



SPAFID CONNECT

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Informazione
Regolamentata

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Oggetto : Consolidated financial results as at 31
March 2020

Testo del comunicato

Vedi allegato.

APPROVED CONSOLIDATED RESULTS AS AT 31 MARCH 2020

NET INCOME OF 25.3 MILLION EURO, REPORTING A SHARP FROM 8.4 MILLION EURO IN Q1 2019

COMMERCIAL ACTIVITIES FOCUSING ON HOUSEHOLDS AND SMES CONTINUE TO BE STRENGTHENED, IN LINE WITH THE PLAN

TO THE QUARTERLY RESULT CONTRIBUTED ALSO THE CAPITAL GAIN ON THE SALE OF THE PAWN BUSINESS, PARTIALLY UTILISED FOR EXTRA RESERVES RELATED TO THE EVOLUTION OF THE MACRO ECONOMIC SCENARIO AMID THE COVID-19 OUTBREAK

OPERATING COSTS DECLINING ALMOST 10% YEAR ON YEAR THANKS TO THE CONTINUING COST BASE RATIONALIZATION PROCESS:

- Total operating costs: -9.6% y/y and -1.2% q/q
- Personnel expenses: -10.1% y/y and -0.2% q/q
- Other administrative expenses: -11.8% y/y and -1.1% q/q

STRONG DELEVERAGING OF GROSS NPL STOCK (-30% Y/Y AND -10.7% Q/Q) DRIVEN BY THE SALE IN MARCH OF A SECOND BAD LOAN PORTFOLIO WITH A GBV OF 177 MILLION EURO:

- Bad loans stock reduced by more than 50% since the Plan was announced

GROSS NPE RATIO DOWN BY ALMOST 300 BP TO 8.6% COMPARED TO 11.4% AT 31/03/2019 AND 9.4% AT YEAR-END 2019

NPL COVERAGE KEPT AT HIGH LEVELS EVEN AFTER THE ABOVE-MENTIONED DISPOSALS:

- Bad loans coverage: 70%
- UTP coverage: 46%

Total NPE coverage: 49% (bad loans accounting for 30% non-performing loans)

TOTAL COST OF CREDIT AT 77BPS, INCLUDING 22 BPS RELATED TO COVID-19

SOLID CAPITAL POSITION, STRENGTHENED FURTHER IN THE QUARTER:

- Fully loaded CET 1 at 15.7%, up compared to 31 December 2019 (15.5%)
- Ample capital buffer (above 700bps) over the SREP minimum requirement (8.55%)

STRONG LIQUIDITY POSITION

- LCR and NSFR well above 150 and 100%, respectively
- 3.7¹ billion euro of eligible unencumbered assets

¹ Data at 30 April 2020

THE SOLID CAPITAL POSITION, THE MARKED RISK PROFILE IMPROVEMENT AND THE ATTAINED OPERATIONAL AGILITY ALLOW THE BANK TO BE WELL POSITIONED TO FACE THE CHALLENGES OF THE NEW SCENARIO

Sondrio, 7 May 2020 – Late last evening, the Board of Directors of Creval examined and approved the consolidated results as at 31 March 2020, reporting a net income of 25.3 million euro, reporting a sharp increase compared to a net income of 8.4 million euro in Q1 2019.

*"In this historical moment we are confronted with the great challenge posed by the COVID-19 outbreak and the banking sector, in particular, has a major role to play to support households and businesses, as it did during the emergency phase and shall now keep on doing during the reopening stage. Creval is doing its part with the highest commitment, complementing the sector-wide measures with additional initiatives to support the economy of its business territories. My heartfelt thanks go to all colleagues who with their dedication have guaranteed the business continuity of our branches even in times of critical emergency", stated **Luigi Lovaglio, Creval's CEO**. "The change process launched last year with the Business Plan made the Bank more flexible and agile, poised to respond quickly even amid such a challenging scenario as the current one. Q1 figures, the excellent capital level and the strong liquidity will allow us to operate safely also in such environment. Our goal to achieve a sustainable value creation on the long term has not changed, just as our unswerving focus on efficiency and credit quality control".*

Measures adopted to contain the spread of Covid-19

The Covid-19 (coronavirus) emergency, which started to spread rapidly across the globe in early 2020, is still causing severe consequences also at economic and social level.

Italy was one of the first European countries to be hit by the pandemic and to implement immediately increasingly strict measures to contain the outbreak until it locked down the entire country.

Right from day one of the emergency, Creval implemented stringent prevention measures, adopting all the safety protocols set out in the various decrees and any other appropriate additional precautionary measure to protect the health of its Employees and Customers, while guaranteeing the Bank's smooth business continuity. Network operations across the territory have been modified, with branches opening on alternate days and tellers working on a rotation. Moreover, to limit mobility across the territory as much as possible while safeguarding the correct business continuity, remote-working has been encouraged, and is currently being used by 90% of head office staff and 65% of branch employees when branches are close. Also, additional remote access modes for Customers have been set up, accelerating the introduction of new on-line functions, such as opening checking accounts, applying for a personal loan and remote document exchanges.

During this particularly challenging period, the Bank has put in place targeted initiatives to support our customers in addition to those rolled out at banking industry level. More specifically,

households have been given the possibility of applying for the suspension of principal payments for a maximum of 12 months on mortgage loans and medium/long term installment/unsecured loans. Similarly, businesses may obtain the same principal suspension – up to a maximum of 12 months – for secured and unsecured loans with a term to maturity of more than 18 months and up to maximum 6 months for unsecured loans with a term to maturity of less than 18 months, as well as the extension of the maturity period – up to maximum 120 days – for agricultural bills of exchange.

Key balance sheet items

Total **direct funding** came to 18.6 billion euro compared to 19.6 billion euro at 31 March 2019 and 19.0 billion euro at 31 December 2019. Within this line-item, retail funding added up to 11 billion euro, up by 9.8% year on year, and in line with year-end 2019. Corporate funding came to 4.3 billion euro, down both compared to the same period last year (5.2 billion euro) and to year-end 2019 (5.1 billion euro) as a result of the cut back on the more expensive corporate deposits. Wholesale and bond funding amounted to 3.2 billion euro, compared to 4.4 billion euro at 31 March 2019 and to 2.9 billion euro at year-end 2019.

Net loans and advances with customers, excluding debt securities (5.0 billion euro), stood at 14.2 billion euro, compared to 14.9 billion euro in the same period last year, and to 14.5 billion euro at year-end 2019. Specifically, loans to retail customers (households and SMEs) totaled 6.1 billion euro, up by 1.7% year on year, and in line with year-end 2019. Corporate loans came in at 7.3 billion euro, down by 6.2% on a yearly basis and by 2.8% compared to year-end 2019, mainly driven by the ongoing strategy aiming at reducing non-core exposures in keeping with the Plan guidelines.

Including debt securities (mainly Government bonds), total net loans and advances added up to 19.2 billion euro, down from 20.0 billion euro in the same period last year and from 19.5 billion euro at year-end 2019.

Net non-performing exposures totaled 694 million euro, down by 5.3% over 31 December 2019 (732.5 million euro), mainly as a result of the above-mentioned disposal.

Gross non-performing loans totaled 1,371 million euro, down by 10.7% from year-end 2019, mainly driven by the sale of a secured bad loan portfolio with a gross book value of 177 million euro finalized in March 2020. This disposal adds to the one completed last February, bringing the year-to-date disposed bad loan total to more than 500 million euro, with a greater than 50% stock reduction since the Plan was announced.

Net of government bonds (4.0 billion euro), the gross NPL to customer loans ratio stood at 8.6%, down from 9.4% at 31 December 2019. The net ratio came in at 4.6%, down from 4.7% at 31 December 2019.

In particular, **net bad loans** came to 127 million euro, down by 12.1% compared to 31 December 2019 (144 million euro), as a result of the sale finalized in March 2020; **net unlikely-to-pay loans** added up to 521 million euro, down by 4.6% compared to 31 December 2019 (547 million euro); **net past-due exposures** amounted to 46 million euro from 42 million euro at 31 December 2019.

The **bad loans** coverage ratio stood at 70.3% (74.2% at 31 December 2019), still at a high level and at the sector's top end, in spite of the abovementioned secured bad loans disposal in the first quarter.

The **unlikely-to-pay coverage** came in at 41.6% (41.3% at 31 December 2019), and **past-due non-performing loans coverage** stood at 11.4% (10.7% at 31 December 2019).

As a result, the **NPL coverage ratio** came to 49.4% (52.3% at 31 December 2019), in line with the leading banks' average.

The performing loan coverage ratio (excluding government bonds) was 0.6%, in line with 31 December 2019.

Indirect funding ran at 9.6 billion euro, down by 2.3% compared to 31 December 2019 (10.4 billion euro) excluding the market effect, which in the quarter made a negative contribution of 533 million euro. Within this line-item, asset management inflows added up to 7.2 billion euro, compared to 7.6 billion euro at the end of 2019. Assets under administration came to 2.4 billion euro, compared to 2.8 billion euro at 31 December 2019.

Financial assets represented by securities stood at 6.1 billion euro, down by 1.5% compared to 31 December 2019. Breaking down this line-item, government bonds stood at 4.7 billion euro, in line with 31 December 2019. The reserve of Italian government bonds measured at FVTOCI (net of tax effect) is negative by 1.7 million euro compared to year-end 2019, when it was positive by 2 million euro.

The bank continues to enjoy a solid liquidity position, with 3.7 billion euro of eligible unencumbered assets and LCR and NSFR liquidity ratios well above 150% and 100%, respectively.

Shareholders' equity and capital ratios

The Group's **Shareholders' equity** at 31 March 2020 stood at 1,670 million euro from 1,656 million euro at 31 December 2019.

Under the phase-in regime, the CET1 at 31 March 2020 was 1,806 million euro, against 9,223 million euro of risk-weighted assets (RWA). Total own funds added up to 1,986 million euro.

The Bank's capital ratios report values that are well above the minimum SREP requirements:

- 19.6% CET1 *ratio* compared to a minimum SREP requirement of 8.55%
- 19.6% Tier 1 *ratio* compared to a minimum SREP requirement of 10.05%
- 21.5% *Total Capital ratio* compared to a minimum SREP requirement of 12.05%

The fully loaded CET1 ratio at 31 March 2020 stood at 15.7%, up compared to year-end 2019 data (15.5%).

Operating results

In Q1 2020, **net interest income** added up to 80.7 million euro. The quarterly performance has been affected by the lower contribution from non-performing loans following the above-mentioned bad loans disposals carried out at the beginning of the year and the missing contribution from the pledge loans business sold last January. Compared to the same period last year (91.3 million euro), net interest income declined by 11.6%. On a quarterly basis this line-item fell by 4.9%, also as a result of the increase in wholesale bond funding in Q4 2019 and the fewer working days.

In Q1 2020, **net fees and commissions** amounted to 58.3 million euro, compared to 61.7 million euro in the same period last year, and to 63.1 million euro in the previous quarter. More specifically, core banking fees added up to 42.3 million euro, down both compared to Q1 2019 and to the previous quarter, mainly because of operating activity which slowed down in March due to the lockdown measures adopted by the industry to contain the coronavirus outbreak. Asset management fees came to 15.9 million euro, compared to 17.0 million euro reported in the same period last year, and 16.2 million euro in the previous quarter.

Trading, hedging, and disposal/repurchase activities reported a net loss of 2.4 million euro, compared to a net income of 1.3 million euro in Q1 2019 (0.8 million euro in the previous quarter).

Operating income reached 143.3 million euro compared to 157.2 million euro reported in Q1 2019 (152.4 million euro in the previous quarter).

Personnel expenses added up 63.5 million euro, down by 10.1% compared to 70.6 million euro reported in Q1 2019, mainly driven by the headcount reduction, also as a result of the sale of the pawn business. Compared to the previous quarter (63.6 million euro), this line-item reports a slight dip (-0.2%) even after including the costs tied to the renewal of the national bargaining agreement.

Other administrative expenses added up to 27.6 million euro, down by 11.8% compared to Q1 2019 (31.2 million euro), as a result of the savings achieved through cost optimization and rationalization actions. Compared to the previous quarter (27.9 million euro), it declined by 1.1%.

Depreciations/amortization and net impairment losses on property, equipment and investment property and intangible assets amounted to 10.9 million euro, in line with Q1 2019. On a quarterly basis it fell by 6.9%.

Thus, total **operating costs** added up to 101,9 million euro, down by 9.6% year on year.

Net operating profit worked out to 41.3 million euro, compared to 44.4 million euro reported in the same period last year.

Systemic charges, which this quarter were represented by the contribution to the Single Resolution Fund, came to 9.8 million euro, on the rise compared to the contribution paid in the same period last year (8.2 million euro).

Impairment or reversal of impairment for credit risk and modification gain/losses stood at 29.6 million euro, compared to 27.3 million euro in Q1 2019 (27.9 million euro in the

previous quarter), and include an update of the macro-economic assumptions tied to the calculation of loan loss provisions under IFRS9.

Net accruals to provisions for risks and charges added up to 1.6 million euro, down from 4.9 million euro reported in the same period last year.

Net gains on sales of investments and valuation differences on property and equipment at fair value were 33.2 million euro, compared to 3.4 million euro reported in Q1 2019 (-1.2 million euro in the previous quarter). The increase was driven by the capital gain of roughly 33 million euro gross generated by the sale of the pledge loans business finalized last January.

Income from continuing operations before tax stood at 33.7 million euro, up from 12.2 million euro reported in the same period last year.

Income taxes for the period came in at 8.4 million euro.

Net income for the period stood at 25.3 million euro, up from a net income of 8.4 million euro reported in Q1 2019.

Operational outlook

The current health emergency caused by the coronavirus outbreak (Covid-19) that began in early 2020 represents the biggest economic shock since the Great Depression in the 1930s. The global and Eurozone growth outlook has been completely overturned compared to estimates at the end of 2019. Back then the IMF was expecting a global growth rate for 2020 of 3.3%, which in April was revised at -3%. The health crisis triggered more and more stringent restrictions culminating in the lockdown, in order to contain the infection risk as much as possible. These measures are having serious repercussions on production chains, on the demand for goods and services and international trade. To cope with the effects of the inevitable manufacturing and service sectors shutdowns, Governments have put in place initiatives aimed at supporting financing conditions for businesses and household income.

Throughout the world, central banks have taken strongly expansionary measures to contain the recessionary effects of the epidemic on economies. In particular, the ECB has implemented measures to support the liquidity of the banking system in order to facilitate the supply of credit to the economy and launched a powerful Quantitative Easing program, in addition to a relaxation of the prudential rules announced by the SSM.

As to our domestic situation, Italy was the first European country to be affected by the pandemic. The health emergency called for the adoption of unprecedented preventive measures based on social distancing first, followed shortly after by a full lockdown. These measures are having their effect on the spread of the epidemic, but at a very high economic cost. In some sectors - tourism and hotels along with transport - business activities have ground almost to a halt. Retail trade and logistics have also been heavily penalized, yet some have been able to take advantage of new opportunities offered by technology to facilitate trade with consumers. It should be noted that production chains and international trade, from raw materials to durable goods, have been frozen for more than 2 months. It has become an imperative for the Italian government, as well as for European and global governments, to limit the economic impacts through a set of measures aimed at providing substantial resources to support the financing of businesses,

families, the health system and at protecting the production system. The commitment of all European countries is leading to the implementation of extraordinary measures, for an additional Community response, which are taking the form of social security measures and the granting of credit lines and guarantees. However, the impact of the health crisis on the economy is still greater than the implemented and planned containment measures. The Italian government, in anticipation of the DEF (Economic and Financial Document) approved on 24 April, revised its GDP forecast for the current year, estimating a contraction of 8%, while for 2021 the estimate points at a 4.7% recovery.

Against this backdrop, the Bank will continue to implement the actions set out in the 2019-2023 Business Plan, and will adopt all the necessary measures and controls to minimize the impacts of the coronavirus emergency on management, from both an operational and a profitability point of view.

Our commercial activity will continue to focus on our retail customers, represented by households and SMEs, to which the Bank will not fail to provide its support. The evolution of lending will be influenced by the prospects of a deteriorating macro scenario and by the measures to support the economy approved by the Government, in addition to the moratorium offered by the Bank.

Profitability from operating activities will be affected by the expected deterioration of the domestic economic environment and will be mainly supported by measures aimed at further containing operating expenses, thanks to the ongoing efforts to increase efficiency and rationalize the cost base.

Particular attention will continue to be paid to credit quality. The impaired loan stock, although affected by the evolution of the macro scenario, will benefit from the strengthened work-out activities and from the disposal of non-performing loans carried out since the beginning of the year for a gross book value in excess of 530 million euro.

Please find below the key financial highlights, the alternative performance indicators, together with the reclassified consolidated Statement of Financial Position and Income statement and the official consolidated Statement of Financial Position and Income statement.

Statement of the financial reporting officer

The financial reporting officer, Mrs. Simona Orietti, in compliance with paragraph 2 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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CONSOLIDATED FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE INDICATORS

STATEMENT OF FINANCIAL POSITION DATA	31/03/2020	31/12/2019	Change
(in thousands of EUR)			
Loans and receivables with customers	19,157,769	19,523,742	-1.87%
Financial assets and liabilities measured at fair value	972,002	1,013,801	-4.12%
Total assets	24,089,050	24,340,000	-1.03%
Direct funding from customers	18,579,780	18,968,871	-2.05%
Indirect funding from customers	9,594,502	10,365,993	-7.44%
of which:			
- Managed funds	7,157,363	7,565,554	-5.40%
Total funding	28,174,282	29,334,864	-3.96%
Equity	1,669,652	1,656,269	0.81%

SOLVENCY RATIOS	31/03/2020 (*)	31/12/2019
Common Equity Tier 1 capital / Risk-weighted assets (CET1 capital ratio)	19.6%	20.1%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	19.6%	20.1%
Total own funds / Risk-weighted assets (Total capital ratio)	21.5%	22.1%

(*) Figures calculated provisionally pending the submission to the Supervisory Authority

FINANCIAL STATEMENT RATIOS	31/03/2020	31/12/2019
Indirect funding from customers / Total funding	34.1%	35.3%
Managed funds / Indirect funding from customers	74.6%	73.0%
Direct funding from customers / Total liabilities and equity	77.1%	77.9%
Customer loans*/ Direct funding from customers	81.3%	81.6%
Customer loans*/ Total assets	62.7%	63.6%

* Include item "40. Financial assets at amortised cost: b) loans and receivables with customers" excluding Government bonds for a net amount of EUR 4,044,591 thousand

CREDIT RISK	31/03/2020	31/12/2019	Change
Net bad loans (in thousands of EUR)	126,551	143,992	-12.11%
Other net doubtful loans (in thousands of EUR)	566,950	588,458	-3.65%
Net non-performing loans (in thousands of EUR)	693,501	732,450	-5.32%
Net bad loans / Customer loans*	0.8%	0.9%	
Other net doubtful loans / Customer loans*	3.8%	3.8%	
Net non-performing loans / Customer loans*	4.6%	4.7%	

* Include item "40. Financial assets at amortised cost: b) loans and receivables with customers" excluding Government bonds for a net amount of EUR 4,044,591 thousand

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

(in thousands of EUR)

CREDIT QUALITY	31/03/2020				31/12/2019			
	Gross amount	Impairment losses	Carrying amount	% coverage	Gross amount	Impairment losses	Carrying amount	% coverage
Non-performing loans								
Bad loans	425,940	-299,389	126,551	70.3%	557,165	-413,173	143,992	74.2%
Unlikely to pay	893,226	-371,956	521,270	41.6%	930,651	-384,023	546,628	41.3%
Past due non-performing loans	51,533	-5,853	45,680	11.4%	46,839	-5,009	41,830	10.7%
Total non-performing loans	1,370,699	-677,198	693,501	49.4%	1,534,655	-802,205	732,450	52.3%
Performing loans excluding Government bonds	14,508,090	-88,413	14,419,677	0.61%	14,833,449	-82,488	14,750,961	0.56%

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

Government bond/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	98	703,689	3,384,023	4,087,810	-1,656
Spain	-	-	584,413	584,413	-
Portugal	-	-	39,259	39,259	-
Other	5	-	36,896	36,901	-
Total	103	703,689	4,044,591	4,748,383	-1,656

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

ORGANISATIONAL DATA	31/03/2020	31/12/2019	Change
Number of employees	3,570	3,634	-1.76%
Number of branches	355	362	-1.93%

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	31/03/2020	31/12/2019	Change
Cash and cash equivalents	157,836	190,434	-17.12%
Financial assets at fair value through profit or loss	190,219	195,113	-2.51%
Financial assets at fair value through other comprehensive income	945,454	971,765	-2.71%
Loans and receivables with banks	2,079,622	1,835,844	13.28%
Loans and receivables with customers	19,157,769	19,523,742	-1.87%
Equity investments	18,869	19,074	-1.07%
Property, equipment and investment property and intangible assets (1)	591,473	595,775	-0.72%
Non-current assets held for sale and disposal groups	5,597	93,196	-93.99%
Other assets (2)	942,211	915,057	2.97%
Total assets	24,089,050	24,340,000	-1.03%

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

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

(in thousands of EUR)

LIABILITIES AND EQUITY	31/03/2020	31/12/2019	Change
Due to banks	2,903,605	2,896,993	0.23%
Direct funding from customers (1)	18,579,780	18,968,871	-2.05%
Financial liabilities held for trading	93	26	n.s.
Hedging derivatives	163,578	153,051	6.88%
Liabilities included in disposal groups classified as held for sale	-	3,581	n.s.
Other liabilities	554,325	438,267	26.48%
Provisions for specific purpose (2)	217,994	222,919	-2.21%
Equity attributable to non-controlling interests	23	23	-
Equity (3)	1,669,652	1,656,269	0.81%
Total liabilities and equity	24,089,050	24,340,000	-1.03%

(1) Includes items "10. Financial liabilities 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. Share capital", "180. Treasury shares" and "200. Profit for the period"

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of EUR)

ITEMS	Q1 2020	Q1 2019	Change
Net interest income	80,678	91,273	-11.61%
Net fee and commission income	58,283	61,665	-5.48%
Dividends and similar income	758	633	19.75%
Profit of equity-accounted investments (1)	798	320	149.38%
Net trading, hedging income (expense) and profit on sale/repurchase (2)	(2,431)	1,327	n.s.
Other operating net income (3)	5,180	1,973	162.54%
Operating income	143,266	157,191	-8.86%
Personnel expenses	(63,514)	(70,622)	-10.06%
Other administrative expenses (4)	(27,559)	(31,236)	-11.77%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets (5)	(10,852)	(10,899)	-0.43%
Operating costs	(101,925)	(112,757)	-9.61%
Net operating profit	41,341	44,434	-6.96%
Impairment or reversal of impairment and modification gains (losses) (6)	(29,551)	(27,303)	8.23%
Profit on derecognition of financial assets valued at the amortised cost (7)	184	4,840	-96.20%
Net accruals to provisions for risks and charges	(1,640)	(4,937)	-66.78%
Net gains on sales of investments and valuation differences on property and equipment at fair value (8)	33,190	3,384	n.s.
Banking system charges	(9,794)	(8,220)	19.15%
Pre-tax profit from continuing operations	33,730	12,198	176.52%
Income taxes	(8,398)	(3,813)	120.25%
Post-tax profit from continuing operations	25,332	8,385	n.s.
Profit for the period	25,332	8,385	n.s.

(1) Net gains on equity-accounted investments include net gains (losses) on equity-accounted investments included in item "250. Net gains on equity investments"; the residual amount of that item is included in gains on sales of investments

(2) Includes item "80. Profit (Losses) on trading", "90. Net hedging income (expense)", "100. Profit (loss) 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 measured at fair value; b) other financial assets mandatorily measured at fair value through profit or loss"

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

(4) Other administrative expenses, net of charges relating to the banking system, include recoveries of taxes and other recoveries recognised in item "230. Other operating net income" (EUR 9,573 thousand in the Q1 2020 and EUR 9,200 thousand in the Q1 2019)

(5) The net impairment losses on property and equipment 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 219 thousand in the Q1 2020 and EUR 219 thousand in the Q1 2019)

(6) Include items "130. Net impairment losses for credit risk on: 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) Include item "100. Profit (loss) on sale or repurchase of: a) financial assets at the amortised cost"

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

NOTES

The statement of financial position as of 31 March 2020, shows the standing of Credito Valtellinese and the companies directly and indirectly controlled by it, or the companies in which Credito Valtellinese directly holds the majority of shares or a shareholding less than the absolute majority that in any event allows it to manage the important assets of the company in which it holds shares.

The Group accounting policies used for preparing the information provided, with reference to the registration, valuation and deletion criteria for each asset and liability item, as with the recognition methods for revenue and costs, remained the same as those used for the financial statements at 31 December 2019, except for the accounting policies linked to the introduction of the new international accounting principle in effect as of 1 January 2020.

In preparing the results, estimates and assumptions were used that may affect the carrying amounts recorded in the Statement of financial position and the Income Statement. In order to formulate reasonable estimates and assumptions for the recording of business transactions, subjective evaluations are made also based on historical experience, which use all available information. By their nature, estimates and assumptions used can vary over the years and it cannot therefore be ruled out that in subsequent years the values recorded may vary following the change in the valuations used.

The statement of financial position was not submitted for audit by an independent auditor.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	31/03/2020	31/12/2019
10. Cash and cash equivalents	157,836	190,434
20. Financial assets at fair value through profit or loss	190,219	195,113
a) financial assets held for trading	1,491	2,221
c) other financial assets mandatorily measured at fair value	188,728	192,892
30. Financial assets at fair value through other comprehensive income	945,454	971,765
40. Financial assets at amortised cost	21,237,391	21,359,586
a) loans and receivables with banks	2,079,622	1,835,844
b) loans and receivables with customers	19,157,769	19,523,742
70. Equity investments	18,869	19,074
90. Property, equipment and investment property	571,089	576,072
100. Intangible assets	20,384	19,703
110. Tax assets	761,547	764,493
a) current	68,147	67,993
b) deferred	693,400	696,500
120. Non-current assets held for sale and disposal groups	5,597	93,196
130. Other assets	180,664	150,564
Total assets	24,089,050	24,340,000

(in thousands of EUR)

LIABILITIES AND EQUITY	31/03/2020	31/12/2019
10. Financial liabilities at amortised cost	21,483,385	21,865,864
a) due to banks	2,903,605	2,896,993
b) due to customers	17,412,653	17,706,908
c) securities issued	1,167,127	1,261,963
20. Financial liabilities held for trading	93	26
40. Hedging derivatives	163,578	153,051
60. Tax liabilities	9,301	9,920
a) current	6,773	6,773
b) deferred	2,528	3,147
70. Liabilities included in disposal groups classified as held for sale	-	3,581
80. Other liabilities	554,325	438,267
90. Post-employment benefits	37,094	36,836
100. Provisions for risks and charges:	171,599	176,163
a) commitments and guarantees given	13,367	14,101
b) pension and similar obligations	35,759	36,064
c) other provisions for risks and charges	122,473	125,998
120. Valuation reserves	-17,590	-5,621
150. Reserves	-893,440	-949,700
160. Share premium reserve	638,667	638,667
170. Share capital	1,916,783	1,916,783
180. Treasury shares (-)	-100	-100
190. Equity attributable to non-controlling interests (+/-)	23	23
200. Profit for the period	25,332	56,240
Total liabilities and equity	24,089,050	24,340,000

CONSOLIDATED INCOME STATEMENT

(in thousands of EUR)

ITEMS	Q1 2020	Q1 2019
10. Interest and similar income	104,047	112,736
20. Interest and similar expense	(23,369)	(21,463)
30. Net interest income	80,678	91,273
40. Fee and commission income	65,763	68,992
50. Fee and commission expense	(7,480)	(7,327)
60. Net fee and commission income	58,283	61,665
70. Dividends and similar income	758	633
80. Profits on trading	372	2,042
90. Net hedging income (expense)	(35)	8
100. Profit on sale or repurchase of:	184	5,464
a) financial assets at amortised cost	184	4,840
b) financial assets at fair value through other comprehensive income	-	624
110. Losses on other assets and liabilities at fair value through profit or loss	(2,768)	(1,347)
b) other financial assets mandatorily measured at fair value	(2,768)	(1,347)
120. Total income	137,472	159,738
130. Net impairment losses for credit risk on:	(29,276)	(27,490)
a) financial assets at amortised cost	(29,201)	(27,417)
b) financial assets at fair value through other comprehensive income	(75)	(73)
140. Gains/losses from amendments to contracts without derecognition	(275)	187
150. Net financial income	107,921	132,435
190. Administrative expenses:	(110,440)	(119,278)
a) personnel expenses	(63,514)	(70,622)
b) other administrative expenses	(46,926)	(48,656)
200. Net accruals to provisions for risks and charges	(1,640)	(4,937)
a) commitments and guarantees given	734	(1,220)
b) other net accruals	(2,374)	(3,717)
210. Depreciation and net impairment losses on property, equipment and investment property	(8,679)	(9,010)
220. Amortisation and net impairment losses on intangible assets	(1,954)	(1,670)
230. Other operating net income	14,534	10,881
240. Operating costs	(108,179)	(124,014)
250. Net gains on equity investments	798	320
280. Net gains on sales of investments	33,190	3,457
290. Pre-tax profit from continuing operations	33,730	12,198
300. Income taxes	(8,398)	(3,813)
330. Profit for the period	25,332	8,385
350. Profit for the period attributable to owners of the parent	25,332	8,385

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