	(433,500)	(395,416)
a) personnel expenses	(259,805)	(202,383)
b) other administrative expenses	(173,695)	(193,033)
200. Net accruals to provisions for risks and charges	(10,418)	377
a) commitments and guarantees issued	(1,512)	1,058
b) other net accruals	(8,906)	(681)
210. Depreciation and net impairment losses on property, equipment and investment property	(13,103)	(13,799)
220. Amortisation and net impairment losses on intangible assets	(5,282)	(6,436)
230. Other operating net income	53,184	50,968
240. Operating costs	(409,119)	(364,306)
250. Net gains (losses) on equity investments	1,931	990
260. Net result of property, equipment and investment property and intangible assets at fair value	-	(1,146)
280. Net gains (losses) on sales of investments	15	70,023
290. Pre-tax loss from continuing operations	(17,032)	(400,583)
300. Income taxes	30,856	126
330. Profit (loss) for the period	13,824	(400,457)
340. Profit for the period attributable to non-controlling interests	(2,416)	(2,159)
350. Profit (loss) for the period attributable to owners of the parent	11,408	(402,616)

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