



Creval

On track towards our mid-term targets

FY2019 Financial Results

Milan, 6th February 2020



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- 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.



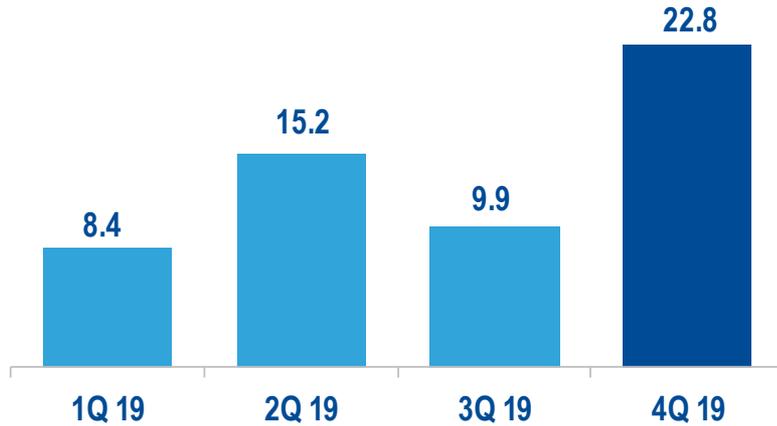
- **FY19 net profit of €56.2m, up by 77% y/y, strong contribution from Q419 profit of €22.8m**
- **Excellent cost management resulting in double digit drop y/y in total operating costs**
- **Further improvement in key credit risk management ratios with the gross NPE ratio decreasing to 9.4% also thanks to completed ahead of the schedule first disposal of €357m unsecured bad loans portfolio**
- **Strong capital position with a CET1 FL at 15.5%**
- **Outlook 2020 give comfort for achieving mid term targets**

Net profit



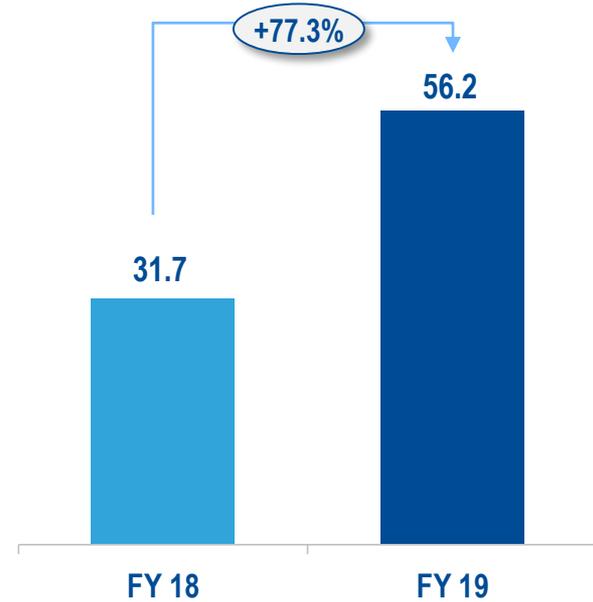
Quarterly evolution

€/m



Yearly evolution

€/m



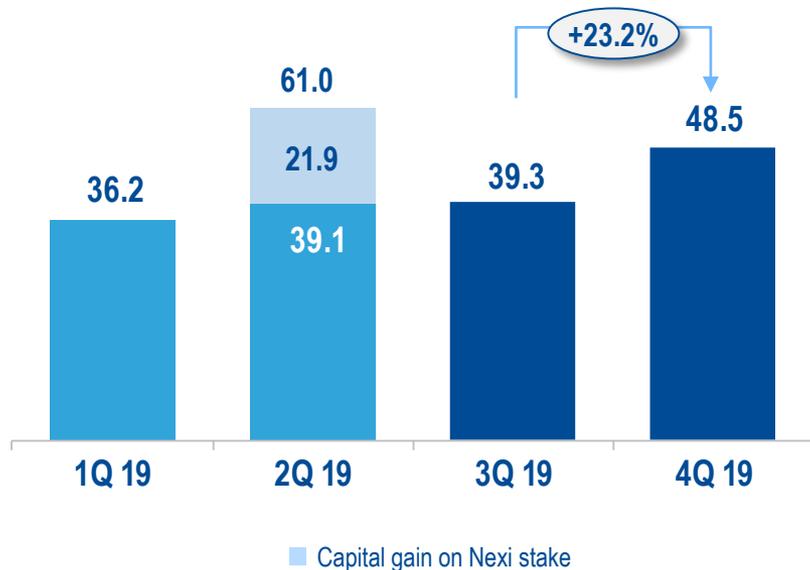
- FY net profit up to €56.2m, driven by improvement in the net operating income and better risk, supported by Q4 result of €22.8m

Net operating income



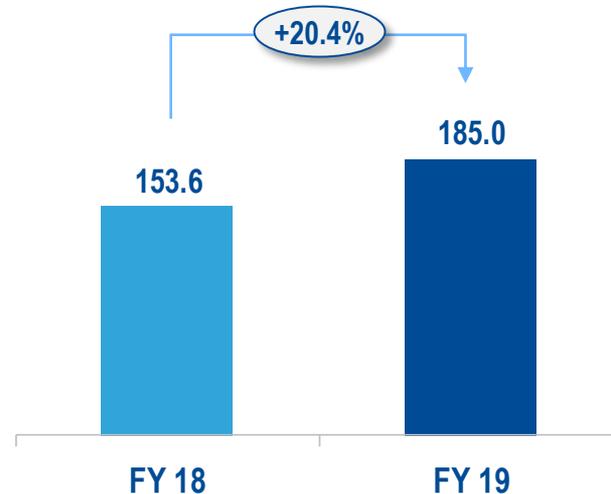
Quarterly evolution

€/m



Yearly evolution

€/m



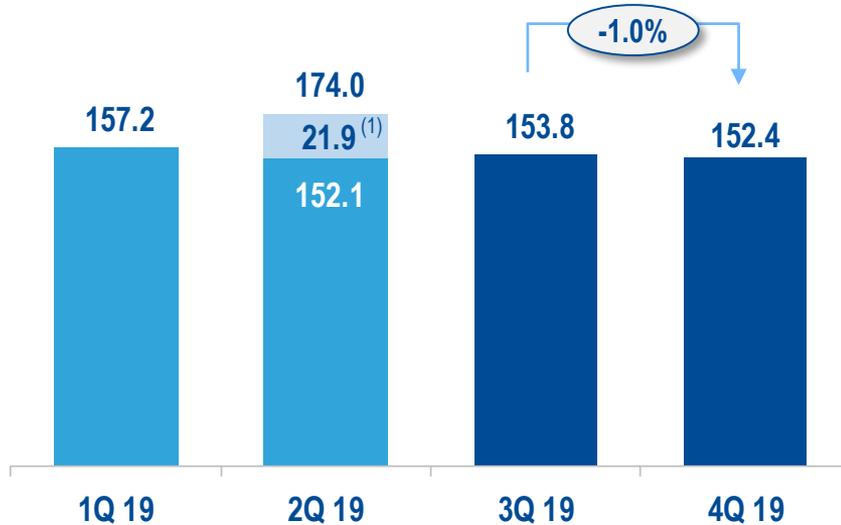
- Reported FY net operating income at €185m, +20.4% thanks to decreased operating costs

Operating income



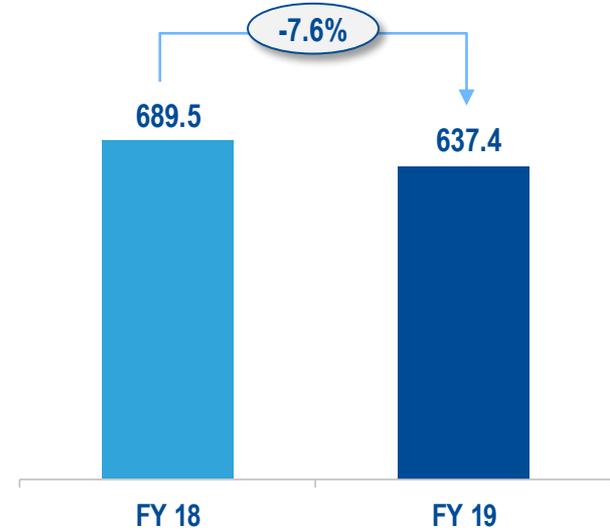
Quarterly evolution

€/m



Yearly evolution

€/m



- FY operating income at €637.4m mainly impacted by NII decrease
- Q4 at €152.4m, resilient q/q on core revenues

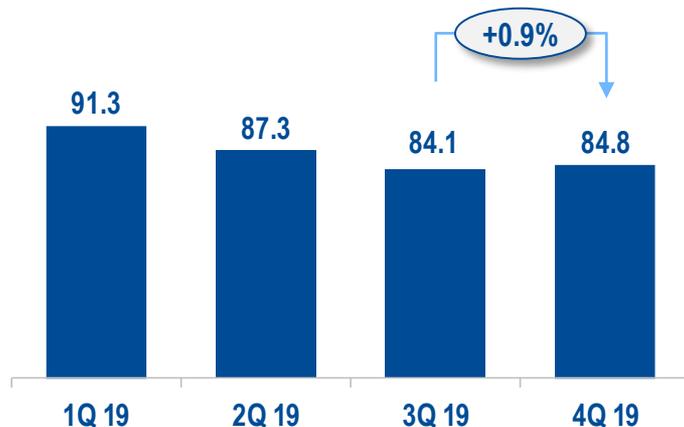
(1) Capital gain Nexi

Net Interest Income



Quarterly evolution

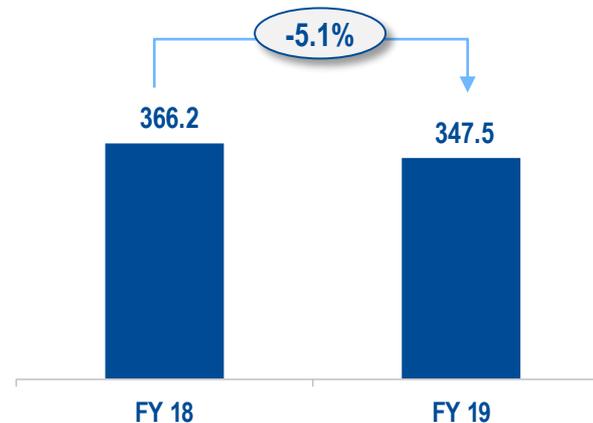
€/m



	1Q 19	2Q 19	3Q 19	4Q 19
Asset Yield	2.15%	2.20%	2.14%	2.13%
Liability Cost	0.35%	0.45%	0.48%	0.43%
Net Interest Spread	1.80%	1.75%	1.66%	1.70%

Yearly evolution

€/m



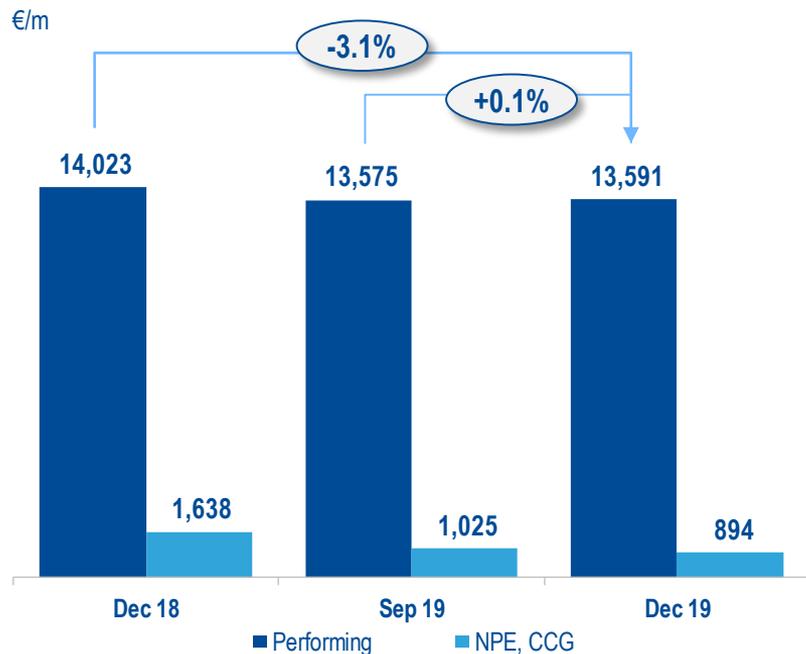
	FY 18	FY 19
Asset Yield	2.16%	2.14%
Liability Cost	0.30%	0.36%
Net Interest Spread	1.86%	1.78%

- FY NII of €347.5m, -5.1% y/y mainly impacted by interest rates and 1H 19 deposit campaign
- Q4 of €84.8m, +0.9% driven by improvement of the liabilities cost

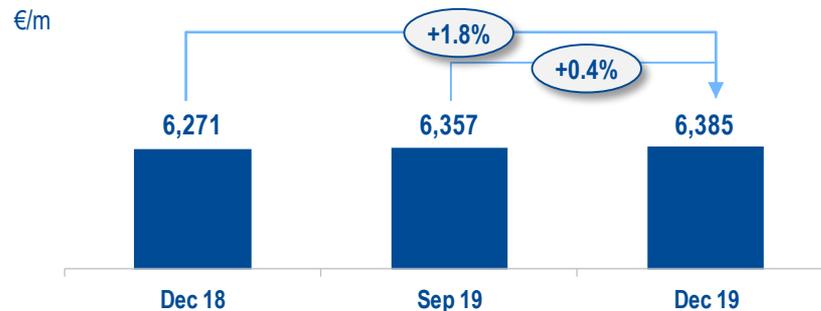
Net customer loans



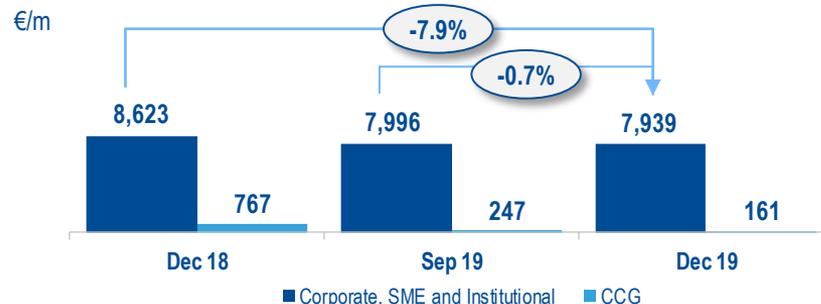
Net loans⁽¹⁾



Retail



Corporate



- Continued focus on retail loans +1.8% y/y and +0.4% q/q, in line with strategic guidelines
- Corporate loans -7.9% y/y, -0.7% q/q following strict risk adjusted pricing approach

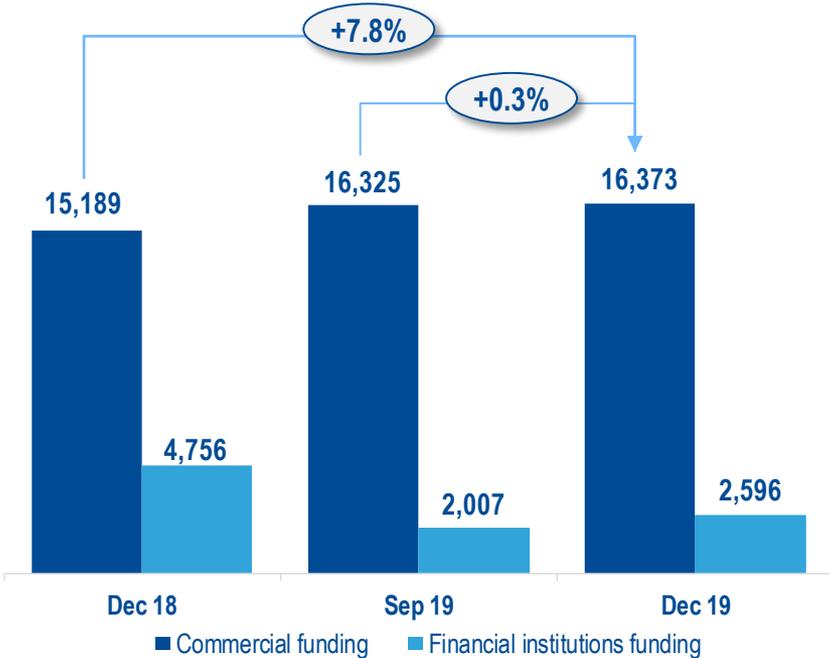
(1) Excluding securities (€5.8bn as at Dec.18; €5.1bn as at Jun.19; €5.1bn as at Sep.19; €5.0bn as at Dec. 19).

Funding composition



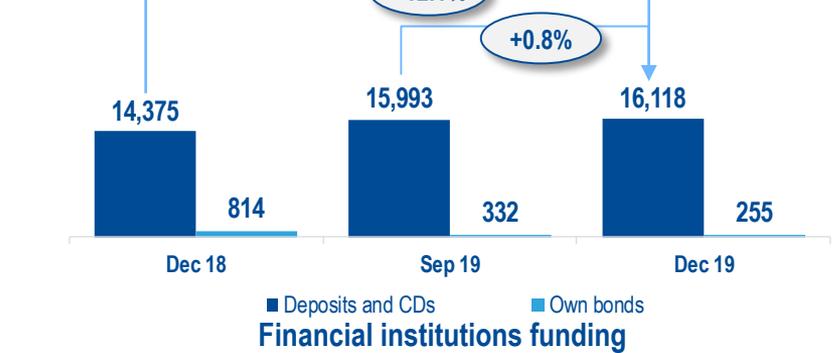
Direct funding

€/m



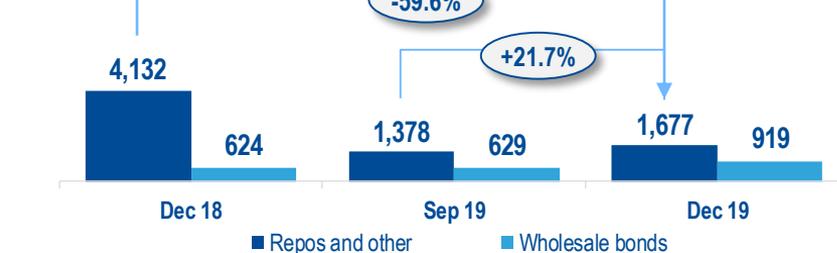
Commercial funding

€/m



Financial institutions funding

€/m



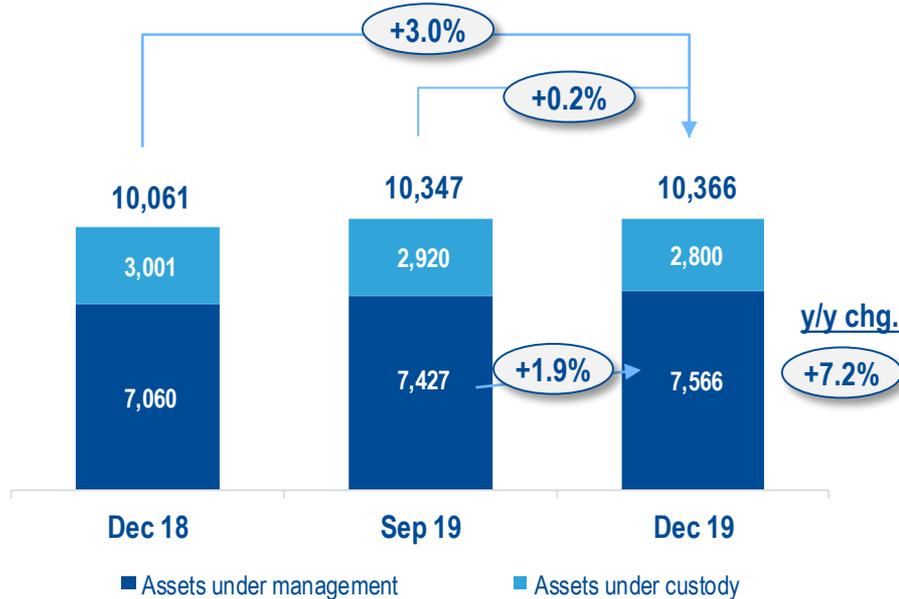
- Commercial funding up 7.8% y/y driven by deposits growth (+12.1%) also supported by Q4 dynamic
- Wholesale bonds increased in Q4 thanks to successful placement of €300m senior preferred bonds to financial institutions

Indirect funding

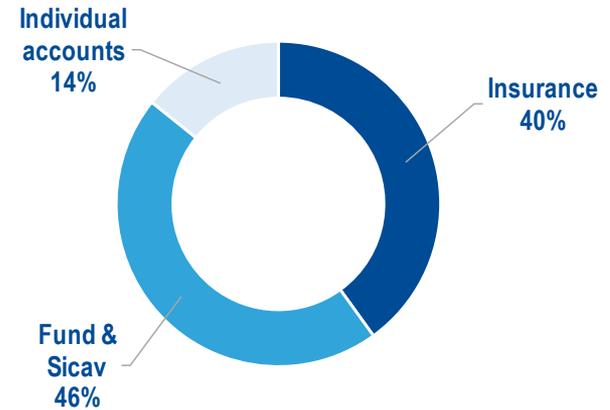


Indirect funding breakdown

€/m



AuM breakdown as at 31th December 2019



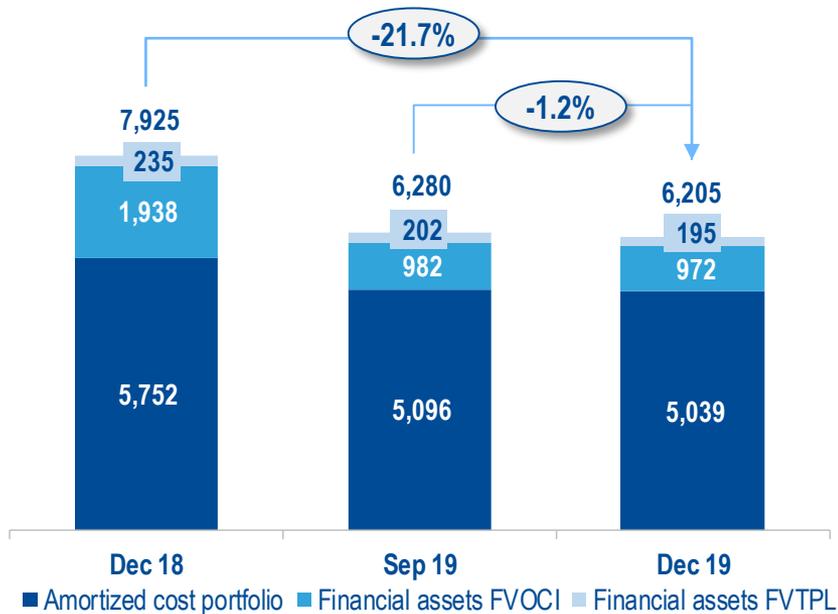
- Assets under management at €7,566m +1.9% q/q and +7.2% y/y, increasing it's share in indirect funding to 73%

Securities portfolio breakdown

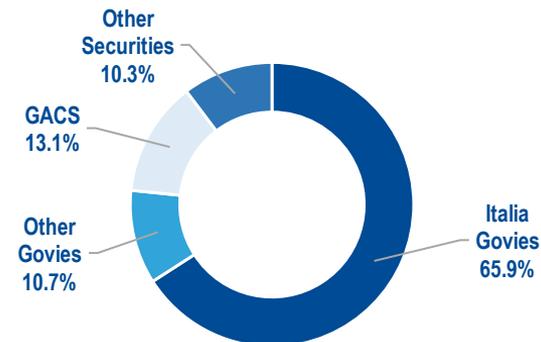


Securities portfolio

€/m



Portfolio breakdown as at 31st Dec. 2019



Evolution of Government portfolio

€/m

	Dec 18	Sep 19	Dec 19	QoQ	YoY
Govies ITA	5,295	4,126	4,090	-0.9%	-22.7%
Other govies	974	675	663	-1.8%	-31.9%
Total	6,269	4,801	4,754	-1.0%	-24.2%
FVOCI reserve	-20	+4	+2	-1	+23

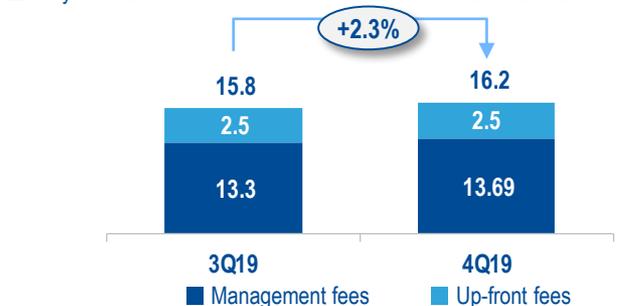
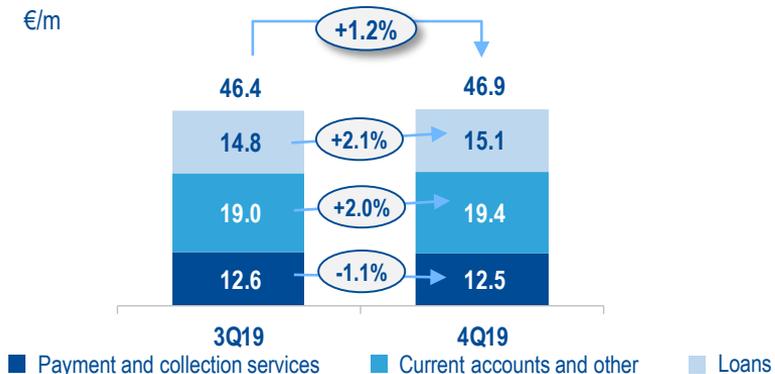
- Decrease in securities portfolio by 21.7% y/y, -1.2% q/q, in line with the reduction plan

Net fee and commission income



Quarterly evolution

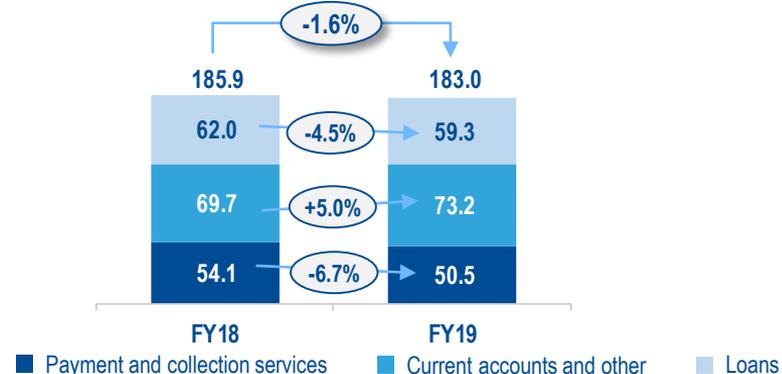
€/m



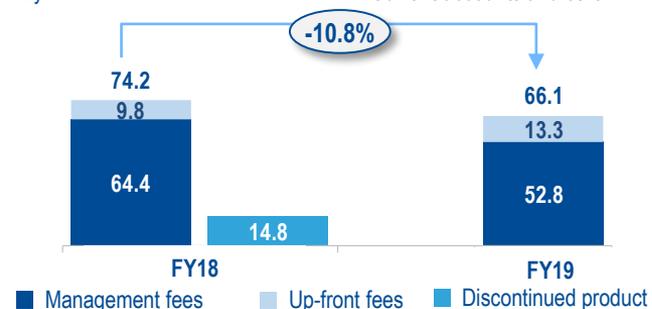
Banking fees

Yearly evolution

€/m



AuM fees

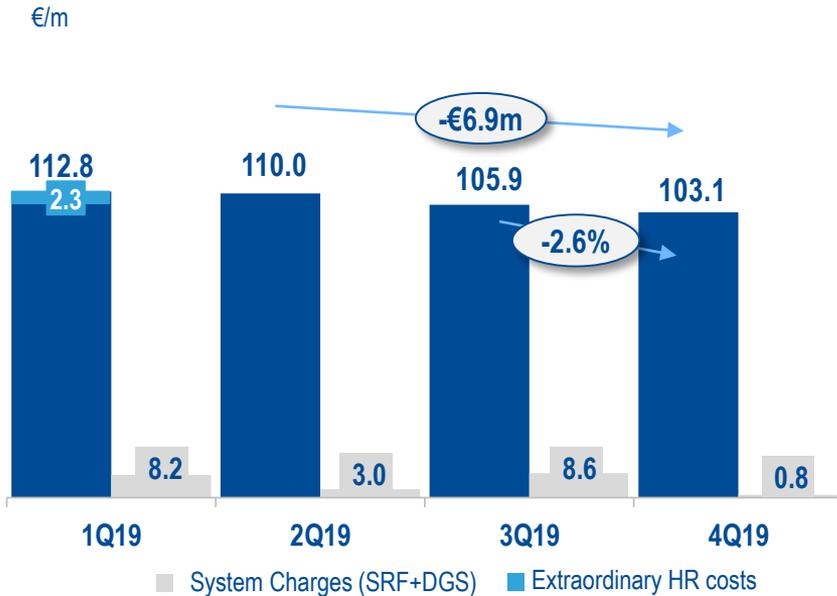


- Banking fees +1.2% q/q driven by both lending and current accounts fees
- AuM fees stable up 2.3% q/q, FY dynamic reflects the special campaign carried out last year

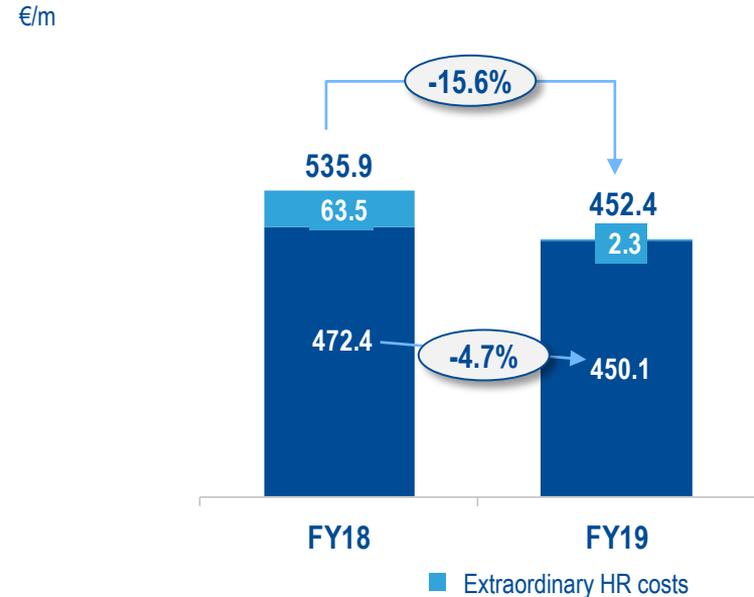
Total Operating costs



Quarterly trend



Yearly trend



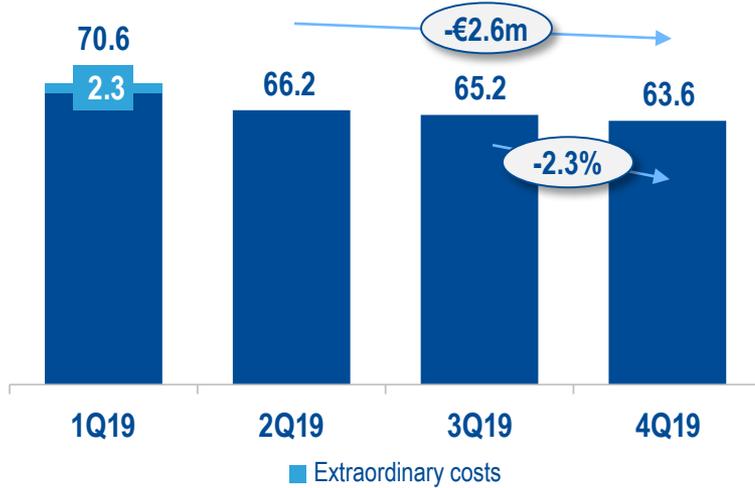
- FY costs at 452.4m, down 4.7% y/y on comparable basis thanks to the ongoing cost optimization process started after the Plan
- Q4 costs down 2.6% q/q excluding system charges

HR costs



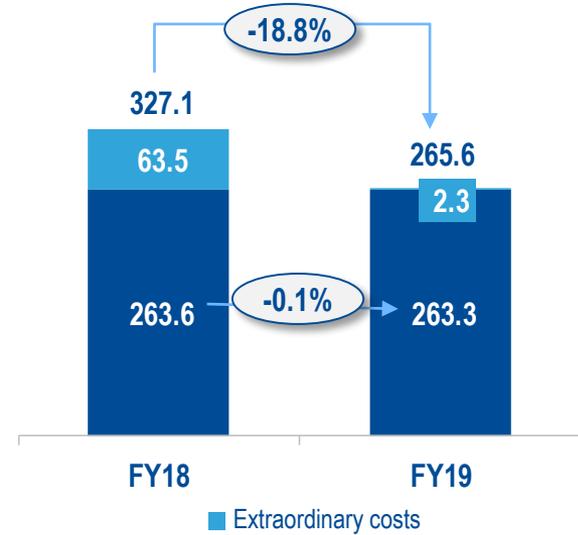
Quarterly trend

€/m



Yearly trend

€/m

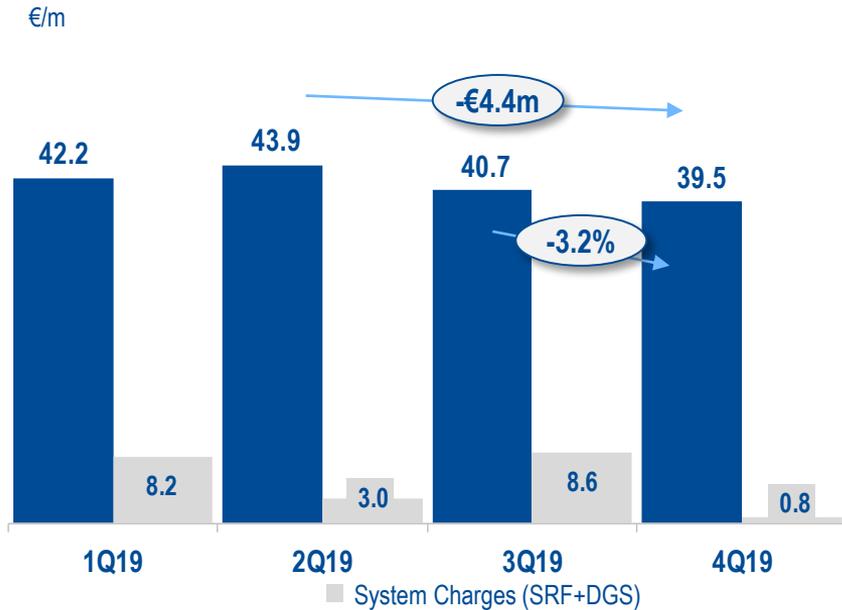


- FY costs at €265.6m, flat on comparable basis y/y and quarterly cost down by 2.3%

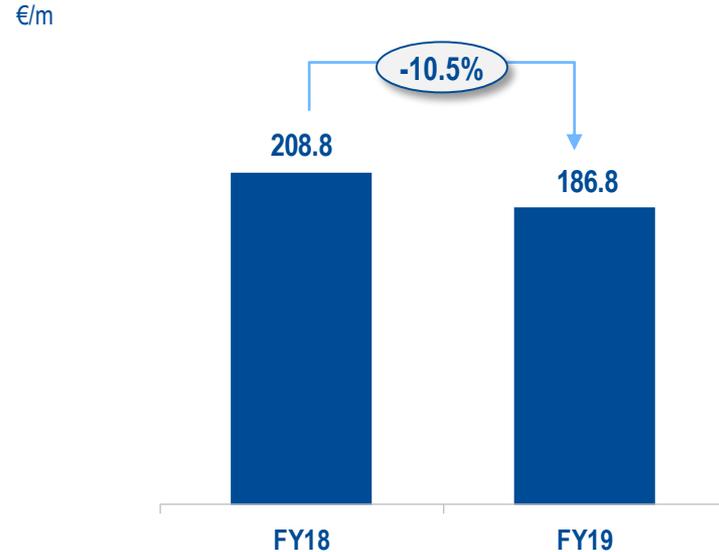
Non-HR costs



Quarterly trend



Yearly trend



- Double digit decrease y/y confirming bank's capabilities in cost management, key pillar of the Plan
- Q4 Non-HR costs at €39.5m, -3.2% q/q, keeping the pace

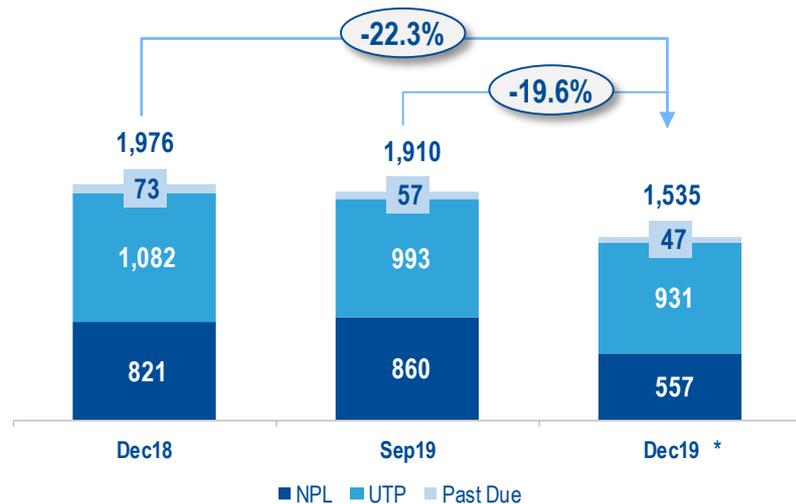
Note: Non-HR costs include the items: "Other Administrative Costs" and "Depreciations and Amortizations"

Asset quality (1/2)



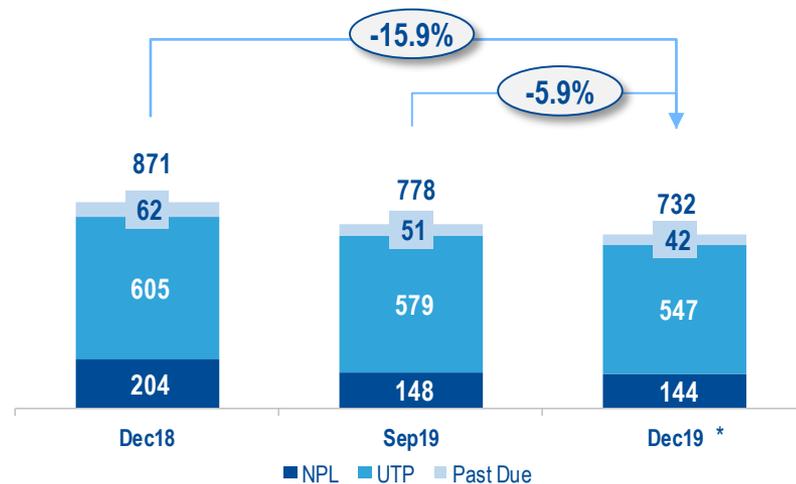
Gross NPE

€/m



Net NPE

€/m



Gross NPE ratio¹

11.0%

11.3%

9.4%

Net NPE ratio¹

5.2%

5.0%

4.7%

- Transaction of sale of 357m of bad, unsecured loans signed ahead of the Plan schedule without impact on P&L
- Double digit reduction of NPE resulted in further improvement of both gross NPE to 9.4% and net NPE to 4.7%

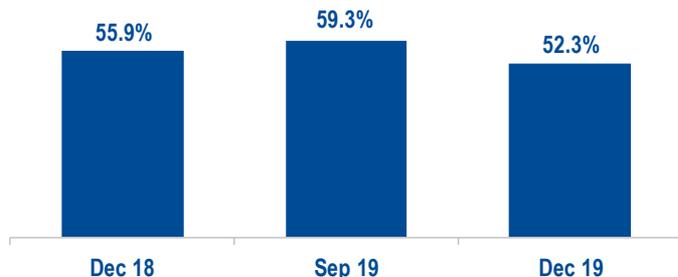
(1) Excluding Government bonds classified in the 'Amortized Cost' category

* The NPE portfolio to be sold has been classified in the items "Non-current assets held for sale and disposal groups".

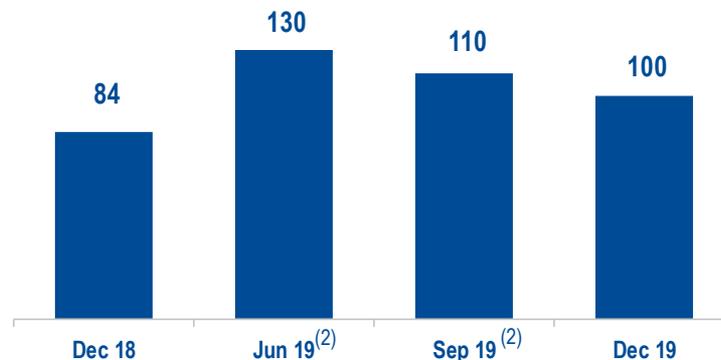
Asset quality (2/2)



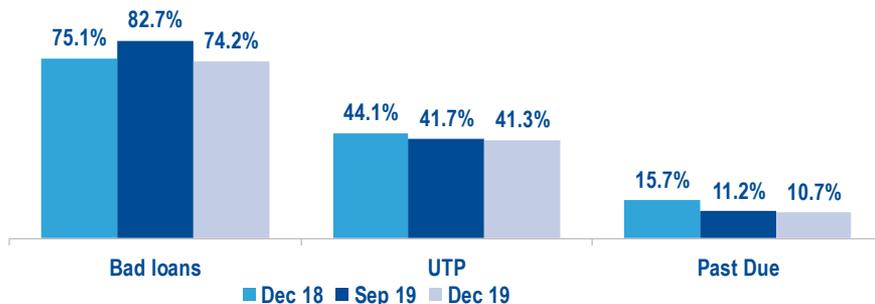
Total NPE coverage



Cost of risk (bps) ⁽¹⁾



NPE coverage breakdown



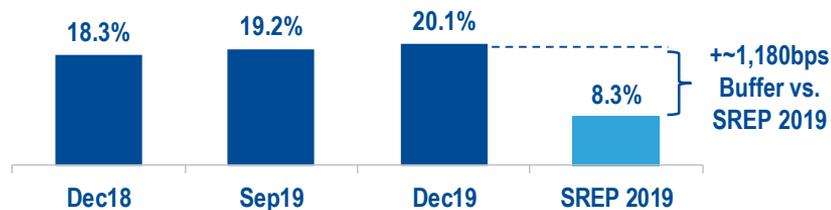
- Bad loans coverage at 74.2% already after the disposal. NPE coverage at 52.3% in line with the sector
- Further improvement of the cost of risk to 100bps

(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



CET1 ratio phased-in



CET1 ratio fully phased

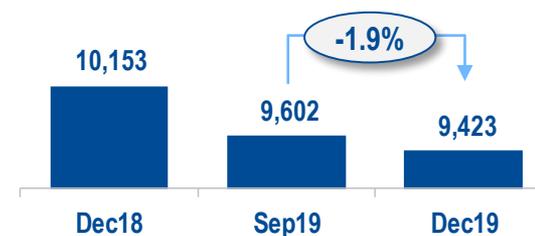


Regulatory capital ratios phased-in

	Dec-18	Dec-19	SREP
CET1 ratio (%)	18.3%	20.1%	8.25%
Tier 1 ratio (%)	18.3%	20.1%	9.75%
Total Capital ratio (%)	20.2%	22.1%	11.75%

RWA – phased-in

€/m



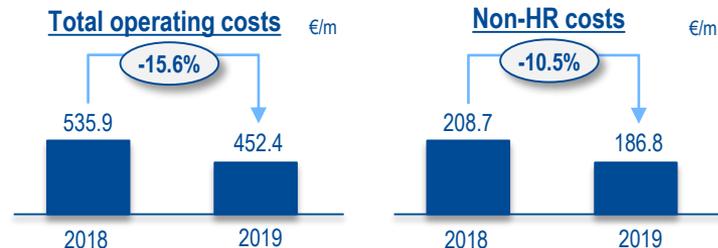
- Substantial strengthening of the CET1 FL by 200 bps y/y, further increasing the best-in-class buffer over SREP to 720 bps

2019 deliveries enabling...



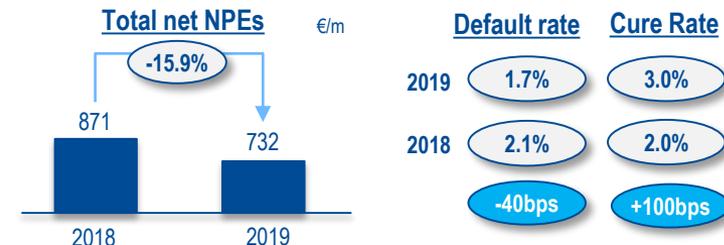
Costs

- Centralization of the cost management process
- New spending policy with zero based approach
- Analysis and renegotiation of key service contracts
- Critical analysis and simplification of selected processes



Risks

- Bad loans disposal
- Improvement in the NPE management process
- Reshape of credit underwriting
- Strengthening in the monitoring and early warning system



Commercial activity

- Improvement mortgage time-to-market
- Enrichment product offer with CPI
- Fast lending process on consumer loans
- Enhancement of private banking coverage
- Enrichment of product offer with new third parties AUM products



...2020 acceleration toward mid-term targets



- » Step up in retail lending improving assets mix to tackle margin pressure
- » Acceleration of AUM business, leveraging on 2019 deposits build-up, to support fees generation
- » Phase II of cost optimisation actions focused on already identified areas and space management
- » Further improvement of the credit standards, enhancement of early warning system, proactive management of selected UTP exposures and additional NPE disposals

2020 Outlook

NII



Fees



Cost



CoR





Creval

Annexes

Reclassified Balance Sheet - Assets



€/000

ASSETS	31/12/2019	31/12/2018	Change
Cash and cash equivalents	190,434	200,153	-4.9%
Financial assets at fair value through profit or loss	195,113	235,378	-17.1%
Financial assets at fair value through other comprehensive income	971,765	1,937,531	-49.9%
Loans and receivables with banks	1,835,844	1,205,925	52.2%
Loans and receivables with customers	19,523,742	21,413,093	-8.8%
Equity investments	19,074	20,269	-5.9%
Property, equipment and investment property and intangible assets (1)	595,775	447,642	33.1%
Non-current assets held for sale and disposal groups	93,196	75,548	23.4%
Other assets (2)	915,057	937,130	-2.4%
Total assets	24,340,000	26,472,669	-8.1%

(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	31/12/2019	31/12/2018	Change
Due to banks	2,896,993	4,096,231	-29.3%
Direct funding from customers (1)	18,968,871	19,944,672	-4.9%
Financial liabilities held for trading	26	64	-59.4%
Hedging derivatives	153,051	134,545	13.8%
Liabilities included in disposal groups classified as held for sale	3,581	2,271	57.7%
Other liabilities	438,267	491,739	-10.9%
Provisions for specific purpose (2)	222,919	236,885	-5.9%
Equity attributable to non-controlling interests	23	20	15.0%
Equity (3)	1,656,269	1,566,242	5.8%
Total liabilities and equity	24,340,000	26,472,669	-8.1%

(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	2019	2018	Change
Net interest income	347,463	366,199	-5.1%
Net fee and commission income	249,103	274,837	-9.4%
Dividends and similar income	1,231	30,806	-96.0%
Profit of equity-accounted investments	2,179	1,988	9.6%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases	27,962	8,126	n.s.
Other operating net income	9,481	7,572	25.2%
Operating income	637,419	689,528	-7.6%
Personnel expenses	(265,608)	(327,148)	-18.8%
Other administrative expenses	(141,903)	(182,907)	-22.4%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets	(44,908)	(25,868)	73.6%
Operating costs	(452,419)	(535,923)	-15.6%
Net operating profit	185,000	153,605	20.4%
Impairment or reversal of impairment and modification gains (losses)	(157,100)	(143,877)	9.2%
Profit (Losses) on derecognition of financial assets valued at the amortised cost	8,311	(107,278)	n.s.
Net accruals to provisions for risks and charges	(10,189)	(15,822)	-35.6%
Net gains (losses) on sales of invest. and valuation differences on property and equipment at FV	4,035	(1,293)	n.s.
Badwill	-	15,507	n.s.
Pre-tax loss from continuing operations	30,057	(99,158)	n.s.
Income taxes	26,181	134,105	-80.5%
Post-tax profit from continuing operations	56,238	34,947	60.9%
Profit for the period attributable to non-controlling interests	2	(3,225)	n.s.
Profit for the period	56,240	31,722	77.3%