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Oggetto	:	Consolidated results as at 30 September 2020

Testo del comunicato

Vedi allegato.

PRESS RELEASE

CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2020

NINE MONTHS NET INCOME OF 65.6 MILLION EURO, ALMOST DOUBLED COMPARED TO THE SAME PERIOD LAST YEAR, WITH A STRONG Q3 CONTRIBUTION OF 24.6 MILLION EURO (+57% Q/Q)

THE POSITIVE CREDIT RISK REDUCTION TREND CONTINUES, WITH A NET NPE RATIO OF 3.5%, COST BASE OPTIMIZATION (-9% Y/Y) AND HIGHER FULLY LOADED CET 1 RATIO AT 17.2%, CONFIRMING THE STRATEGIC SOUNDNESS OF THE BUSINESS PLAN ACTIONS UNDERWAY

OPERATING RESULTS PROVED RESILIENT DESPITE THE PANDEMIC'S IMPACT ON THE ECONOMY, WITH REVENUES GROWING BY 8.6% Q/Q

- **Net interest income: +10.7% q/q**
- **Net fees and commissions: +7.5% q/q**

EFFICIENCY ACTIONS ARE PROGRESSING, WITH AN OVERALL REDUCTION IN OPERATING COSTS OF 9% Y/Y

- **Personnel expenses: -8.4% y/y**
- **Other administrative expenses: -12.2% y/y**

RETAIL LOANS INCREASED BY 6% Y/Y (+3% Q/Q) DRIVEN BY HOUSEHOLD AND SME FINANCING

SIGNIFICANT CREDIT QUALITY IMPROVEMENT WITH A GROSS NPE RATIO AT 6.4% (NET 3.5%), ACHIEVED AHEAD OF SCHEDULE, THANKS TO THE NPE REDUCTION (-45.6% Y/Y) AND TO THE EFFICIENT LENDING PROCESS

- **Bad loan stock -62.8% y/y**
- **UTP stock -31% y/y**

TOTAL NPE COVERAGE HAS IMPROVED OVER THE PREVIOUS QUARTER

- **Total NPE coverage: 47.5%**
- **UTP coverage: 42.4%**
- **Bad loan coverage: 62.3%**

COST OF CREDIT IN Q3 AT 71BPS[1] DOWN COMPARED TO THE PREVIOUS QUARTER, UNCHANGED THE ORDINARY COST OF CREDIT AT 55BPS

CAPITAL STRENGTH FURTHER BOLSTERED AND AT BEST-IN-CLASS LEVELS

- **Fully-loaded CET 1 ratio at 17.2% not including net income for the period, up by 255bps y/y and by 53bps q/q**
- **Ample capital buffer in excess of 860bps over the SREP minimum requirement**

STRONG LIQUIDITY POSITION

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

[1] Annualized

Sondrio, 6 November 2020 – Late yesterday evening, the Board of Directors of Creval examined and approved the consolidated results as at 30 September 2020, delivering a net income of 65.6 million euro, almost double the net income reported in the first nine months of last year.

"The first nine months of the year closed with very positive results, especially Q3, thanks to the commitment and dedication of a strong and cohesive team. We have shown that the bank is well prepared to work also under very complex circumstances, with a sustainable business model that focuses primarily on households and small and medium enterprises. We will continue with unrelenting determination to hone in on the levers we can control, to ensure a good profitability level, which results from an ideal balance between the commercial volume growth, sustained by the trust clients are placing in us, and the efficiency of the cost structure", remarked **Luigi Lovaglio, Chief Executive Officer of Creval**. *"The scenario awaiting us in the coming months seems to be even more challenging, as this unprecedented health emergency goes on. We will handle it by devoting the utmost attention to the health of our Colleagues on the one hand, and by resorting to the same discipline we exercised from the very start on the other, with the implementation of the actions that we had already mapped out in our business plan, and that we were able to turn into more and more tangible results. Thanks to the focus we put on an efficient lending process and on deleveraging, we reached a gross NPE ratio of 6.4% ahead of schedule. The path we took also allowed us to further bolster the bank's capital strength, reaching a CET1 ratio of 17.2%, which represents a precious endowment for the future."*

Consolidated results as at 30 September 2020

The first nine months of the year were characterized by the Covid-19 health emergency, which caused profound economic, financial and social repercussions. Against this backdrop, the Bank continued its business operations, putting in place all the necessary measures to guarantee the utmost protection for its Employees and Customers, and did not fail to support the economy of its served territories, as reflected by retail loan volumes, which increased by +6% y/y. After slowing down during the lockdown period, commercial activities progressively picked up again in the following months, focusing on the implementation of the liquidity measures taken by the Government to help households and SMEs deal with the crisis. The loan growth has been boosted also by personal loans, thanks to the consumer credit acceleration attained by the Bank, by giving clients the possibility to take out this product and complete the process on-line through the remote document exchange facility.

Despite the challenging external environment, Creval continued to implement the strategic guidelines mapped out in the Business Plan and reached major targets in terms of credit risk reduction, cost base rationalization and capital strength.

Operating trends weathered the pandemic impact on the economy rather well so far, with revenues growing by 8.6% over the previous quarter, driven by net interest income and net fees and commissions, which increased respectively by 10.7% and 7.5% q/q.

Costs confirmed also in Q3 the positive trend reported at the beginning of the year, with total operating costs down by 9% y/y, ahead of the Plan's schedule, in particular thanks to the rationalization of 'other administrative expenses', which dropped by 12.2% y/y.

With regard to credit quality, in the first nine months of the year the Bank sold NPEs for a total gross book value in excess of 800 million euro, and completing the deleveraging target under the Plan ahead of schedule.
Said disposals contributed to reducing the gross NPE ratio from 11.3% at 30 September 2019 to 6.4%, already below the target set for 2023 (<6.5%). A positive contribution towards this outcome was also made by the more efficient lending process, the strengthening of the monitoring activity and an improvement of the NPE work-out actions, leading to a decline in the default rate from 2.1% at the beginning of 2019 to a level below 1.3%, showing an improvement over the previous quarter.
As to our capital position, today Creval can count on a stronger capital strength that places it among the best in class within the Italian banking industry. The fully-loaded CET1 ratio came in at 17.2%, up by 255bps from 14.7% at 30 September 2019, with a capital buffer exceeding the SREP minimum requirement by 860bps, enabling the Bank to face the uncertainties tied to the evolution of the economic scenario.

Key balance sheet items

Total **direct funding** came to 17.4 billion euro, compared to 19.0 billion euro at 31 December 2019. Within this line-item, retail funding (households and SMEs) added up to 11.2 billion euro, up by 1.5% since the end of 2019 and by 2.1% y/y. Corporate funding came to 4.7 billion euro, down compared to year-end 2019 (5.1 billion euro), driven by the reduction in more expensive corporate deposits. Wholesale and bond funding amounted to 1.5 billion euro, down compared to 2.9 billion euro at 31 December 2019, driven by the reduction in repos.

Net loans and advances with customers, excluding debt securities (4.8 billion euro), stood at 14.7 billion euro, up by 1.6% compared to 31 December 2019 (14.5 billion euro), driven by a commercial activity focused on the implementation of the liquidity support measures that were put in place by the banking industry at large to help Households and businesses tackle the Covid-19 emergency, as well as by the growth in consumer credit.

Within this aggregate, retail customer loans (households and SMEs) amounted to 6.4 billion euro, up by 6.0% y/y. Corporate loans came in at 7.3 billion euro, down by 2.8% since the end of 2019, mainly driven by the strategy aiming at reducing non-core exposures implemented in the first months of the year, in keeping with the Business Plan guidelines.

Including debt securities (mainly Government bonds), total net loans and advances added up to 19.5 billion euro, unchanged compared to year-end 2019.

Turning to credit quality, **gross non-performing exposures** totaled 1,038 million euro, down by 45.6% compared to the same period last year (-32.4% over year-end 2019), mainly driven by the sale since the beginning of the year of several bad loan and UTP portfolios in excess of 800 million euro, that made it possible to attain the deleveraging target under the Plan ahead of schedule, despite the challenging external economic environment caused by the health emergency. This line-item could also benefit from the progressive improvement of the internal work-out activity set up last year.

Net non-performing exposures added up to 545 million euro, down by 30.0% compared to 30 September 2019 and by 25.7% year to date.

The NPE to total customer loan ratio, excluding government bonds (3.9 billion euro), stood at 6.4% gross and 3.5% net, down from 11.3% and 5.0% respectively at 30 September 2019.

Net bad loans came to 120 million euro, down by 19% compared to 30 September 2019 (148 million euro), mainly driven by the disposals completed in the first nine months of the year; **net unlikely-to-pay loans** totaled 395 million euro, down by 32% compared to 30 September 2019 (579 million euro); **net past due loans** amounted to 29 million euro, down by 42% compared to 51 million euro at 30 September 2019.

The **bad loans** coverage ratio stood at 62.3%, in line with the industry average and unchanged over the quarter, against a gross bad loan to total NPE ratio of 31%, among the lowest across the banking industry.

The coverage ratio of **UTP loans** was 42.4%, up from 39.2% in the previous quarter, and the coverage ratio of **past due loans** came to 11.2% compared to 12% in the previous quarter.

Consequently, the **NPE coverage ratio** came to 47.5%, up by 290 b.p. compared to the previous quarter.

The **performing loan coverage ratio** (excluding government bonds) was 0.5%, in line with the previous quarter.

Indirect funding ran at 10.1 billion euro, up 0.6% on a quarterly basis (10.4 billion euro at year-end 2019). Within this line-item, asset management inflows added up to 7.6 billion euro. Up by 1.1% compared to the previous quarter, driven by the growth reported by the insurance business (+1.6%). Assets under administration came to 2.6 billion euro, basically unchanged compared to the prior quarter.

Financial assets represented by securities stood at 6.0 billion euro, down by 3.9% compared to 31 December 2019 (6.2 billion euro). Within this line-item, government bonds amounted to 4.6 billion euro, down 2.2% compared to year-end 2019. The reserve of Italian government bonds measured at FVTOCI (net of tax effect) is positive by 2.5 million euro.

The Bank continues to enjoy a solid liquidity position, with 5.0 billion euro of eligible unencumbered assets, up compared to 3.3 billion euro at year-end 2019. The LCR and NSFR liquidity ratios are well above 150% and 100%, respectively.

The ECB funding component came to 3.5 billion euro, fully represented by TLTRO-III funds, of which 2.5 billion euro coming due in June 2023 and 1.0 billion euro coming due in December 2022.

Shareholders' equity and capital ratios

The Group's **Shareholders' equity** at 30 September 2020 stood at 1,727 million euro.

Under the phase-in regime, the CET1 capital was 1,838 million euro, against 8,564 million euro of risk-weighted assets (RWA). Total own funds added up to 2,002 million euro.

The Bank's capital ratios, excluding the net income for the period, report the following values, that are well above the minimum SREP requirements:

- 21.5% CET1 ratio compared to a minimum SREP requirement of 8.55%;

- 21.5% Tier 1 ratio compared to a minimum SREP requirement of 10.05%;

- 23.4% Total Capital ratio compared to a minimum SREP requirement of 12.05%.

The fully loaded CET1 ratio at 30 September 2020 stood at 17.2%, up compared to both 30 September 2019 (14.7%) and 30 June 2020 (16.7%).

Operating results

Net interest income added up to 251.0 million euro, compared to 262.7 million euro reported in the same period last year. The y/y comparison was mainly affected by the disposals of NPEs and of the pledge loans business in the first 9 months of the year, partially offset by TLTRO-III funds. In Q3 2020, NII stood at 89.5 million euro, up by 10.7% compared to the prior quarter (80.8 million euro), driven by the development of the commercial activity and by the greater contribution from TLTRO-III funds.

Net fees and commissions amounted to 169.0 million euro, down compared to 186.0 million euro reported in the same period last year, due to the Covid-19 health emergency which affected customers' banking transactions. In Q3 2020, this line-item came to 57.4 million euro, up by 7.5% over the prior quarter. Within this line-item, core banking fees stood at 41.7 million euro, up by 8.9% compared to Q2 2020 (38.3 million euro), driven by the pickup in customer transactions in the months after the lockdown. Asset management fees came to 15.7 million euro, up by 4.0% over the prior quarter.

FVOCI assets trading, hedging, and disposal/repurchase activities amounted to 1.7 million euro, compared to 7.0 million euro in the same period last year.

Operating income stood at 435.6 million euro, compared to 464.9 million euro reported in the first 9 months of 2019.

Personnel expenses added up to 184.9 million euro, down by 8.4% y/y, despite the fact that they include the costs tied to the national employment contract. The reduction was mainly due to the headcount reduction that was driven among others by the sale of the pledge loans business line in Q1 this year. In Q3 2020, personnel expenses stood at 60.6 million euro, slightly less (-0.3%) compared to the prior quarter (60.8 million euro).

Other administrative expenses amounted to 82.0 million euro, down by 12.2% compared to the same period last year (93.4 million euro), notwithstanding Covid-19-related costs, as they benefitted from the ongoing cost base optimization actions. In Q3 2020 this line-item came in at 27.1 million euro, down by 1.3% compared to the previous quarter (27.4 million euro).

Depreciations/amortization and net impairment losses on property, equipment and investment property and intangible assets amounted to 32.2 million euro, down by 3.0% compared to the first 9M of 2019.

Thus, total **operating costs** stood at 299.2 million euro, down by 9% y/y.

Net operating profit worked out to 136.4 million euro, compared to 136.3 million euro reported in the same period last year.

Systemic charges added up to 25.9 million euro (19.9 million euro in the first 9M of 2019), and were represented by the contribution to the Resolution Fund (9.8 million euro for the ordinary contribution reported in Q1 2020 and 3.6 million euro for the additional contribution reported in Q2 2020), as well as by the contribution to the Deposit Guarantee Fund of 9.0 million euro reported in Q3 2020, plus the 3.5 million euro tied to the estimated contribution to the Mandatory Scheme vis-à-vis the interventions aimed at supporting the banking industry.

Impairment or reversal of impairment for credit risk and modification gain/losses stood at 86.0 million euro, compared to 129.2 million euro in the same period last year. It includes an update of the macro-economic assumptions tied to the calculation of loan loss provisions under IFRS9. In Q3 it came in at 27.3 million euro, down compared to the previous quarter (29.2 million euro).

Net accruals to provisions for risks and charges added up 1.7 million euro compared to 10.1 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 33.8 million euro, compared to 5.2 million euro reported in the first 9M of 2019. The increase was mainly driven by the capital gain of roughly 33 million euro gross generated by the disposal of the pledge loans business finalized last January.

Income from continuing operations before tax stood at 62.4 million euro, up compared to the same period last year (10.8 million euro).

Income taxes for the period came in at 3.2 million euro, thanks to the conversion of DTAs from tax losses into tax credits under the "*Cura Italia*" decree with regard to NPE disposals carried out since the beginning of the year, making it possible to recognize additional DTAs of the same amount and kind.

Net income for the period stood at 65.6 million euro, almost double compared to the first nine months of 2019 (33.4 million euro).

Outlook

The impact of the health emergency at global level is still difficult to quantify to date. The economic activity bounced back strongly in Q3, in line with the expectations outlined in June pointing at a gradual recovery. However, the recent resurgent wave of coronavirus infections that started in September and the consequent adoption of more drastic restrictions by many Countries including Italy, heighten the uncertainty as to the possible economic fallout on household behaviors and on the production system. The Euro area economy anyway will continue to benefit from the ECB's accommodating monetary policy to guarantee favorable financing terms to support the economic recovery and stave off the negative impact of the pandemic.

Against this backdrop, in the last part of the year the Bank will continue to implement the Plan guidelines, focusing on asset quality and operational efficiency, while confirming its strong capital position and robust liquidity.

Operating profitability will be supported by net interest income, which will still benefit from the contribution of TLTRO-III funds, from lending activities and from commission income, depending on the evolution of the macro-scenario. On the other side, actions are under way to achieve a greater cost efficiency.

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Credit quality will continue to receive a special attention considering the expected macro-economic evolution. The cost of credit, still affected by the evolution of the pandemic, is expected to remain under control.

The Bank's capital position is expected to remain high, making it possible to withstand any possible further worsening of the macroeconomic scenario.

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 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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PRESS RELEASE

CONSOLIDATED FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE INDICATORS

STATEMENT OF FINANCIAL POSITION DATA	30/09/2020	30/06/2020	31/12/2019	Change (1)	Change (2)
(in thousands of EUR)					
Loans and receivables with customers	19,549,103	19,594,042	19,523,742	-0.23%	0.13%
Financial assets and liabilities measured at fair value	972,168	977,887	1,013,801	-0.58%	-4.11%
Total assets	23,659,395	24,034,871	24,340,000	-1.56%	-2.80%
Direct funding from customers	17,368,361	17,740,105	18,968,871	-2.10%	-8.44%
Indirect funding from customers	10,145,891	10,089,351	10,365,993	0.56%	-2.12%
of which:					
- Managed funds	7,574,924	7,494,245	7,565,554	1.08%	0.12%
Total funding	27,514,252	27,829,456	29,334,864	-1.13%	-6.21%
Equity	1,726,990	1,700,031	1,656,269	1.59%	4.27%

(1) Calculated compared to 30/06
(2) Calculated compared to 31/12 of the previous year

SOLVENCY RATIOS	30/09/2020 (*)	30/06/2020	31/12/2019
Common Equity Tier 1 capital / Risk-weighted assets (CET1 capital ratio)	21.5%	20.9%	20.1%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	21.5%	20.9%	20.1%
Total own funds / Risk-weighted assets (Total capital ratio)	23.4%	22.8%	22.1%

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

FINANCIAL STATEMENT RATIOS	30/09/2020	30/06/2020	31/12/2019
Indirect funding from customers / Total funding	36.9%	36.3%	35.3%
Managed funds / Indirect funding from customers	74.7%	74.3%	73.0%
Direct funding from customers / Total liabilities and equity	73.4%	73.8%	77.9%
Customer loans* / Direct funding from customers	89.9%	87.7%	81.6%
Customer loans* / Total assets	66.0%	64.7%	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 3,943,616 thousand*

CREDIT RISK	30/09/2020	30/06/2020	31/12/2019	Change (1)	Change (2)
Net bad loans (in thousands of EUR)	120,491	110,360	143,992	9.18%	-16.32%
Other net doubtful loans (in thousands of EUR)	424,056	464,602	588,458	-8.73%	-27.94%
Net non-performing loans (in thousands of EUR)	544,547	574,962	732,450	-5.29%	-25.65%
Net bad loans / Customer loans*	0.8%	0.7%	0.9%		
Other net doubtful loans / Customer loans*	2.7%	3.0%	3.8%		
Net non-performing loans / Customer loans*	3.5%	3.7%	4.7%		

(1) Calculated compared to 30/06
(2) Calculated compared to 31/12 of the previous year

** Include item "40. Financial assets at amortised cost: b) loans and receivables with customers" excluding Government bonds for a net amount of EUR 3,943,616 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	30/09/2020				31/12/2019			
	Gross amount	Impairment losses	Carrying amount	% coverage	Gross amount	Impairment losses	Carrying amount	% coverage
Non-performing loans								
Bad loans	319,786	-199,295	120,491	62.3%	557,165	-413,173	143,992	74.2%
Unlikely to pay	685,255	-290,509	394,746	42.4%	930,651	-384,023	546,628	41.3%
Past due non-performing loans	33,002	-3,692	29,310	11.2%	46,839	-5,009	41,830	10.7%
Total non-performing loans	**1,038,043**	**-493,496**	**544,547**	**47.5%**	**1,534,655**	**-802,205**	**732,450**	**52.3%**
Performing loans excluding Government bonds	15,142,876	-81,936	15,060,940	0.54%	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	FVTOCI reserve(*)
Italy	97	704,036	3,444,488	4,148,621	2,484
Spain	-	-	425,144	425,144	-
Portugal	-	-	39,468	39,468	-
Other	5	-	34,516	34,521	-
Total	**102**	**704,036**	**3,943,616**	**4,647,754**	**2,484**

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

ORGANISATIONAL DATA	30/09/2020	30/06/2020	31/12/2019	Change (1)	Change (2)
Number of employees	3,539	3,556	3,634	-0.48%	-2.61%
Number of branches	355	355	362	-	-1.93%

(1) Calculated compared to 30/06
(2) Calculated compared to 31/12 of the previous year

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RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	30/09/2020	31/12/2019	Change
Cash and cash equivalents	158,792	190,434	-16.62%
Financial assets at fair value through profit or loss	184,342	195,113	-5.52%
Financial assets at fair value through other comprehensive income	952,920	971,765	-1.94%
Loans and receivables with banks	1,218,509	1,835,844	-33.63%
Loans and receivables with customers	19,549,103	19,523,742	0.13%
Equity investments	19,679	19,074	3.17%
Property, equipment and investment property and intangible assets (1)	565,639	595,775	-5.06%
Non-current assets held for sale and disposal groups	54,295	93,196	-41.74%
Other assets (2)	956,116	915,057	4.49%
Total assets	**23,659,395**	**24,340,000**	**-2.80%**

(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	30/09/2020	31/12/2019	Change
Due to banks	3,550,014	2,896,993	22.54%
Direct funding from customers (1)	17,368,361	18,968,871	-8.44%
Financial liabilities held for trading	132	26	n.s.
Hedging derivatives	164,962	153,051	7.78%
Liabilities included in disposal groups classified as held for sale	-	3,581	n.s.
Other liabilities	649,293	438,267	48.15%
Provisions for specific purpose (2)	199,621	222,919	-10.45%
Equity attributable to non-controlling interests	22	23	-4.35%
Equity (3)	1,726,990	1,656,269	4.27%
Total liabilities and equity	**23,659,395**	**24,340,000**	**-2.80%**

(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 for the period"

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of EUR)

ITEMS	9M 2020	9M 2019	Change
Net interest income	**250,979**	**262,656**	**-4.45%**
Net fee and commission income	169,015	186,006	-9.13%
Dividends and similar income	761	1,093	-30.38%
Profit of equity-accounted investments (1)	1,815	1,357	33.75%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases of assets at FVOCI (2)	1,714	7,001	-75.52%
Other operating net income (3)	11,351	6,824	66.34%
Operating income	**435,635**	**464,937**	**-6.30%**
Personnel expenses	(184,942)	(201,967)	-8.43%
Other administrative expenses (4)	(82,034)	(93,431)	-12.20%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets (5)	(32,242)	(33,249)	-3.03%
Operating costs	**(299,218)**	**(328,647)**	**-8.95%**
Net operating profit	**136,417**	**136,290**	**0.09%**
Impairment or reversal of impairment and modification gains (losses) (6)	(86,006)	(129,239)	-33.45%
Net profit on derecognition of assets at the amortised cost and net profits on other assets at fair value through profit or loss (7)	5,776	28,408	-79.67%
Net accruals to provisions for risks and charges	(1,664)	(10,061)	-83.46%
Net gains on sales of investments and valuation differences on property and equipment at fair value (8)	33,765	5,236	n.s.
Banking system charges	(25,855)	(19,869)	30.13%
Pre-tax profit from continuing operations	**62,433**	**10,765**	**n.s.**
Income taxes	3,189	22,681	-85.94%
Post-tax profit from continuing operations	**65,622**	**33,446**	**96.20%**
Loss for the period attributable to non-controlling interests	2	-	-
Profit for the period	**65,624**	**33,446**	**96.21%**

(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)" and "100. Profit (loss) on sale or repurchase of: b) financial assets at fair value through other comprehensive income; c) financial liabilities"
(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 29,086 thousand in 9M 2020 and EUR 28,033 thousand in 9M 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 473 thousand in 9M 2020 and EUR 665 thousand in 9M 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" and "110. Profits (Losses) on other assets and liabilities at fair value through profit or loss: b) other financial assets mandatorily measured at fair value through profit or loss"
(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 30 September 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.

It should be noted in particular that the current scenario is affected by a high degree of uncertainty related to the Covid-19 pandemic. The assessments carried out may be affected by the evolution in progress.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	30/09/2020		31/12/2019	
10. Cash and cash equivalents		158,792		190,434
20. Financial assets at fair value through profit or loss		184,342		195,113
a) financial assets held for trading	701		2,221	
c) other financial assets mandatorily measured at fair value	183,641		192,892	
30. Financial assets at fair value through other comprehensive income		952,920		971,765
40. Financial assets at amortised cost		20,767,612		21,359,586
a) loans and receivables with banks	1,218,509		1,835,844	
b) loans and receivables with customers	19,549,103		19,523,742	
70. Equity investments		19,679		19,074
90. Property, equipment and investment property		546,246		576,072
100. Intangible assets		19,393		19,703
110. Tax assets		761,677		764,493
a) current	82,124		67,993	
b) deferred	679,553		696,500	
120. Non-current assets held for sale and disposal groups		54,295		93,196
130. Other assets		194,439		150,564
Total assets		**23,659,395**		**24,340,000**

E-MARKET
SDIR
CERTIFIED

(in thousands of EUR)

LIABILITIES AND EQUITY	30/09/2020	31/12/2019
10. Financial liabilities at amortised cost	20,918,375	21,865,864
a) due to banks	3,550,014	2,896,993
b) due to customers	16,391,410	17,706,908
c) securities issued	976,951	1,261,963
20. Financial liabilities held for trading	132	26
40. Hedging derivatives	164,962	153,051
60. Tax liabilities	4,833	9,920
a) current	1,736	6,773
b) deferred	3,097	3,147
70. Liabilities included in disposal groups classified as held for sale	-	3,581
80. Other liabilities	649,293	438,267
90. Post-employment benefits	37,542	36,836
100. Provisions for risks and charges:	157,246	176,163
a) commitments and guarantees given	12,264	14,101
b) pension and similar obligations	27,259	36,064
c) other provisions for risks and charges	117,723	125,998
120. Valuation reserves	-486	-5,621
150. Reserves	18,444	-949,700
160. Share premium reserve	-	638,667
170. Share capital	1,643,508	1,916,783
180. Treasury shares (-)	-100	-100
190. Equity attributable to non-controlling interests (+/-)	22	23
200. Profit for the period	65,624	56,240
Total liabilities and equity	**23,659,395**	**24,340,000**

E-MARKET SDIR CERTIFIED

CONSOLIDATED INCOME STATEMENT

(in thousands of EUR)

ITEMS	9M 2020		9M 2019	
10. Interest and similar income		314,456		333,609
of which: interest income calculated with the effective interest method		307,022		325,066
20. Interest and similar expense		(63,477)		(70,953)
30. Net interest income		**250,979**		**262,656**
40. Fee and commission income		188,101		210,005
50. Fee and commission expense		(19,086)		(23,999)
60. Net fee and commission income		**169,015**		**186,006**
70. Dividends and similar income		761		1,093
80. Profits on trading		1,621		3,288
90. Net hedging expense		(95)		(142)
100. Profit on derecognition of:		12,822		12,143
a) financial assets at amortised cost	12,634		8,288	
b) financial assets at fair value through other comprehensive income	188		3,882	
c) financial liabilities	-		(27)	
110. Profits (Losses) on other assets and liabilities at fair value through profit or loss		(6,858)		20,120
b) other financial assets mandatorily measured at fair value	(6,858)		20,120	
120. Total income		**428,245**		**485,164**
130. Net impairment losses for credit risk on:		(85,545)		(127,123)
a) financial assets at amortised cost	(86,303)		(127,690)	
b) financial assets at fair value through other comprehensive income	758		567	
140. Modification gains (losses) without derecognition		(461)		(2,116)
150. Net financial income		**342,239**		**355,925**
190. Administrative expenses:		(321,917)		(343,300)
a) personnel expenses	(184,942)		(201,967)	
b) other administrative expenses	(136,975)		(141,333)	
200. Net accruals to provisions for risks and charges		(1,664)		(10,061)
a) commitments and guarantees given	1,836		86	
b) other net accruals	(3,500)		(10,147)	
210. Depreciation and net impairment losses on property, equipment and investment property		(25,673)		(27,269)
220. Amortisation and net impairment losses on intangible assets		(6,096)		(5,315)
230. Other operating net income		39,964		34,253
240. Operating costs		**(315,386)**		**(351,692)**
250. Net gains on equity investments		1,792		1,357
260. Net result of property, equipment and investment property and intangible assets at fair value measured at fair value		-		(137)
280. Net gains on sales of investments		33,788		5,312
290. Pre-tax profit from continuing operations		**62,433**		**10,765**
300. Income taxes		3,189		22,681
330. Profit for the period		**65,622**		**33,446**
340. Loss for the period attributable to non-controlling interests		2		-
350. Profit for the period attributable to owners of the parent		**65,624**		**33,446**

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