



Creval

Strong capital and focus on execution to face challenging time

1Q 2020 Financial Results

Milan, 7th May 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.



Employees

- Implementation of stringent preventive measures and safety protocols from day one
- Facilitating smart office, reaching almost 1.5 thousand people working remotely (90% headquarter and 65% in the network)
- Employees in the branches work each second day, rotation in large branches

Clients

- Full access to the services ensured thanks also to increased utilization of remote channels
- Proactive communications with clients and assistance remotely
- Strengthening of offer available on-line:
 - Current account opening fully on-line
 - On-line consumer loan

Government support

€750bn liquidity injection to economy:

- Moratorium and guarantee for loans repayment for SMEs till 30.09.2020, up to €220bn
- Guarantees up to €520bn, equal to 45% loans to the private sector (80% of corporate loans)
- €10bn DTA conversion

Focus on protecting health of Employees and Customers while ensuring the business continuity

1Q 2020 Financial Highlights

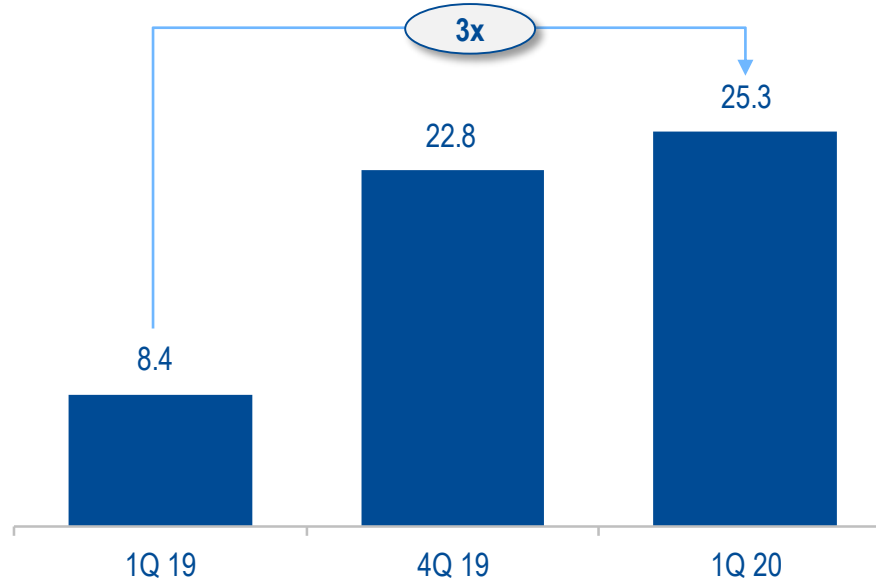


- 1Q 20 net profit of €25m compared to €8m in 1Q 19, after setting reserves to reflect challenging outlook
- Continuation of cost reduction, -1.2% q/q, allowing for -9.6% drop y/y, offsetting partially lock-down impact on revenues
- Further successful disposal of €177m GBV bad loans was finalised in March 2020:
 - Total NPL disposals in 2020 equal to €534m, stock -50% since the announcement of the Plan
 - Gross NPE ratio at 8.6%, -280 bps from 11.4% at 31/03/19 and -80 bps from 9.4% at 31/12/19
- Cost of Risk at 77bps including 22bps for Covid-19 scenario
- Solid capital position strengthen further with CET 1 FL at 15.7%, + 20 bps q/q, +715 bps over the SREP target 8.55%
- Strong liquidity position with LCR and NSFR well above 150% and 100% respectively

Net profit



€/m

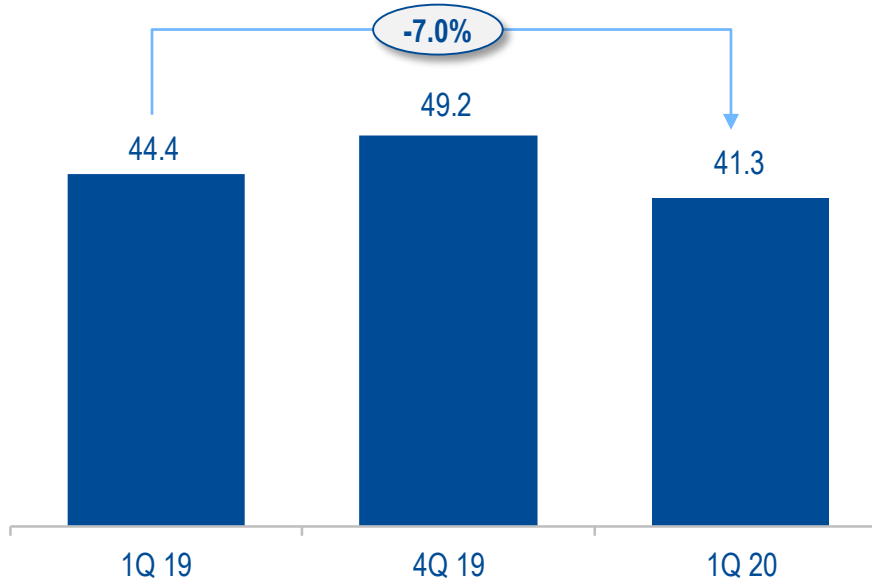


- Net profit at €25.3m, + 11% q/q despite higher system charges and some impact of Covid19, supported by gains on non-core assets disposal

Net operating income



€/m

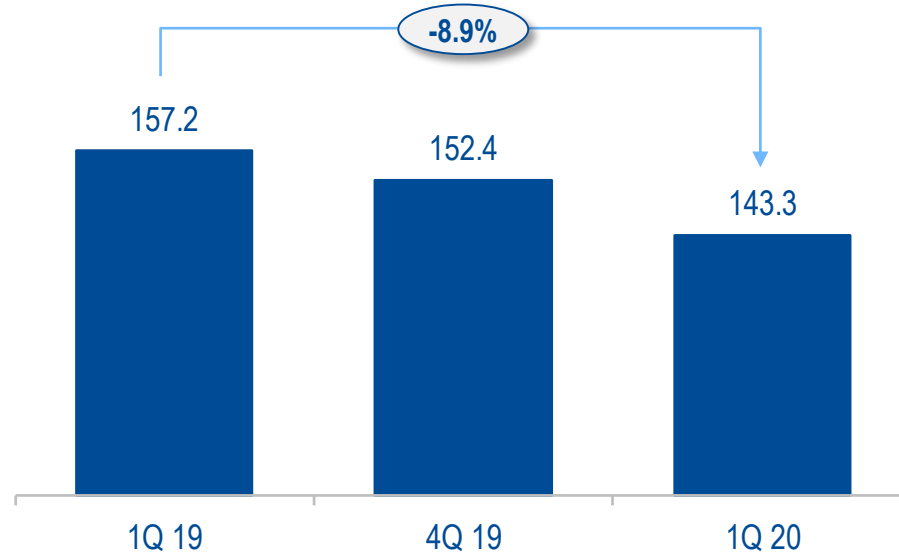


- Net operating income showing some resilience at €41.3m, with cost management reducing impact of non-core assets disposals and economy lockdown

Operating income



€/m

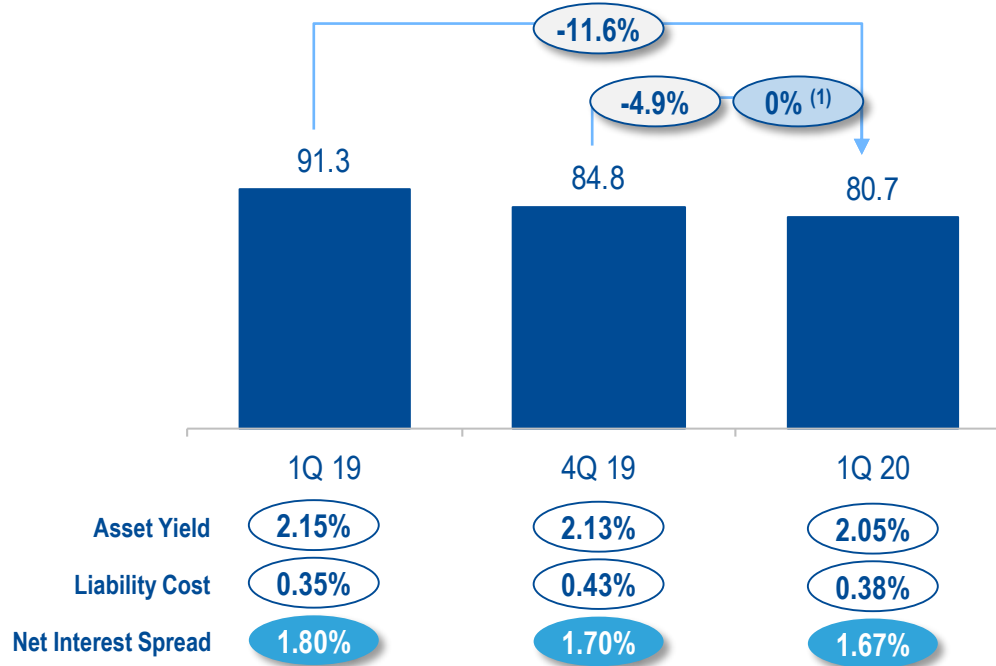


- Operating income at €143.3m with both NII and F&C after disposal of NPEs and pawn business, with March affected by Covid19

Net interest income



€/m



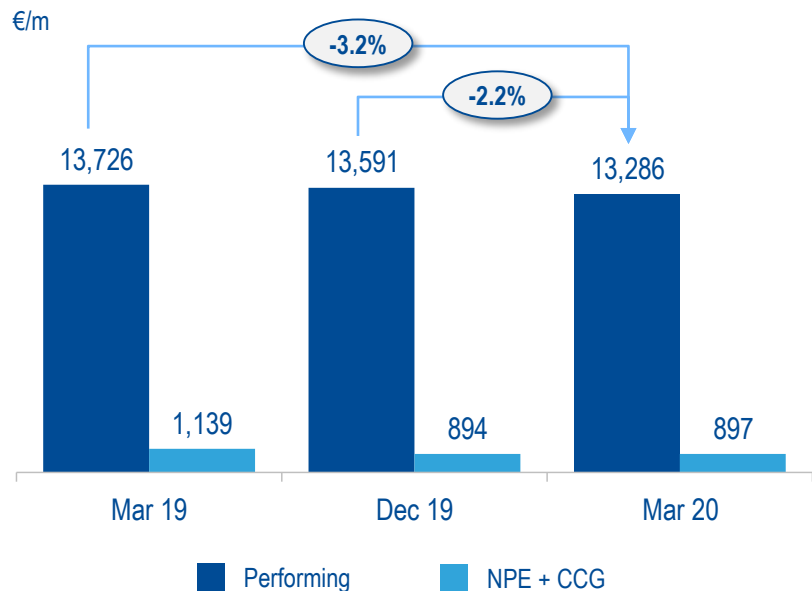
- NII dynamic driven mainly by disposal of NPE, pawn business and costs of bonds issued in late Q4 19, impacting also Net Interest Spread at 1.67%

(1) Dynamic excluding NPE disposal, pawn business, institutional bond issued in Q4 19 and days effect

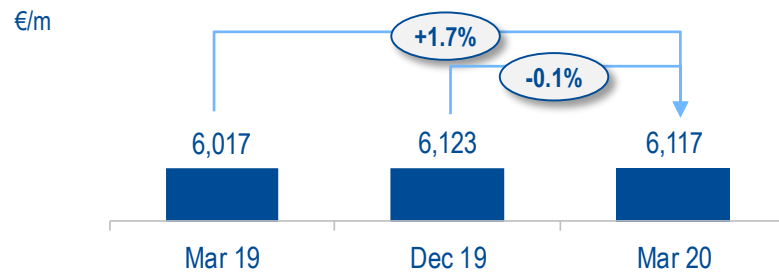
Net customer loans



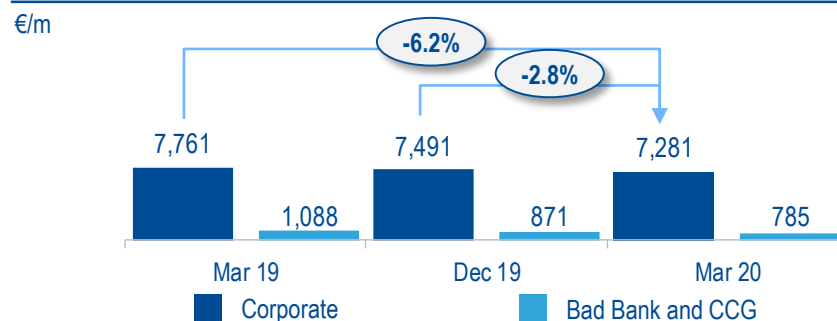
Net loans (1)



Retail



Corporate and Bad Bank, CCG



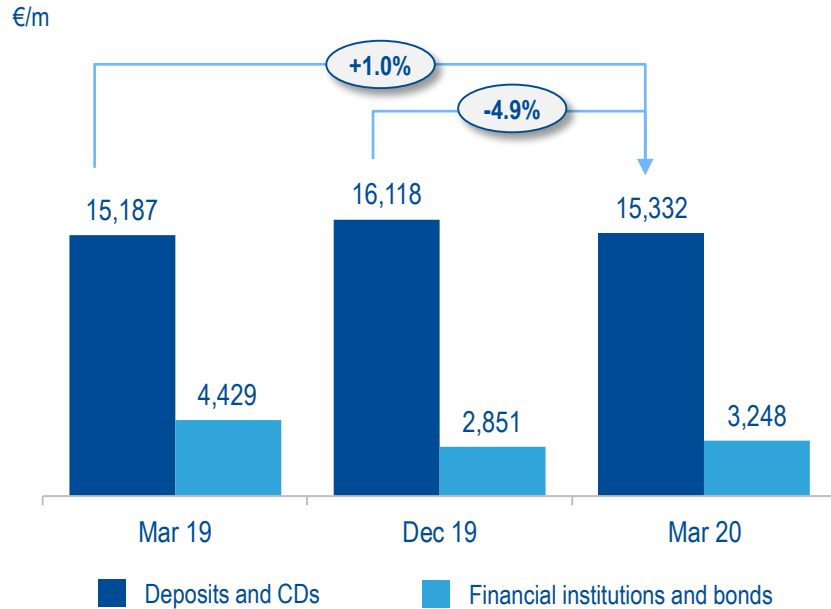
- Q1 retail loans at last quarter level while keeping the risk adjusted approach for non core corporate loans

(1) Excluding securities (5.2 €/bn as at Mar. 19; 5.0 €/bn as at Dec. 19; 5.0 €/bn as at Mar. 20)

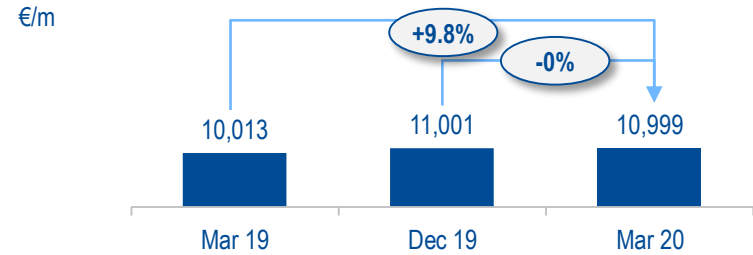
Funding composition



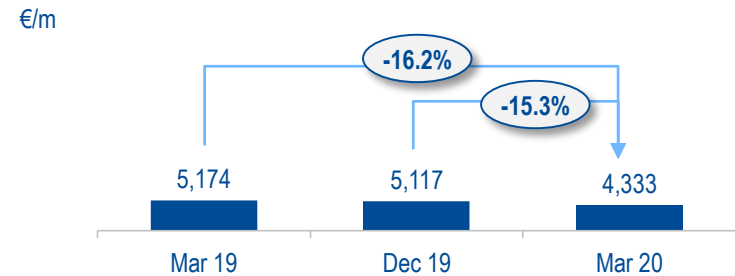
Direct funding



Retail deposits



Corporate Deposits



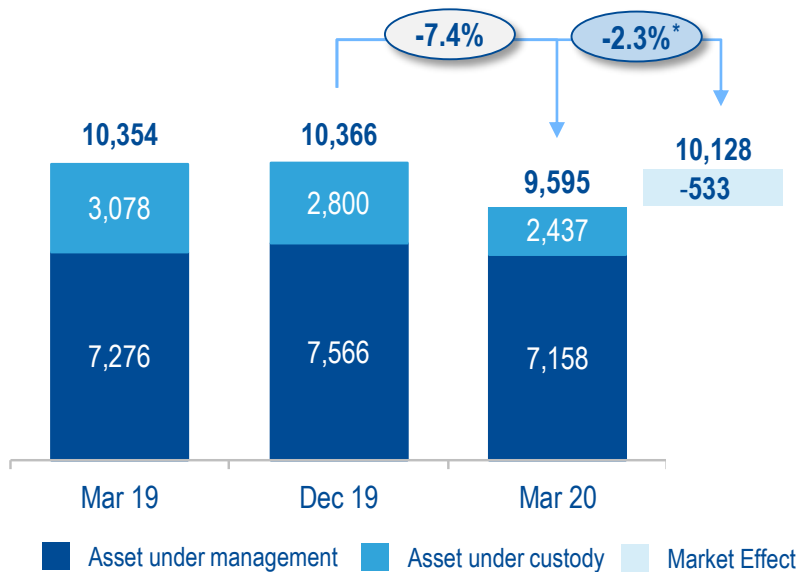
- Retail deposits up 9.8% y/y, Q1 kept at the same level
- Corporate deposits decreasing reflecting cost/volume trade-off given strong liquidity position

Indirect funding

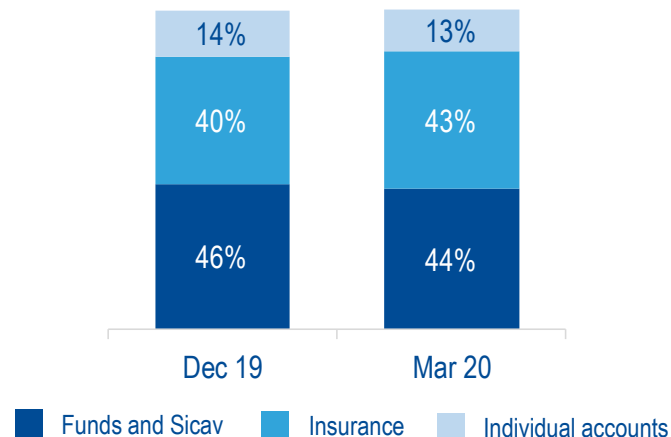


Indirect funding breakdown

€/m



AuM breakdown



- Indirect funding affected mainly by market

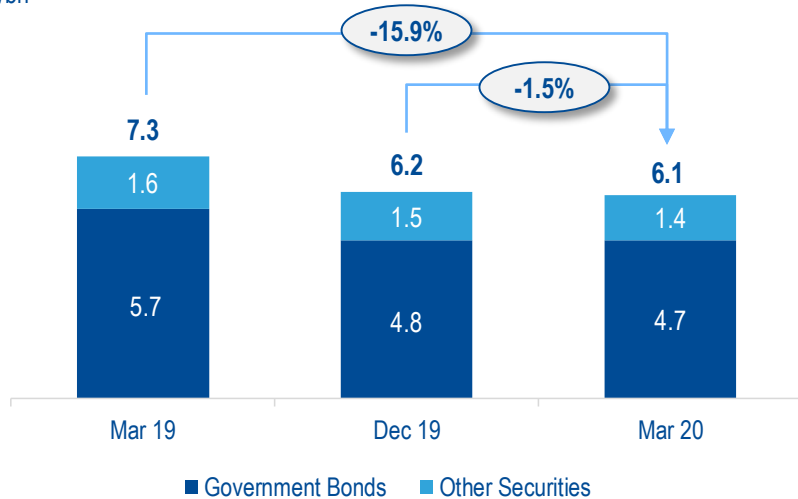
* Dynamic excluding negative market effect (-€533m). Managerial estimation.

Securities portfolio breakdown



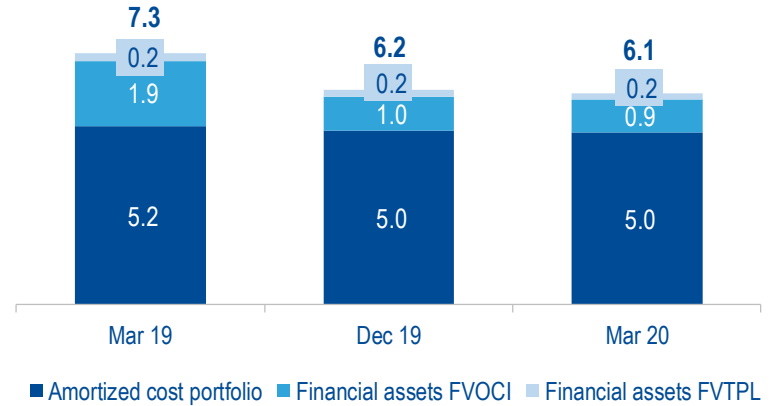
Securities portfolio

€/bn



Breakdown by classification

€/bn



FVTOCI
Reserve on
Gov. Bonds



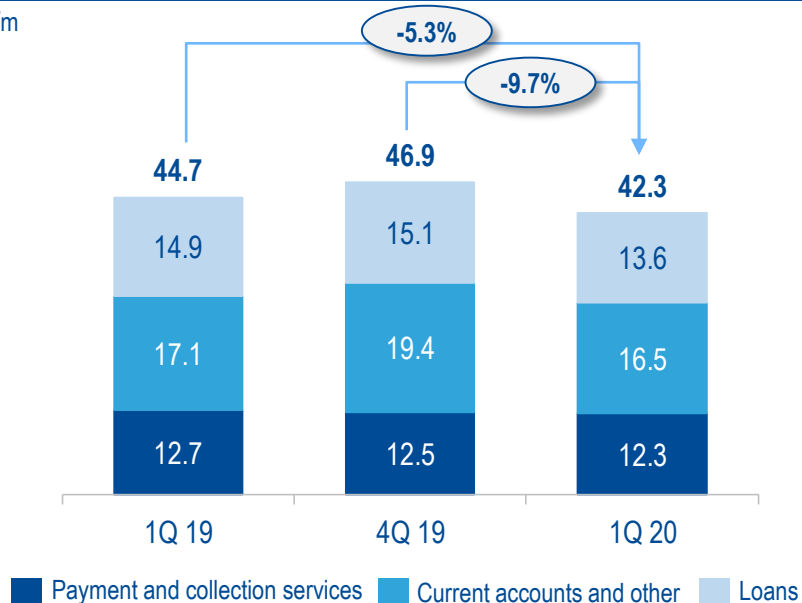
- Securities portfolio -1.5% q/q and -15.9% y/y following the reduction in the government bonds

Net fee and commission income



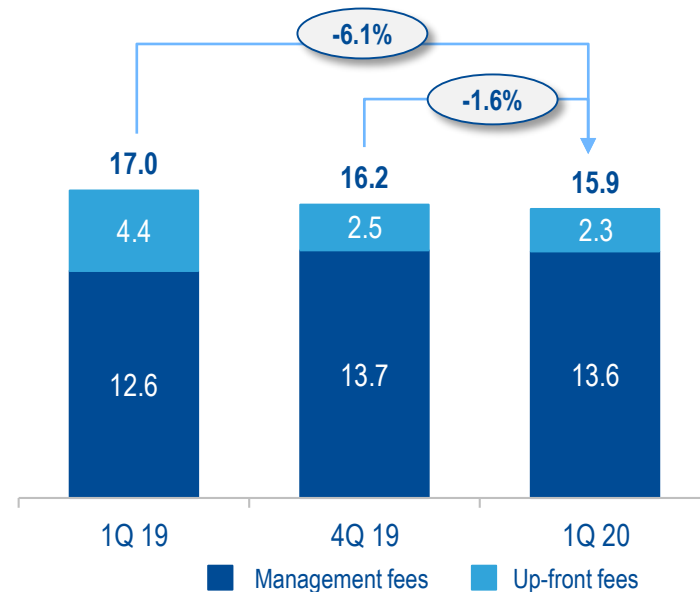
Banking fees

€/m



AuM fees

€/m

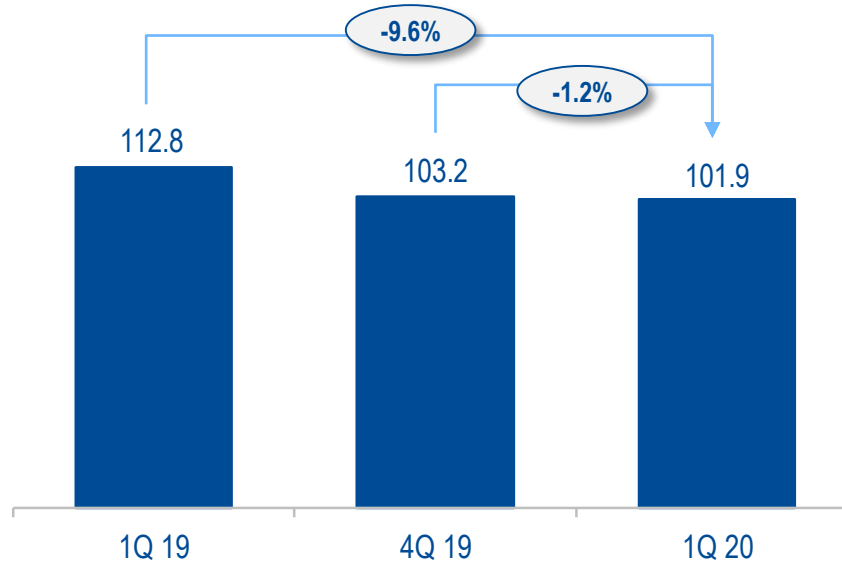


- Banking fees affected by lower customers activity during economy lockdown
- Asset management fees resilient despite negative market valuation in March

Total Operating Costs



€/m



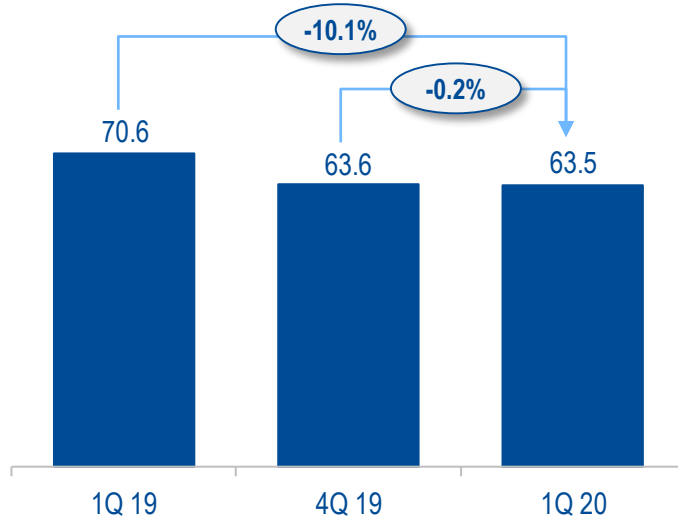
- Constant decrease of the costs, double digit y/y thanks to effective execution of the cost reduction plan

Total Operating Costs



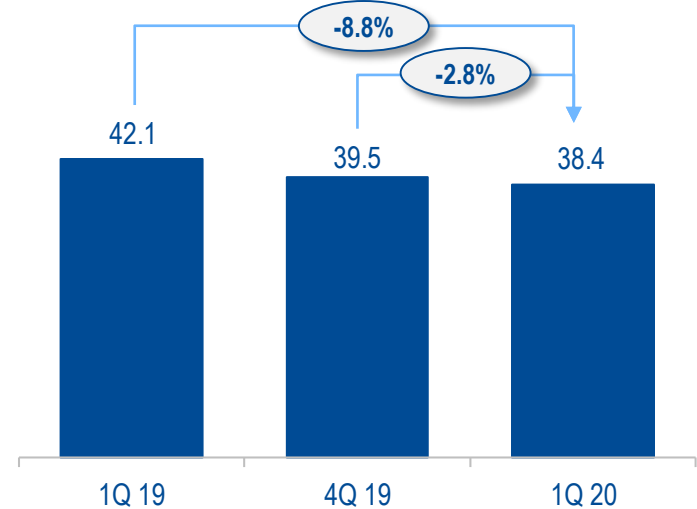
HR Costs

€/m



Non-HR Costs

€/m



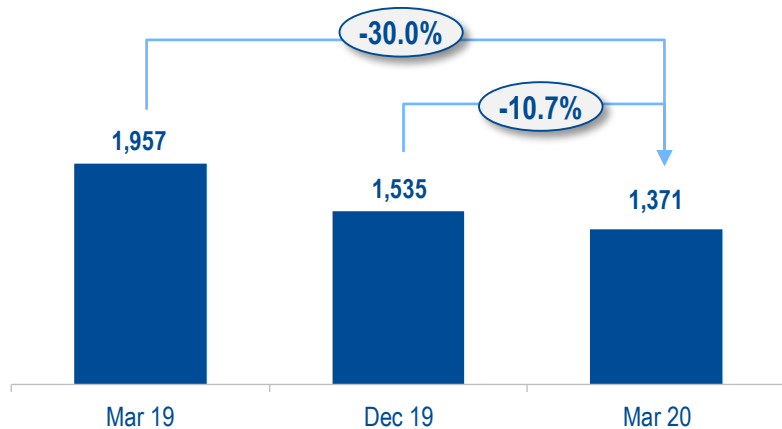
- Continued contribution of HR cost to the realisation of efficiency plan, -10% y/y
- Non-HR decreasing also in Q1, keeping -2.8% q/q drop pace after plan announcement

Gross NPE stock



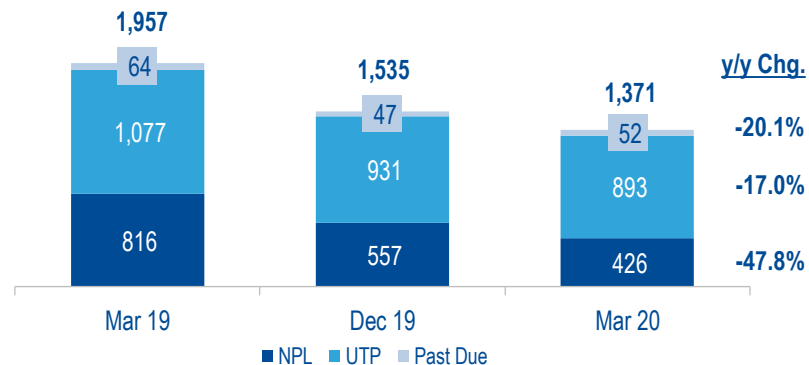
Gross NPE stock

€/m



Breakdown by category

€/m



Gross NPE ratio¹

11.4%

9.4%

8.6%

Net NPE ratio¹

5.3%

4.7%

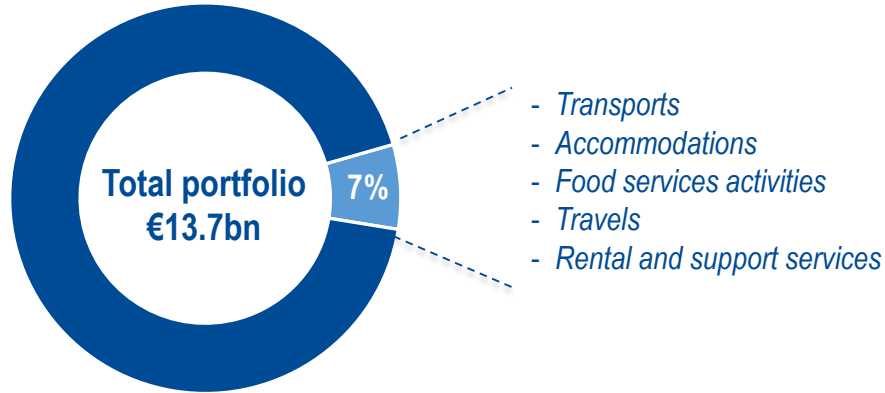
4.6%

- Further reduction in NPE thanks to successful bad loan portfolios disposal, NPE ratio at 8.6% (-280 bps y/y)
- NPL stock down by 50% since Plan announcement

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



Economic sectors most affected by Covid-19



Geographical breakdown:

- North: 68%
- Center: 14%
- South: 18%

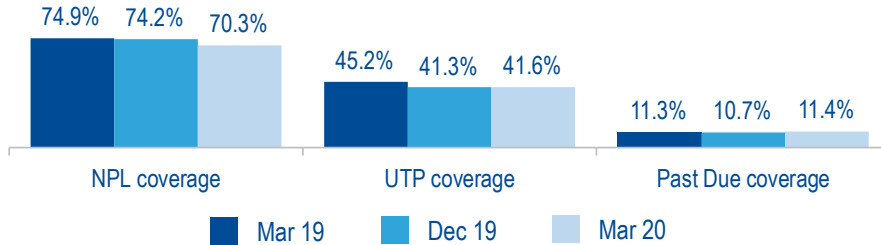
Comments

- Well diversified loan book across business sectors
- Most affected sectors by Covid-19 equal to 7% of total loan book
- Dedicated team specialized by sector and bottom-up review of credit risk
- Close monitoring on development
- Additional liquidity also through access to Government program support

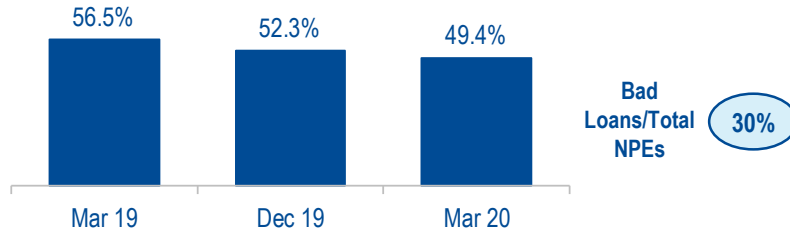
Coverage and Cost of Risk



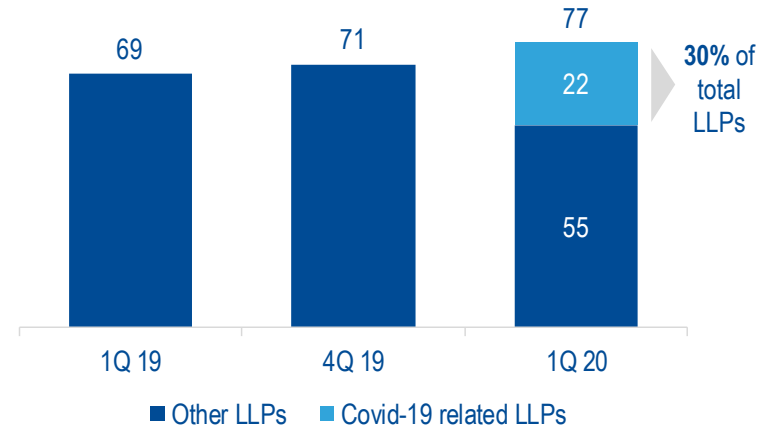
NPE coverage breakdown



Total NPE coverage



Cost of risk (bps)⁽¹⁾

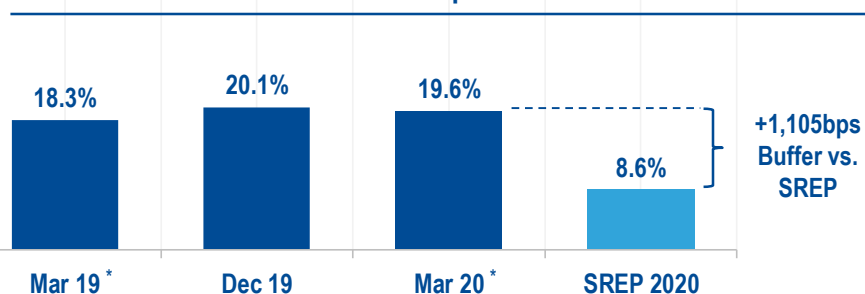


- NPL coverage at 70.3%, UTP coverage at 41.6% with total coverage at 49.4% reflecting reduced share of gross Bad loans in NPE to 30%
- CoR at 77 bps including 22bps related to covid-19 LLPs (30% of the total)

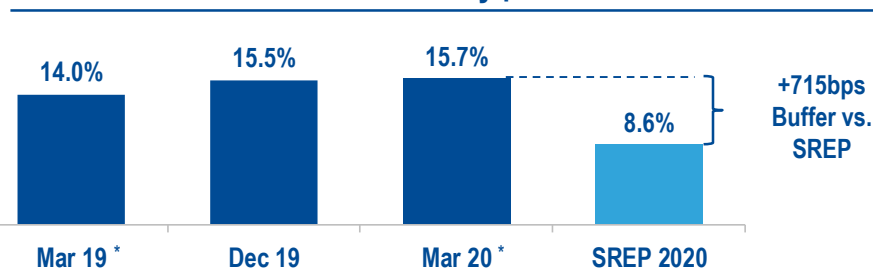
(1) Quarterly data annualized; calculated on net customer loans excluding Government bonds classified in the 'Amortized Cost' category.



CET1 ratio phased-in



CET1 ratio fully phased

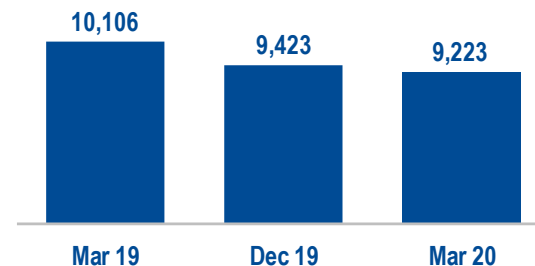


Regulatory capital ratios phased-in

	Dec-19	Mar-20	SREP
CET1 ratio (%)	20.1%	19.6%	8.55%
Tier 1 ratio (%)	20.1%	19.6%	10.05%
Total Capital ratio (%)	22.1%	21.5%	12.05%

RWA – phased-in

€/m



- CET1 FL at 15.7% up by 20bps t/t. CET1 Phase-in at 19.6% due to IFRS FTA transitional effect
- Large capital buffer giving additional comfort in the challenging scenario



- **Solid first quarter enabling also to set reserves for Covid-19 scenario**
- **Continued cost reduction resulting in double digit costs decrease y/y**
- **Lockdown easing and improved capability to work remotely will support commercial activity in the quarter**
- **Solid capital position, the low risk profile and the achieved operational agility made the bank well equipped to face the challenges of the new scenario**



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Annexes

Reclassified Balance Sheet - Assets



€/000

ASSETS	31/03/2020	31/12/2019	Change
Cash and cash equivalents	157,836	190,434	-17.1%
Financial assets at fair value through profit or loss	190,219	195,113	-2.5%
Financial assets at fair value through other comprehensive income	945,454	971,765	-2.7%
Loans and receivables with banks	2,079,622	1,835,844	13.3%
Loans and receivables with customers	19,157,769	19,523,742	-1.9%
Equity investments	18,869	19,074	-1.1%
Property, equipment and investment property and intangible assets (1)	591,473	595,775	-0.7%
Non-current assets held for sale and disposal groups	5,597	93,196	-94.0%
Other assets (2)	942,211	915,057	3.0%
Total assets	24,089,050	24,340,000	-1.0%

(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	31/03/2020	31/12/2019	Change
Due to banks	2,903,605	2,896,993	0.2%
Direct funding from customers (1)	18,579,780	18,968,871	-2.1%
Financial liabilities held for trading	93	26	n.s.
Hedging derivatives	163,578	153,051	6.9%
Liabilities included in disposal groups classified as held for sale	-	3,581	n.s.
Other liabilities	554,325	438,267	26.5%
Provisions for specific purpose (2)	217,994	222,919	-2.2%
Equity attributable to non-controlling interests	23	23	-
Equity (3)	1,669,652	1,656,269	0.8%
Total liabilities and equity	24,089,050	24,340,000	-1.0%

(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	Q1 2020	Q1 2019	Change
Net interest income	80,678	91,273	-11.6%
Net fee and commission income	58,283	61,665	-5.5%
Dividends and similar income	758	633	19.7%
Profit of equity-accounted investments	798	320	149.4%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases	(2,431)	1,327	n.s.
Other operating net income	5,180	1,973	162.5%
Operating income	143,266	157,191	-8.9%
Personnel expenses	(63,514)	(70,622)	-10.1%
Other administrative expenses	(27,559)	(31,236)	-11.8%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets	(10,852)	(10,899)	-0.4%
Operating costs	(101,925)	(112,757)	-9.6%
Net operating profit	41,341	44,434	-7.0%
Impairment or reversal of impairment and modification gains (losses)	(29,551)	(27,303)	8.2%
Profit (Losses) on derecognition of financial assets valued at the amortised cost	184	4,840	-96.2%
Net accruals to provisions for risks and charges	(1,640)	(4,937)	-66.8%
Net gains (losses) on sales of invest. and valuation differences on property and equipment	33,190	3,384	n.s.
Banking System Charges	(9,794)	(8,220)	19.1%
Pre-tax loss from continuing operations	33,730	12,198	176.5%
Income taxes	(8,398)	(3,813)	120.2%
Post-tax profit from continuing operations	25,332	8,385	n.s.
Profit for the period	25,332	8,385	n.s.