



Creval

A solid step towards 2019 profitability target

9M19 Financial Results

Milan, 7th November 2019

Disclaimer



- This document has been prepared by Credito Valtellinese for information purpose only and does not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to purchase or subscribe for securities or financial instruments or any advice or recommendation with respect of such securities or other financial instruments.
- The information, opinions, estimates and forecasts contained herein have not been independently verified. They have been obtained from, are based upon, sources that company believes to be reliable but makes no representations (either express or implied) or warranty on their completeness, timeliness or accuracy.
- The document may contain forward-looking statements, 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 significant risks and uncertainties, many of which are outside the company's control. There are a variety of factors that may cause actual results and performance to be materially different from the explicit or implicit contents any forward-looking statements and thus, such forward-looking statements are not a reliable indicator of future performance. The company 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. The information and opinions contained in this Presentation are provided as at the date hereof and are subject to change without notice.
- Pursuant the consolidated law on financial intermediation of 24 February 1998 (article 154-bis, paragraph 2), Simona Orietti, in her capacity as manager in charge of financial reporting declares that the accounting information contained in this Presentation reflects the group's documented results, financial accounts and accounting records.

9M 2019 Results: Executive summary



- Net profit after 9M 2019 of €33.4m compared to €11.4m after 9M 2018, with a positive Q3 19 contribution of €9.9m
- Operating costs continue downward trend both y/y and q/q (-3.8% q/q excluding system charges)
- Net operating income of €39.3m at the level of the previous quarter on adjusted basis, despite pressure on NII
- Improvement in CoR and other key asset quality indicators:
 - NPE coverage up q/q to 59.3% from 58.9%, with bad loans coverage reaching 82.7%
 - NPE stock decreased q/q both on gross and net basis: -1.2% and -2% respectively
- Commercial focus on retail has resulted in savings growth and lending mix improvement
- Strong capital position with CET1 ratio fully loaded at 14.7% (14.0% as of 30/06/19), with a wide buffer vs. SREP 2019 target (8.25%)

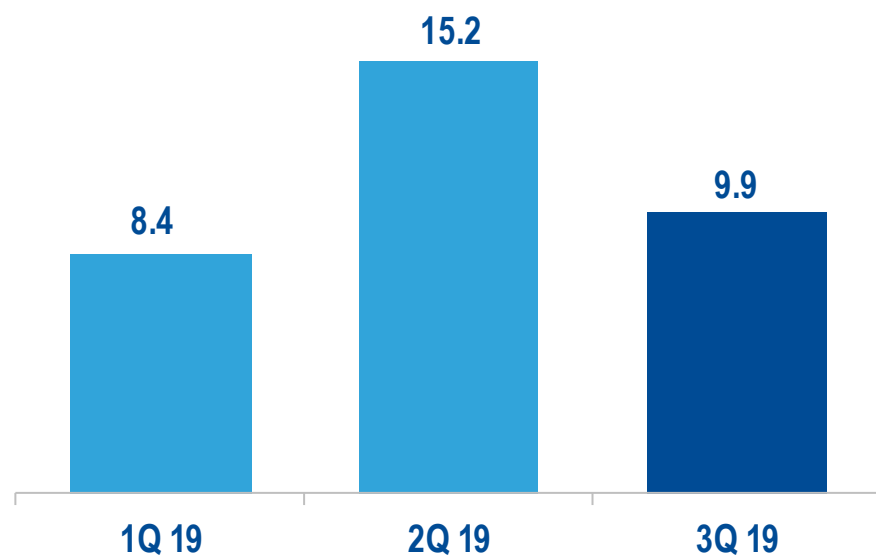
On track to deliver 2019 profitability targets set in the plan

Net profit



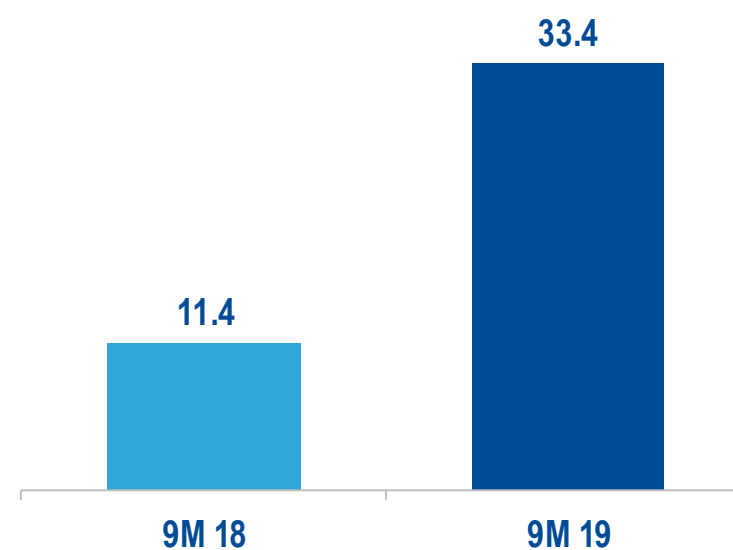
Quarterly evolution

€/m



Yearly evolution

€/m



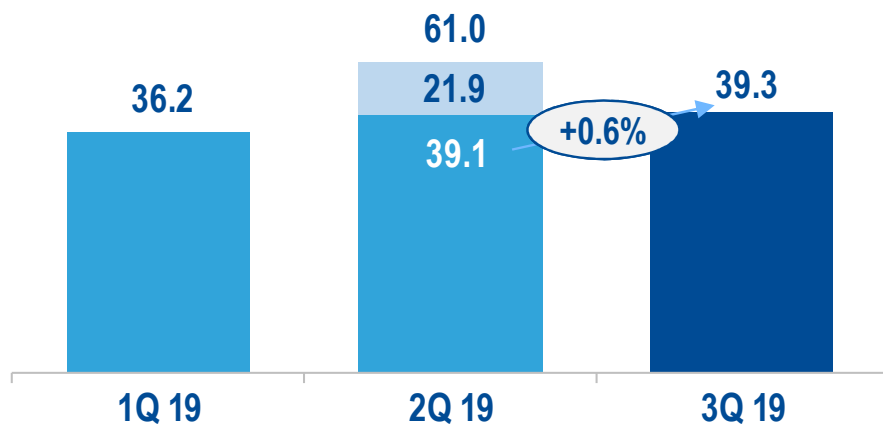
- Q319 net profit of €9.9m with positive operating trend on a comparable basis
- 9M19 net profit of €33.4m vs. €11.4m in 9M18 driven by an increase in net operating income

Net operating income



Quarterly evolution

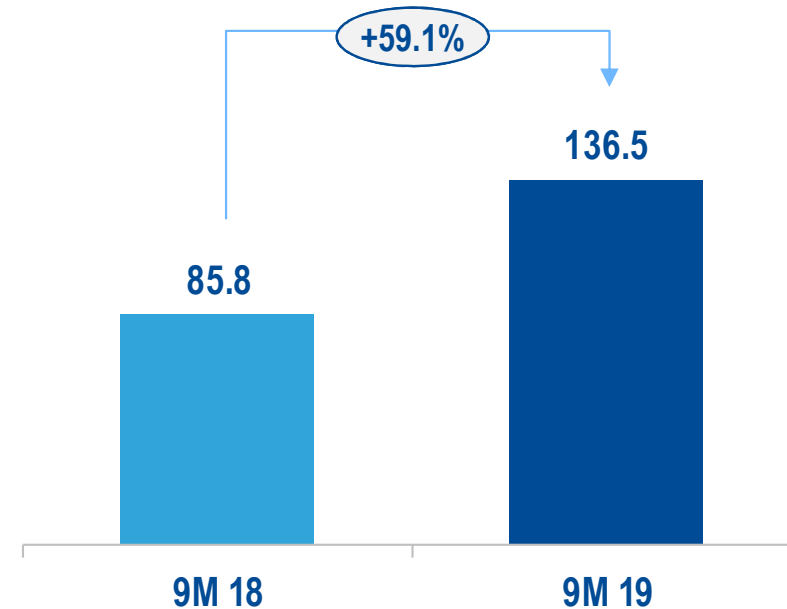
€/m



■ Capital gain on Nexi stake

Yearly evolution

€/m



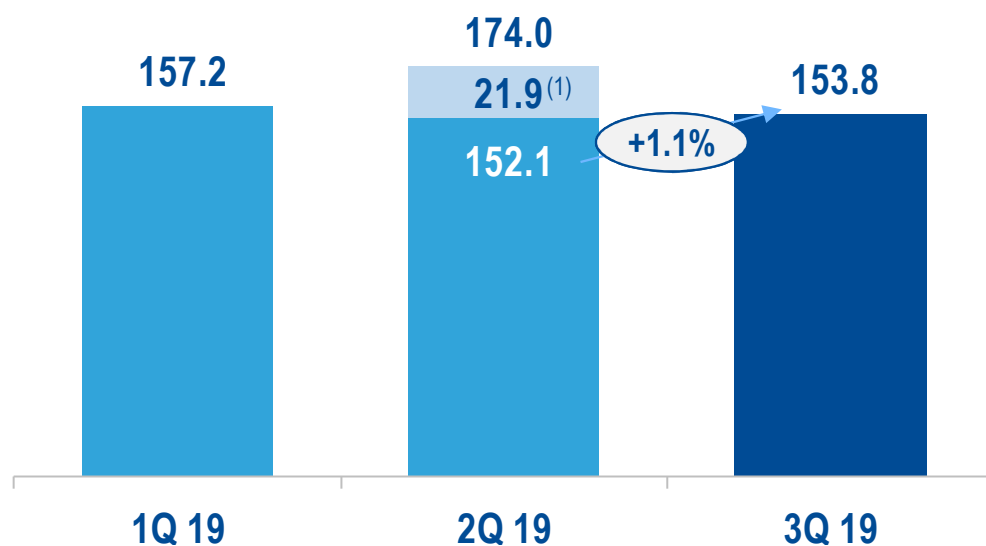
- Q3 net operating income of €39.3m, confirming the positive trend on comparable basis
- 9M net operating income of €136.5m vs. €85.8m, thanks to lower operating costs

Operating income



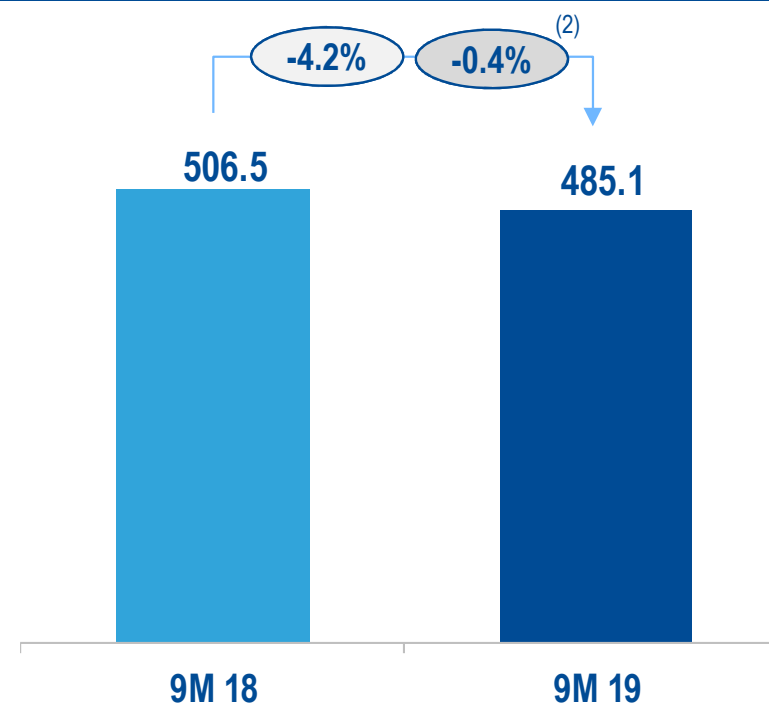
Quarterly evolution

€/m



Yearly evolution

€/m



- Q319 operating income of €153.8m, up q/q on a comparable basis despite additional pressure due to interest rate decrease
- 9M19 operating income of €485.1m, in line y/y on a comparable basis

(1) Cap. gain on Nexi stake

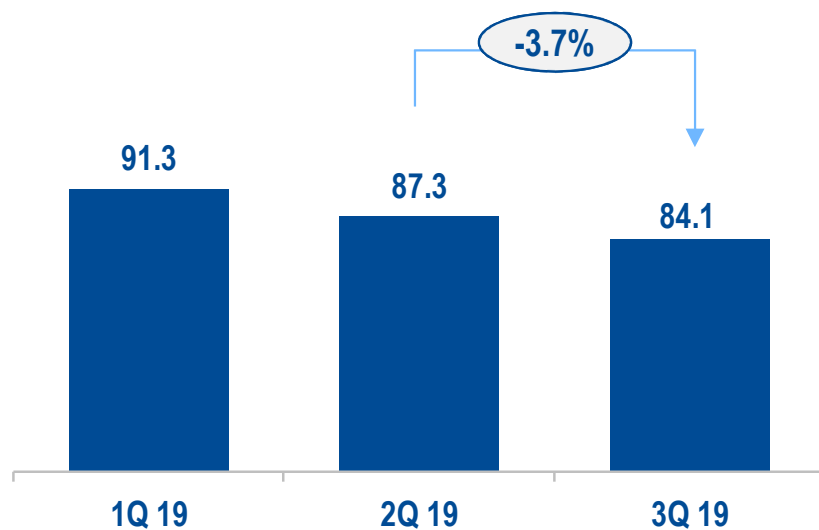
(2) Dynamic excluding: in 9M18 NII of NPE sold, up-front fees on AUM special campaign, trading result; in 9M19 Nexi cap. gain and other trading

Net Interest Income



Quarterly evolution

€/m



Asset Yield

2.15%

2.20%

2.14%

Liability Cost

0.35%

0.45%

0.48%

Net Interest Spread

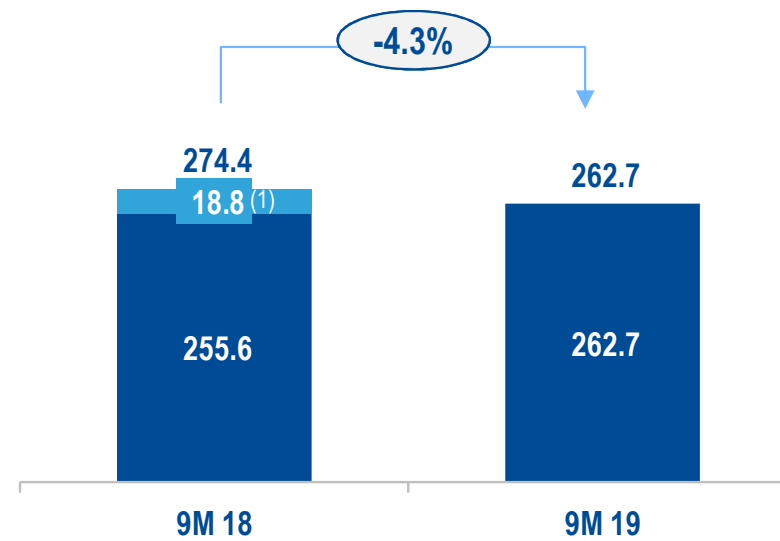
1.80%

1.75%

1.66%

Yearly evolution

€/m



■ NPE sold in 2018

2.26%

2.15%

0.42%

0.42%

1.85%

1.73%

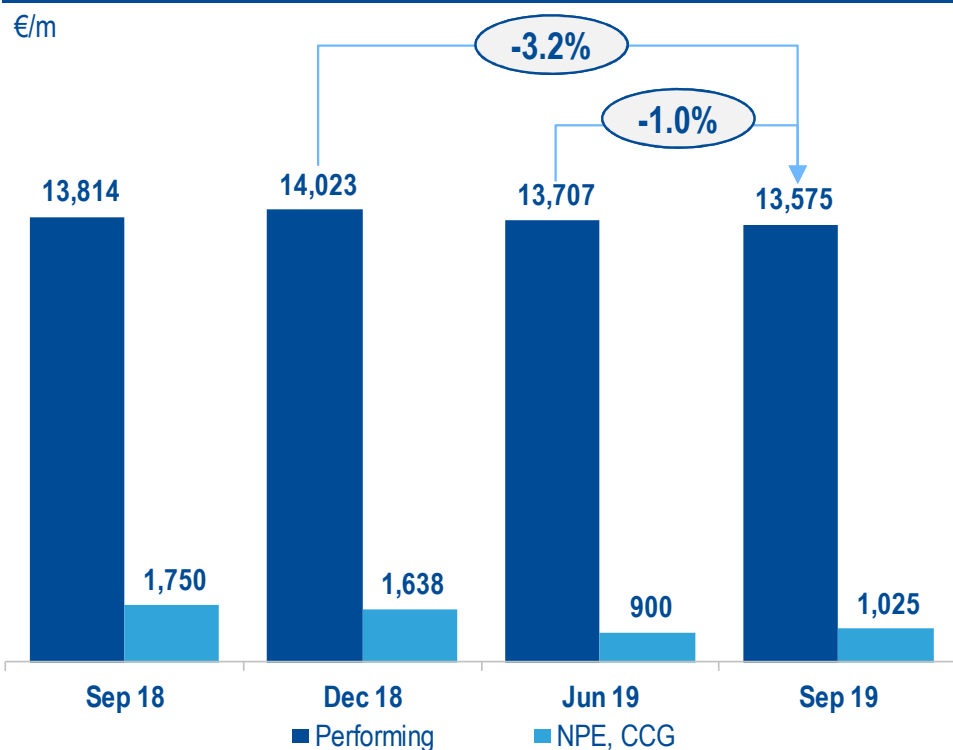
- Q319 NII of €84.1m (vs. €87.3m) affected by the full impact of 1H 19 deposit campaign and decrease in interest rates
- 9M19 NII of €262.7m (vs €274.4m) mainly impacted by NPE sold in 2018 and IFRS 16

(1) Management data.

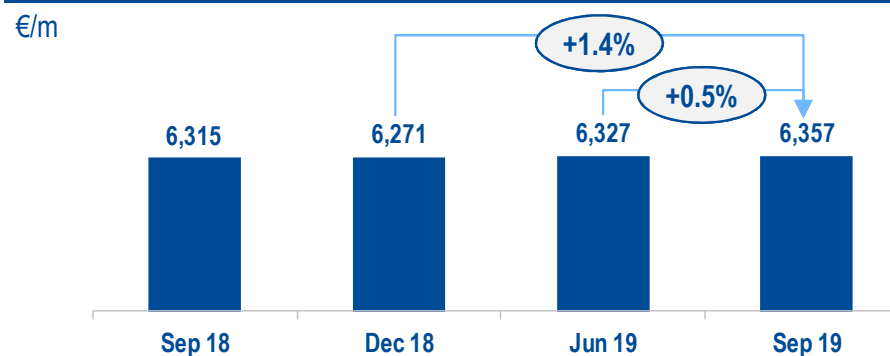
Net customer loans



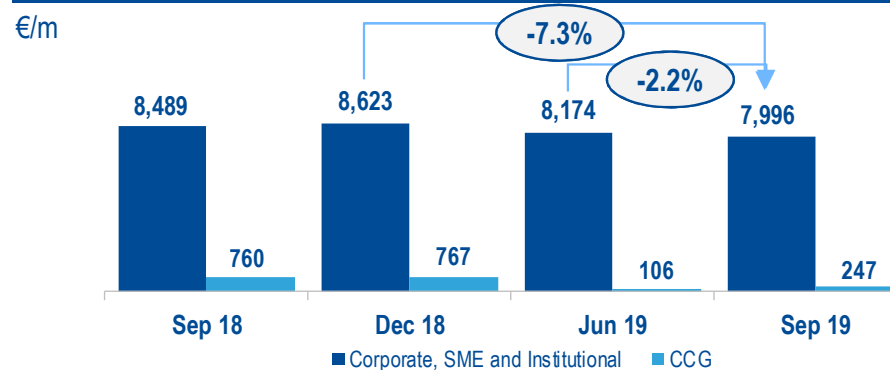
Net loans⁽¹⁾



Retail



Corporate



- Retail loans +1.4% YTD in line with strategic guidelines, Corporate loans -7.3% YTD due to risk-adjusted pricing approach

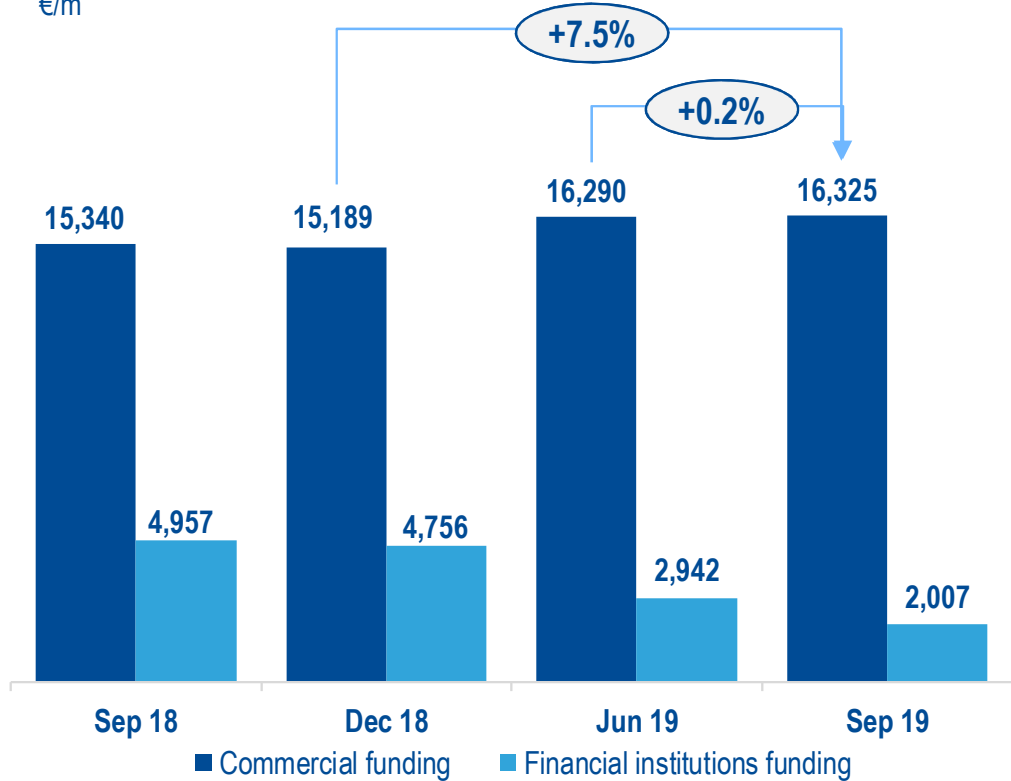
(1) Excluding securities (€6.0bn as at Sep.18; €5.8bn as at Dec.18; €5.1bn as at Jun.19; €5.1bn as at Sep.19).

Funding composition



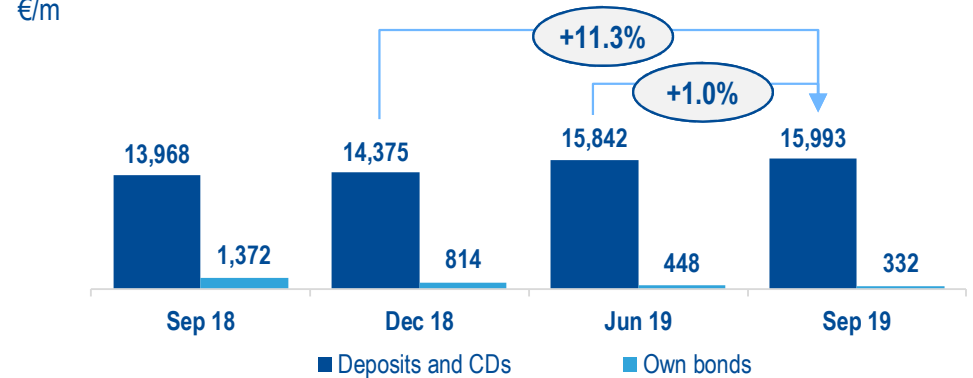
Direct funding

€/m



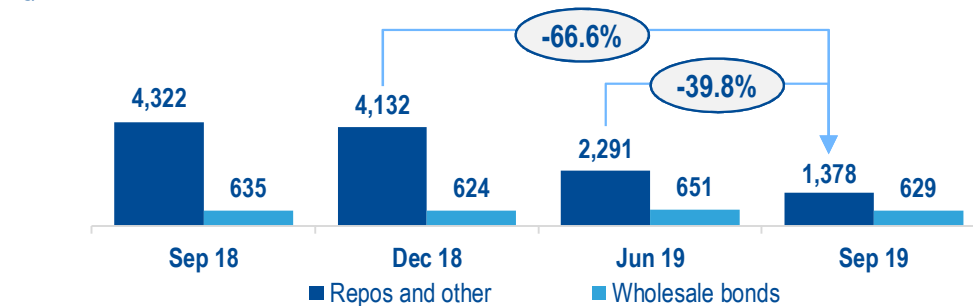
Commercial funding

€/m



Financial institutions funding

€/m

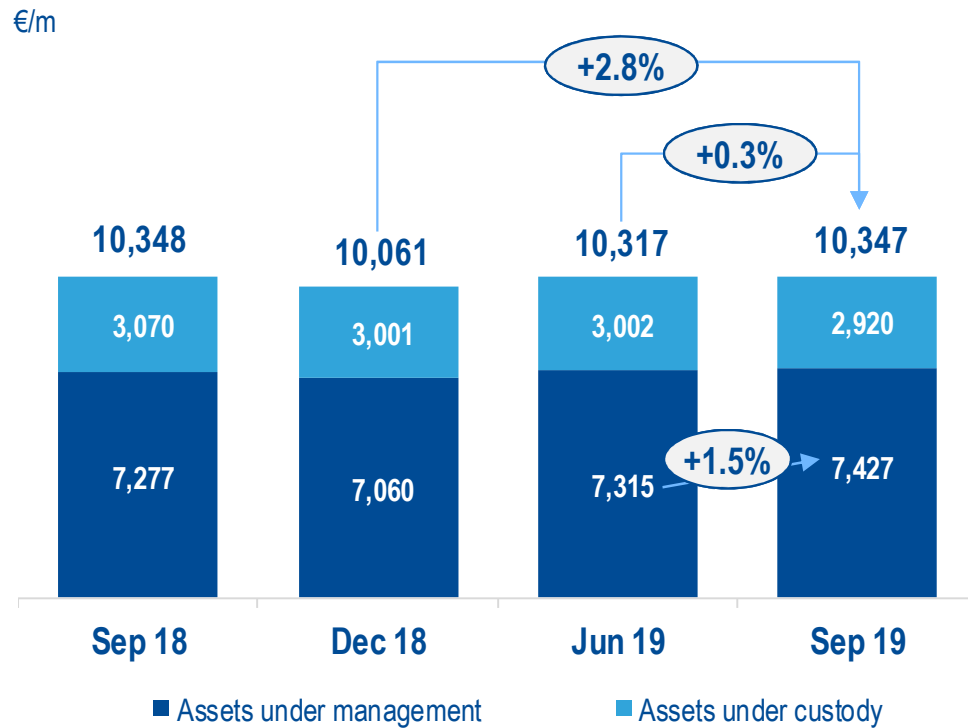


- Direct funding up by 7.5% YTD driven by an increase in deposits (+11.3%)
- In Q3 19 the change in the mix toward commercial funding has continued

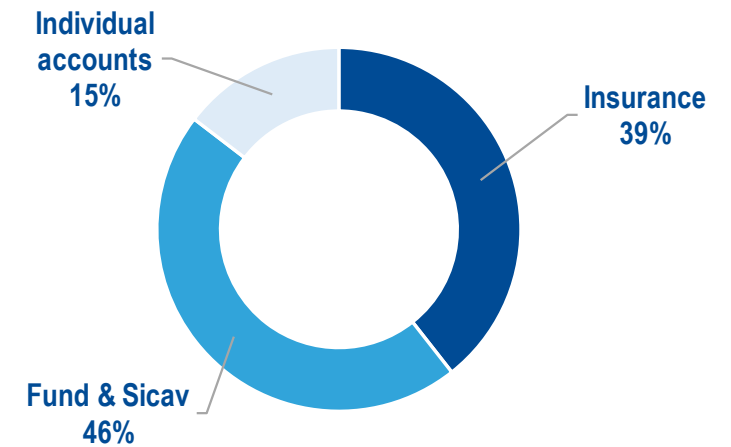
Indirect funding



Indirect funding breakdown



AuM breakdown as at 30th September 2019



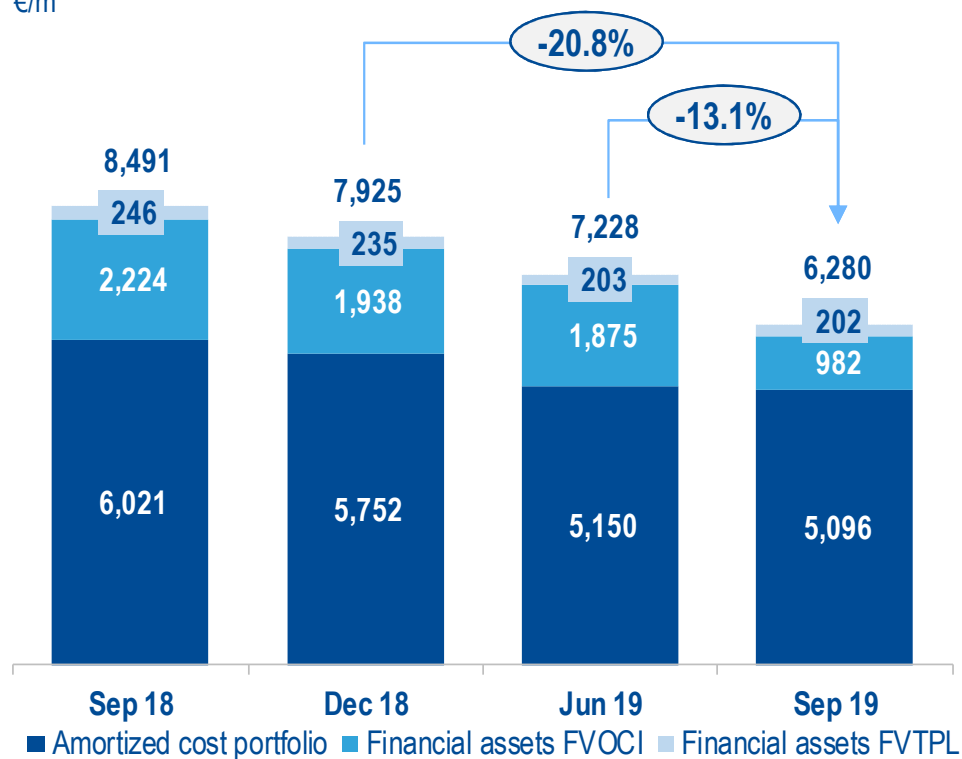
- Indirect funding equal to €10.3bn, up by 2.8% YTD driven by an increase in AUM (+1.5% q/q)

Securities portfolio breakdown

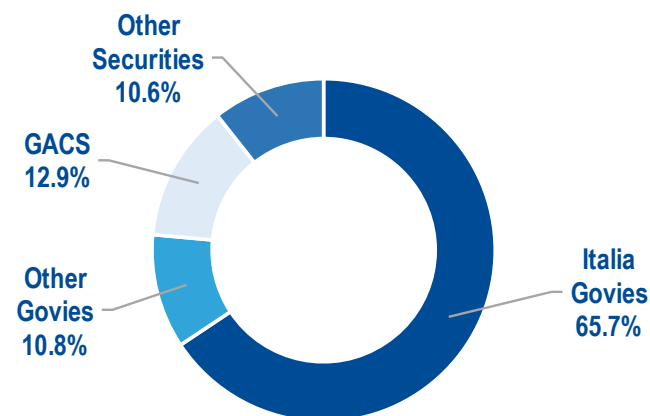


Securities portfolio

€/m



Portfolio breakdown as at 30th Sep. 2019



Evolution of Government portfolio

€/m	Dec 18	Jun 19	Sep 19	QoQ	YTD
Govies ITA	5,295	5,028	4,126	-17.9%	-22.1%
Other govies	974	672	675	0.5%	-30.6%
Total	6,269	5,700	4,801	-15.8%	-23.4%
FVOCI reserve	-20	-5	+4	+9	+24

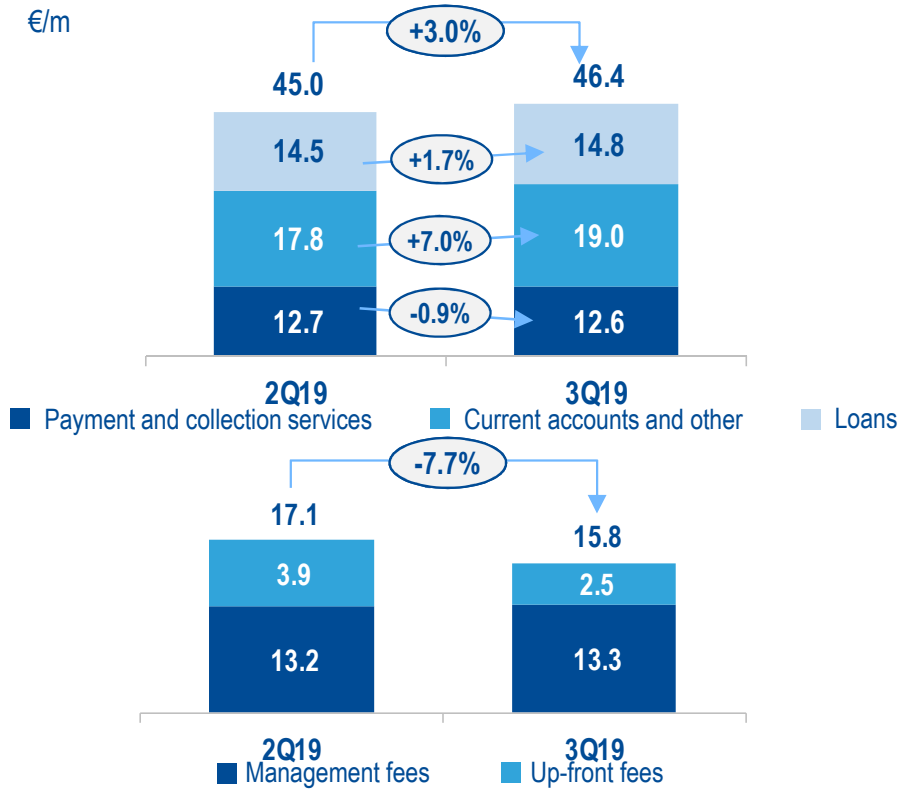
- Decrease in the securities portfolio in Q3 19 (-13.1% q/q and -20.8% YTD) in line with the Plan

Net fee and commission income



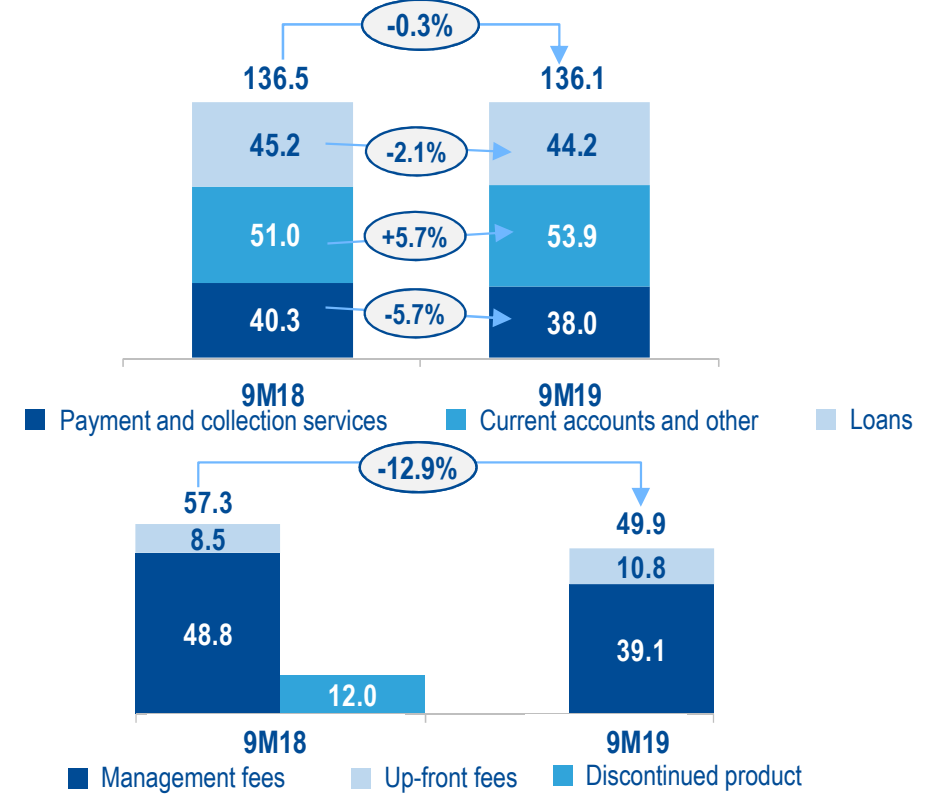
Quarterly evolution

€/m



Yearly evolution

€/m

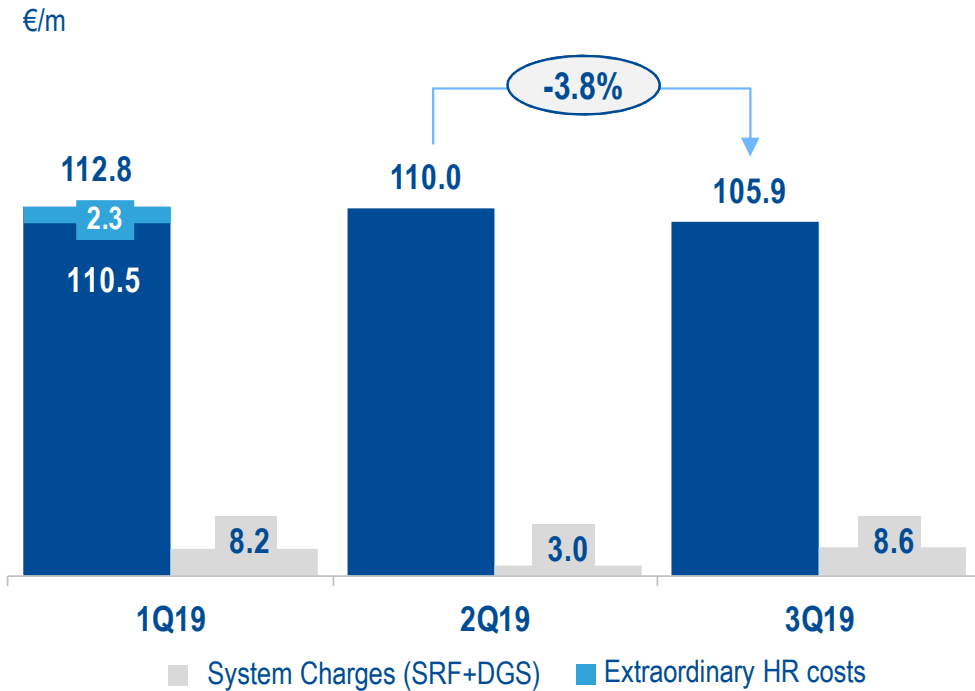


- Q3 banking fees up by 3.0% q/q, driven by current account fees, bringing 9M results in line with last year
- Q3 AUM fees affected also by seasonality with 9M reflecting special a campaign carried out last year

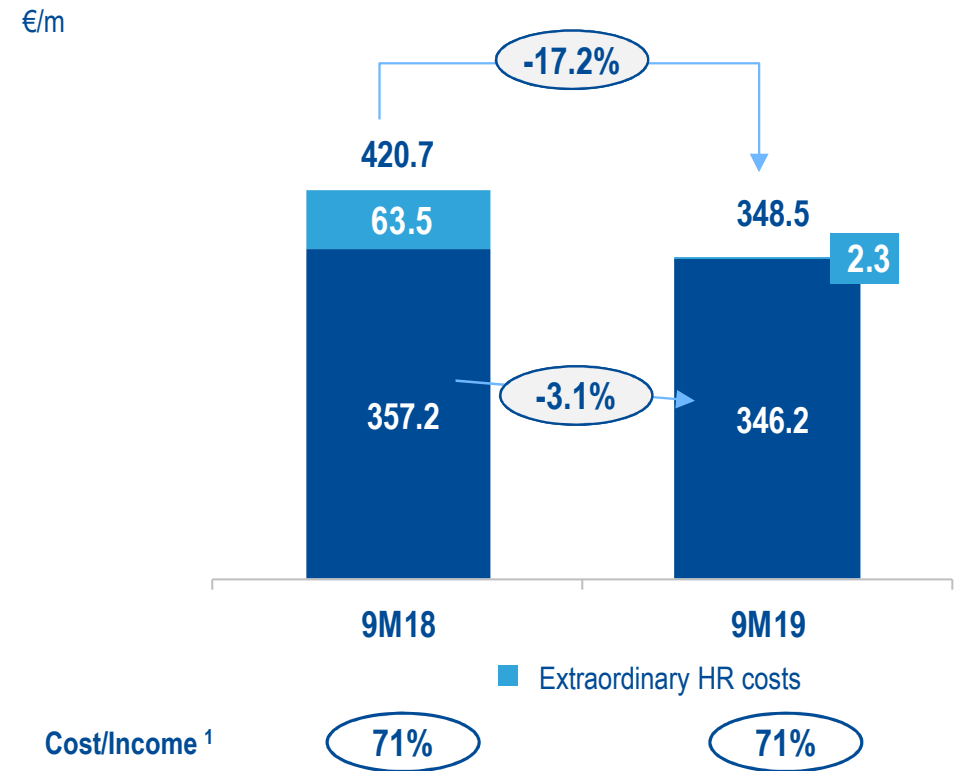
Total Operating costs



Quarterly trend



Yearly trend



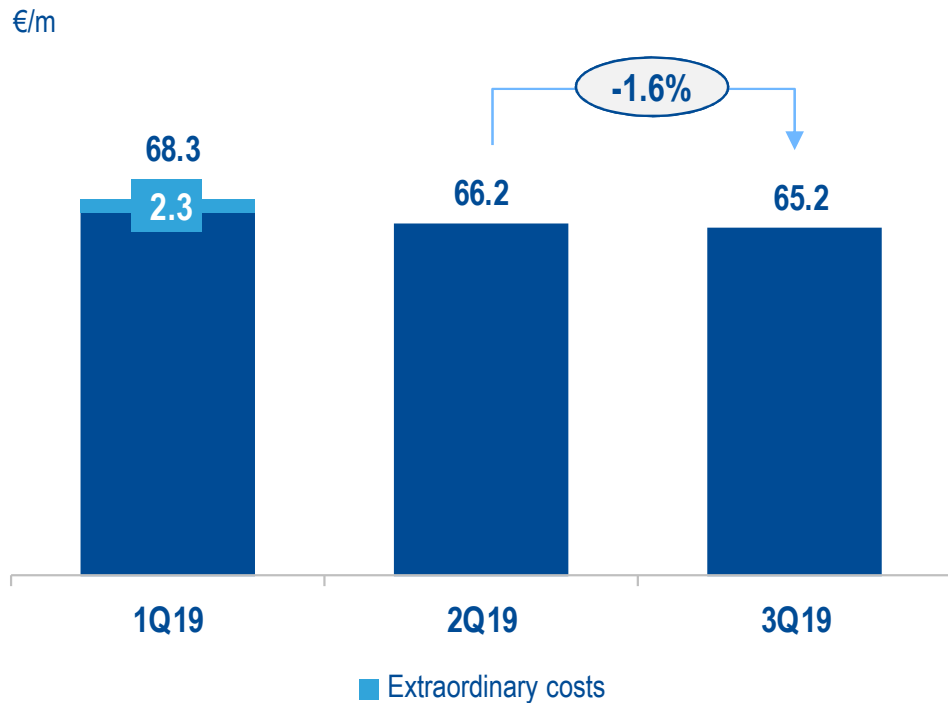
- Q3 19 operating costs at €105.9m down by 3.8% q/q excluding system charges
- 9M 19 operating costs at €346.2m down by 3.1% y/y excluding extraordinary HR costs

(1) Excluding extraordinary HR costs.

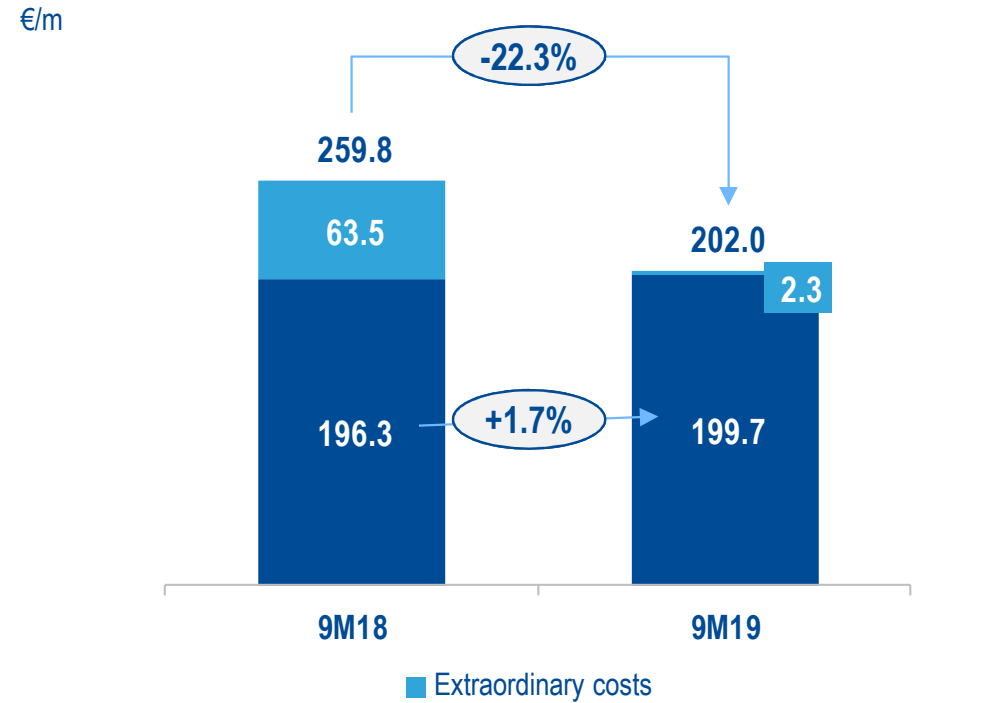
HR costs



Quarterly trend



Yearly trend

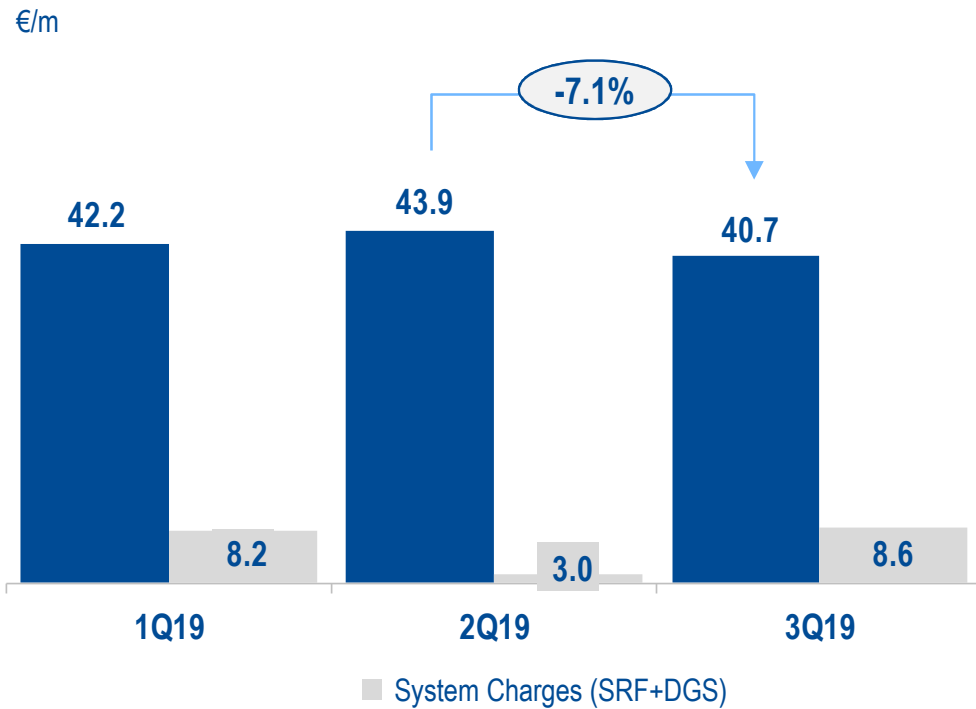


- Downward trend in HR costs continues with Q3 down by -1.6% q/q
- 9M19 HR costs of €199.7m on adjusted basis up by 1.7% y/y due to variable compensation

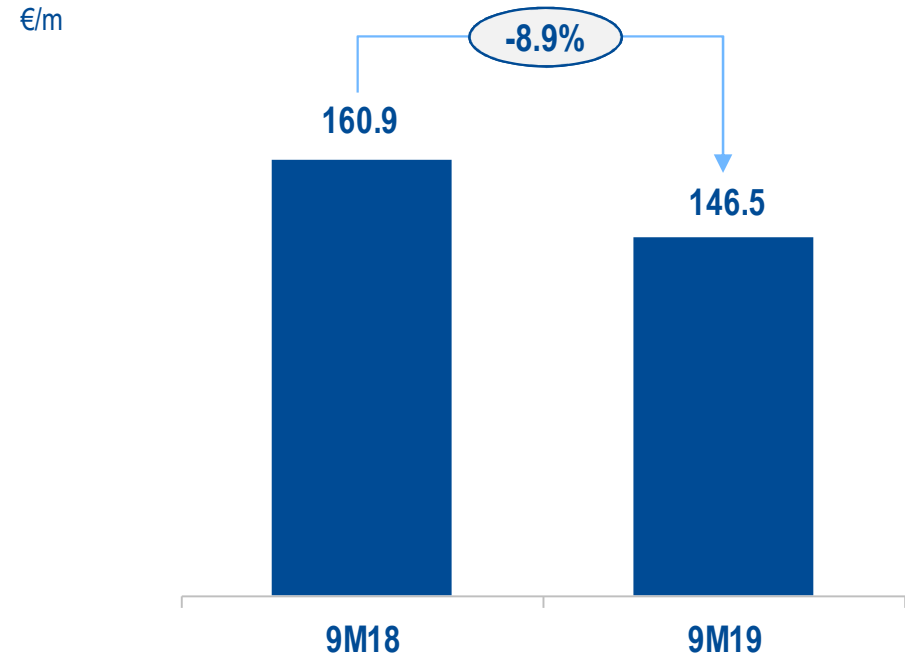
Non-HR costs



Quarterly trend



Yearly trend



- Q3 19 Non-HR costs decreased by 7.1% q/q, excluding system charges
- 9M 19 Non-HR costs down by 8.9%, reflecting the new discipline in cost management

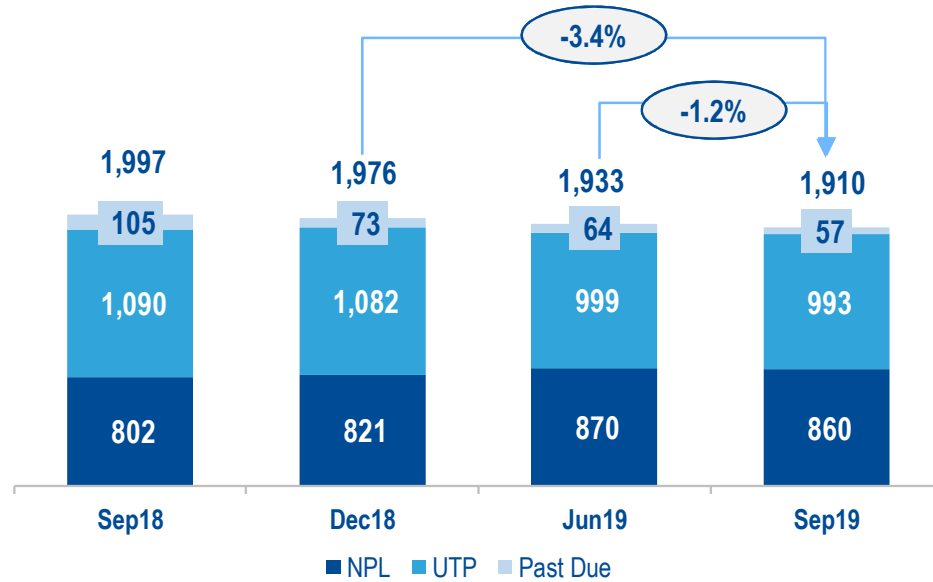
Note: Non Hr costs include Other Administrative Costs and Depreciation

Asset quality (1/2)



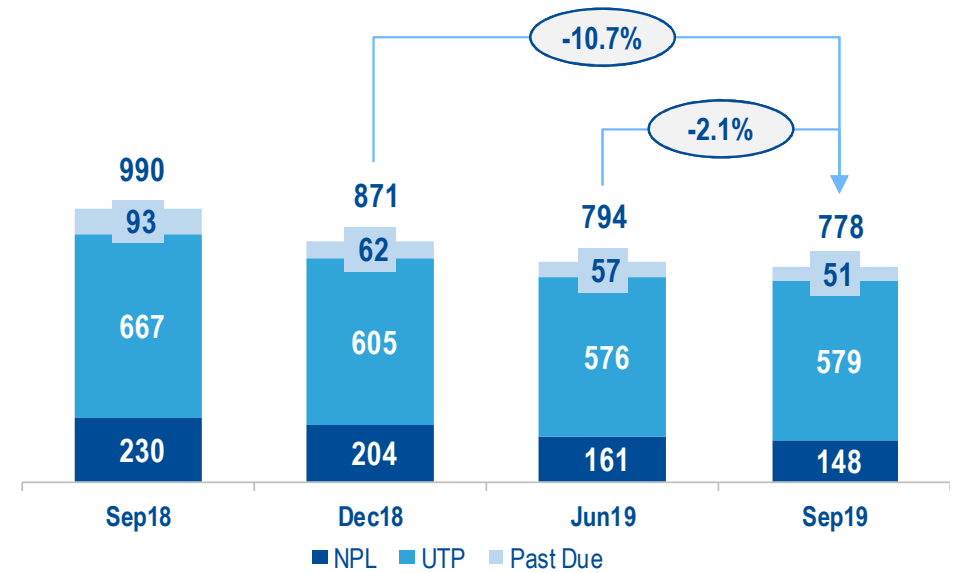
Gross NPE

€/m



Net NPE

€/m



Gross NPE ratio¹

11.3%

11.0%

11.4%

11.3%

Net NPE ratio¹

6.0%

5.2%

5.1%

5.0%

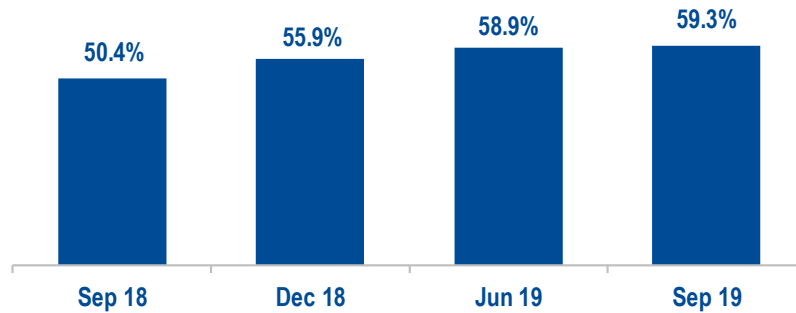
- Steady decrease of both gross and net NPE

(1) Excluding Government bonds classified in the 'Amortized Cost' category

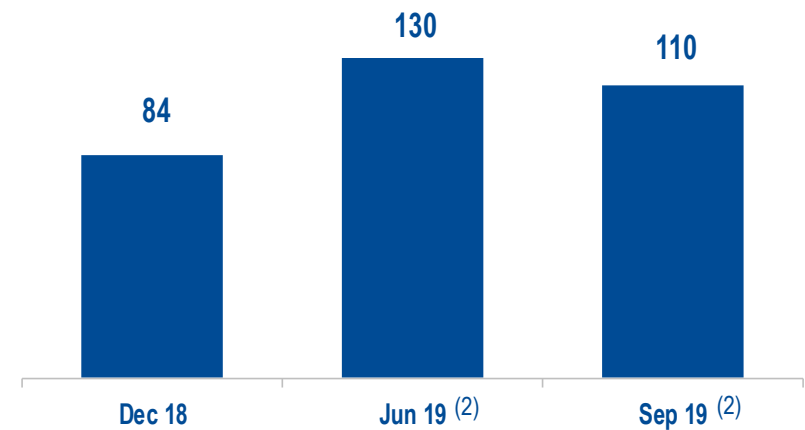
Asset quality (2/2)



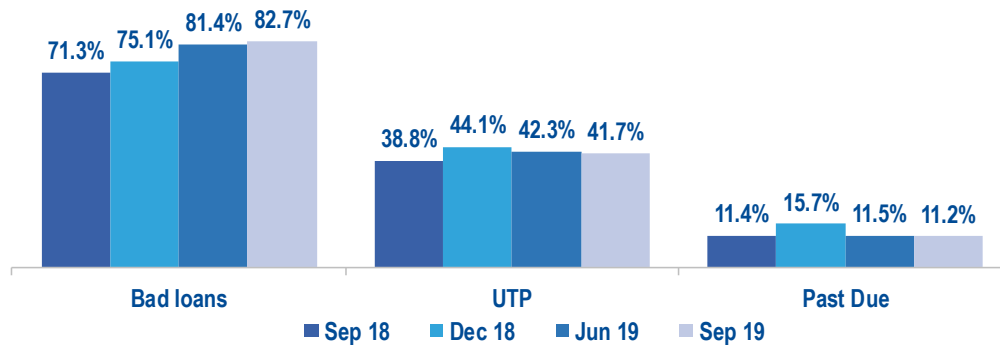
Total NPE coverage



Cost of risk (bps) ⁽¹⁾



NPE coverage breakdown



- Further increase in the total NPE coverage ratio to 59.3%, with Bad loans coverage reaching 82.7%
- Cost of risk reflecting improvement in asset quality

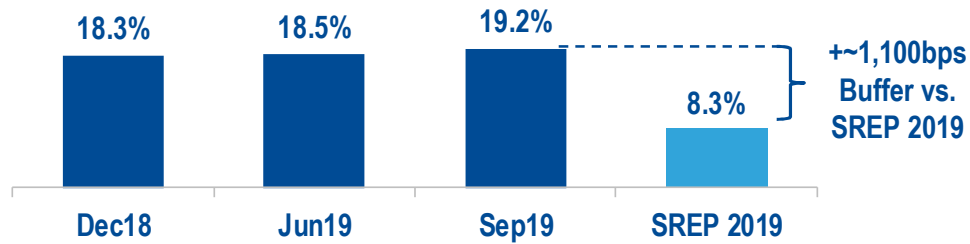
(1) Calculated on net customer loans excluding government bonds classified in the 'Amortized Cost' category

(2) Annualized. Includes additional LLPs booked in Q2 19 related to the implementation of the business plan NPL disposal

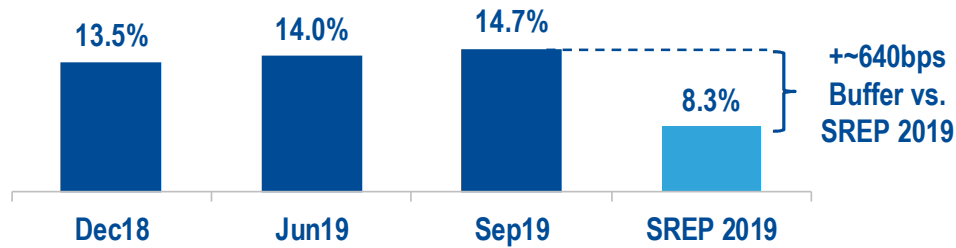
Capital



CET1 ratio phased-in



CET1 ratio fully phased

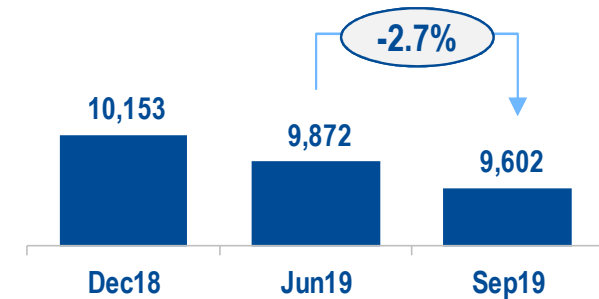


Regulatory capital ratios phased-in

	Dec-18	Sep-19	2019 SREP
CET1 ratio (%)	18.3%	19.2%	8.25%
Tier 1 ratio (%)	18.3%	19.2%	9.75%
Total Capital ratio (%)	20.2%	21.1%	11.75%

RWA – phased-in

€/m



- Capital position improved further, with a large buffer vs. SREP

9M 2019 Results: Conclusions



- Net profit of €33.4m in 9M 19 compared to €11.4m reported in 9M 18
- First visible results of cost and risk management; key enablers of business plan execution
- Positive trend in retail lending goes in the direction of planned improvement of the asset mix
- Further strengthening of the capital position



Creval

Annexes

Reclassified Balance Sheet - Assets



€/000

ASSETS	30/09/2019	31/12/2018	Change
Cash and cash equivalents	174,718	200,153	-12.7%
Financial assets at fair value through profit or loss	201,850	235,378	-14.2%
Financial assets at fair value through other comprehensive income	981,913	1,937,531	-49.3%
Loans and receivables with banks	1,402,692	1,205,925	16.3%
Loans and receivables with customers	19,695,859	21,413,093	-8.0%
Equity investments	18,259	20,269	-9.9%
Property, equipment and investment property and intangible assets (1)	601,886	447,642	34.5%
Non-current assets held for sale and disposal groups	79,448	75,548	5.2%
Other assets (2)	962,216	937,130	2.7%
Total assets	24,118,841	26,472,669	-8.9%

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

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

Reclassified Balance Sheet – Liabilities and equity



€/000

LIABILITIES AND EQUITY	30/09/2019	31/12/2018	Change
Due to banks	2,927,658	4,096,231	-28.5%
Direct funding from customers (1)	18,331,484	19,944,672	-8.1%
Financial liabilities held for trading	375	64	485.9%
Hedging derivatives	175,355	134,545	30.3%
Liabilities included in disposal groups classified as held for sale	2,419	2,271	6.5%
Other liabilities	806,401	491,739	64.0%
Provisions for specific purpose (2)	238,744	236,885	0.8%
Equity attributable to non-controlling interests	20	20	-
Equity (3)	1,636,385	1,566,242	4.5%
Total liabilities and equity	24,118,841	26,472,669	-8.9%

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

(2) Includes 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 for the period"

Reclassified Income Statement



€/000

ITEMS	9M 2019	9M 2018	Change
Net interest income	262,656	274,386	-4.3%
Net fee and commission income	186,006	205,751	-9.6%
Dividends and similar income	1,093	1,895	-42.3%
Profit of equity-accounted investments	1,357	1,931	-29.7%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases	27,121	15,911	70.5%
Other operating net income	6,824	6,669	2.3%
Operating income	485,057	506,543	-4.2%
Personnel expenses	(201,967)	(259,805)	-22.3%
Other administrative expenses	(113,300)	(141,813)	-20.1%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets	(33,249)	(19,109)	74.0%
Operating costs	(348,516)	(420,727)	-17.2%
Net operating profit	136,541	85,816	59.1%
Impairment or reversal of impairment and modification gains (losses)	(129,239)	(13,054)	n.s.
Profit (Losses) on derecognition of financial assets valued at the amortised cost	8,288	(94,748)	n.s.
Net accruals to provisions for risks and charges	(10,061)	(10,418)	-3.4%
Net gains (losses) on sales of invest. and valuation differences on property and equipment at fair value	5,236	15	n.s.
Badwill	0	15,357	n.s.
Pre-tax loss from continuing operations	10,765	(17,032)	n.s.
Income taxes	22,681	30,856	-26.5%
Post-tax profit from continuing operations	33,446	13,824	141.9%
Profit for the period attributable to non-controlling interests	0	(2,416)	n.s.
Profit for the period	33,446	11,408	193.2%