



**Creval**

# Into execution phase

1H19 Financial Results

Milan, 7<sup>th</sup> August 2019



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

# 1H 2019 Results: Executive summary

---



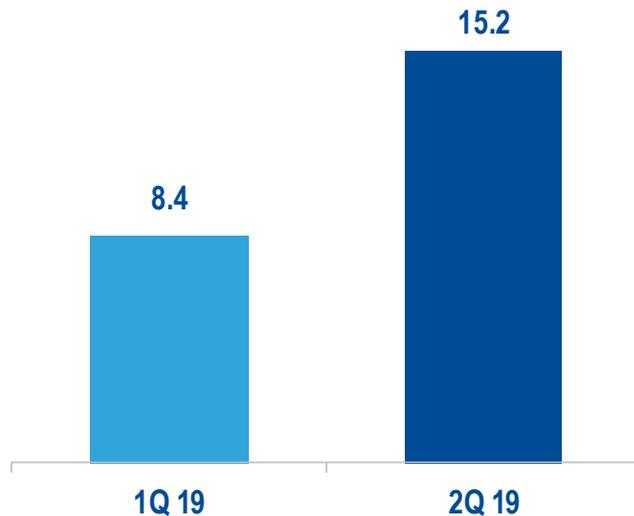
- Net profit at €23.5m in 1H 2019 compared to €0.8m in 1H 2018
- Business Plan actions to dispose NPEs on track with positive gains off-setting additional LLPs already recorded in 2Q
- Commercial focus results in further deposits growth, +16.5% y/y, and positive dynamic in Retail lending
- Costs lower both quarterly and compared with last year
- NPE coverage increased to 58.9% vs. 55.9% as at 31/12/2018. Bad loans to 81.4% vs. 75.1%
- Strong capital and liquidity position with CET1 ratio FL at 14.0% (SREP 8.25%), LCR and NSFR well above 100%

# Net profit



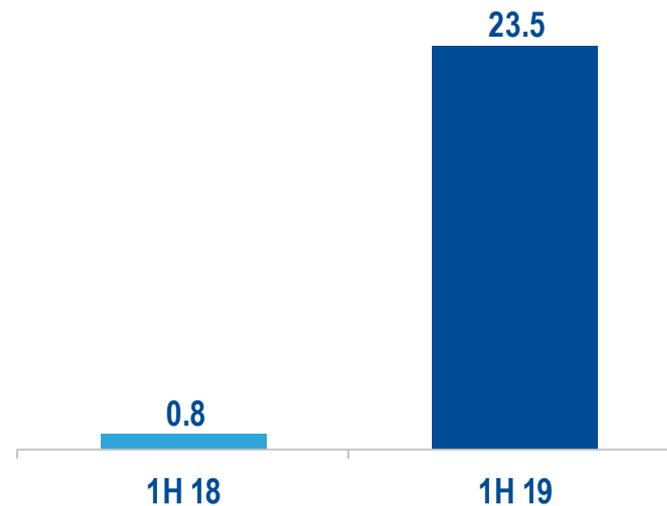
Quarterly evolution

€/m



Yearly evolution

€/m



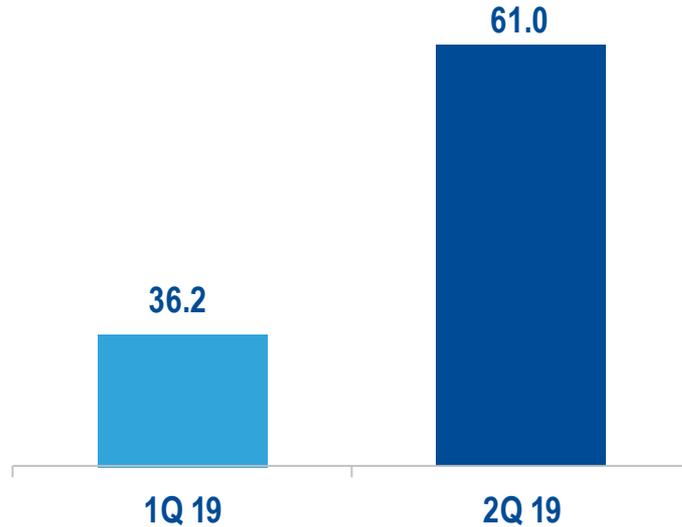
- 1H 2019 net profit at €23.5m with positive quarterly dynamic supported by one off transactions compensating LLPs related to planned NPEs disposal

# Net operating income



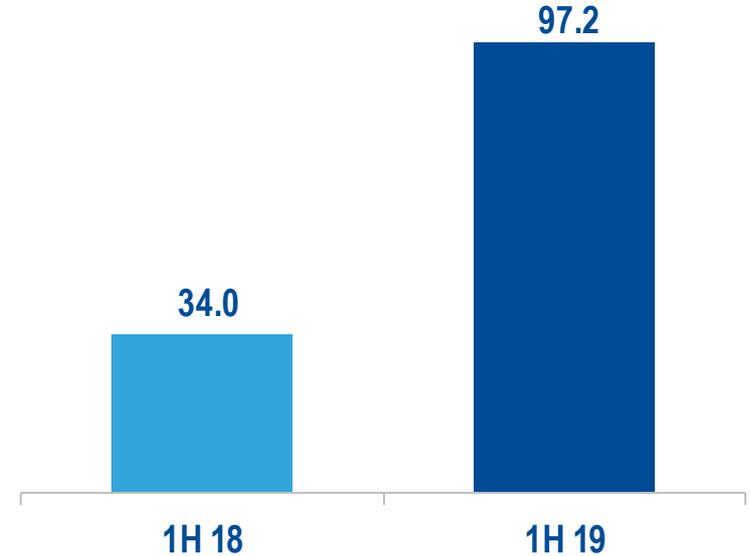
Quarterly evolution

€/m



Yearly evolution

€/m



- Positive dynamic of the net operating income both on yearly and quarterly basis

# Operating income



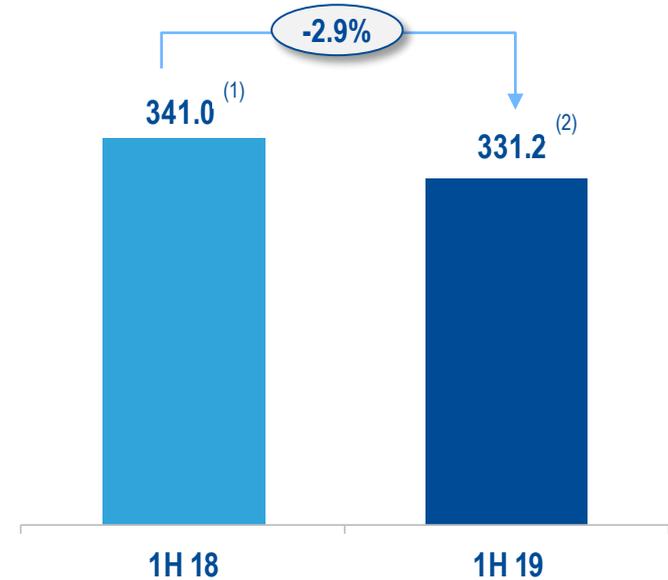
## Quarterly evolution

€/m



## Yearly evolution

€/m



- Positive quarterly dynamic of operating income, supported by one off transaction. 1H19 income at the level of €331m above to last year on comparable terms

(1) Includes €17.9m NII of NPE sold, €16m up-front fees on AUM products, €16.5m trading result

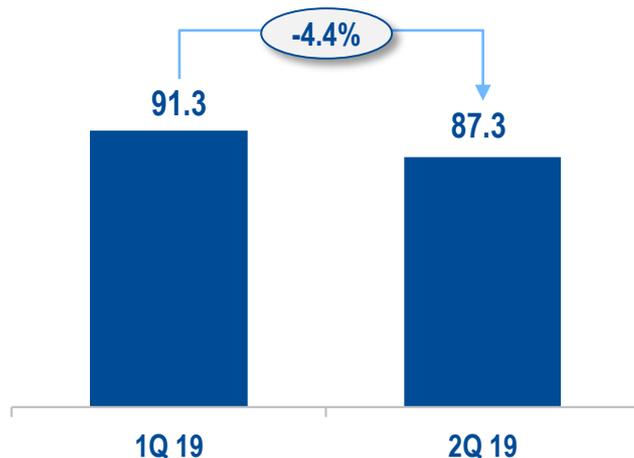
(2) Includes €21.9m cap. gain on Nexi stake

# Net Interest Income



## Quarterly evolution

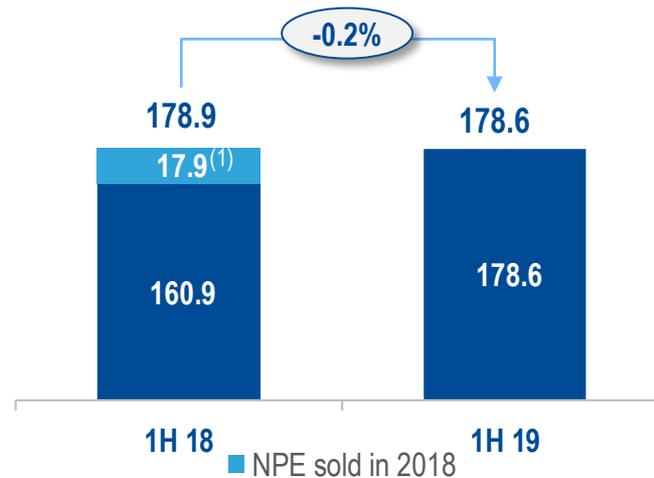
€/m



	1Q 19	2Q 19
Asset Yield	2.15%	2.20%
Liability Cost	0.35%	0.45%
Net Interest Spread	1.80%	1.75%

## Yearly evolution

€/m



	1H 18	1H 19
Asset Yield	2.26%	2.18%
Liability Cost	0.45%	0.39%
Net Interest Spread	1.81%	1.79%

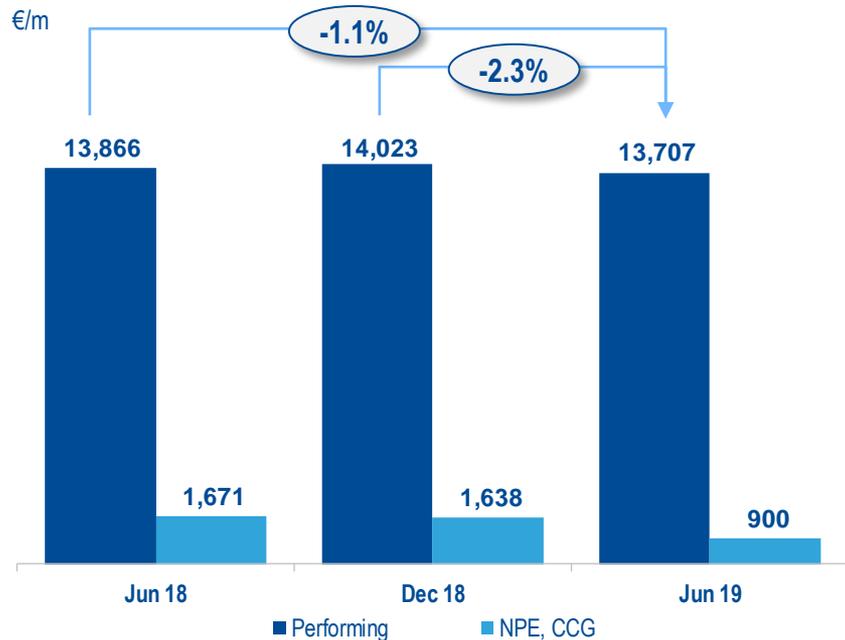
- NII confirming last year's level, despite the impact of IFRS 16 and sold NPE portfolio

(1) Management data.

# Net customer loans



## Net loans<sup>(1)</sup>



## Retail



## Corporate



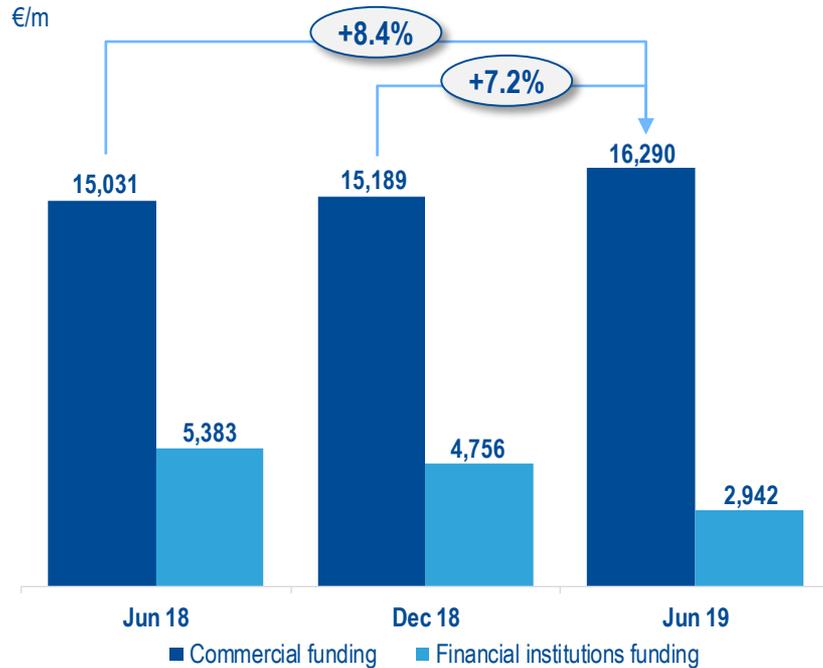
- Dynamic of performing loans driven by the increased focused on retail customers

(1) Excluding securities (€5.9bn as at Jun,18; €5.8bn as at Dec,18; €5.1bn as at Jun,19).

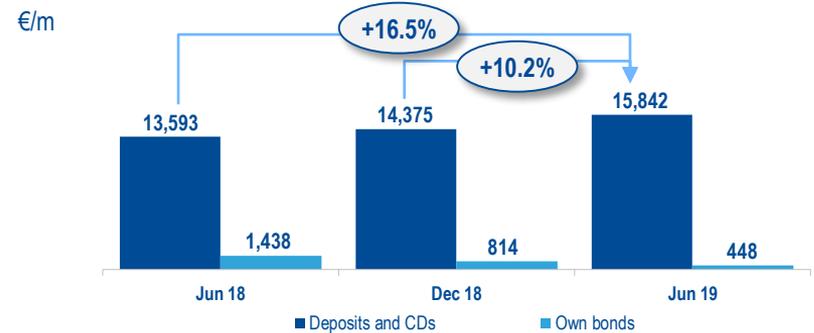
# Funding composition



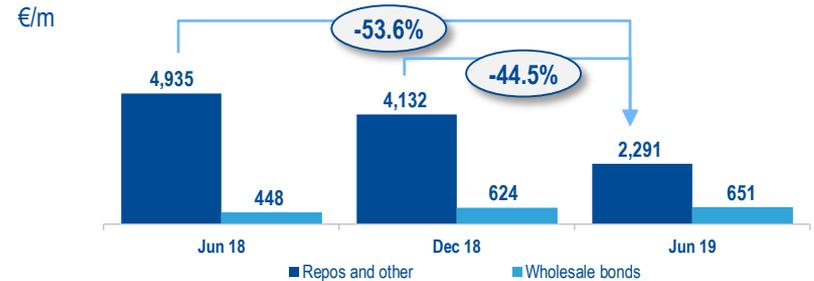
## Direct funding



## Commercial funding



## Financial institutions funding



- Significant increase in the commercial funding driven by deposits (+16.5% y/y and +10.2% ytd)

# Indirect funding

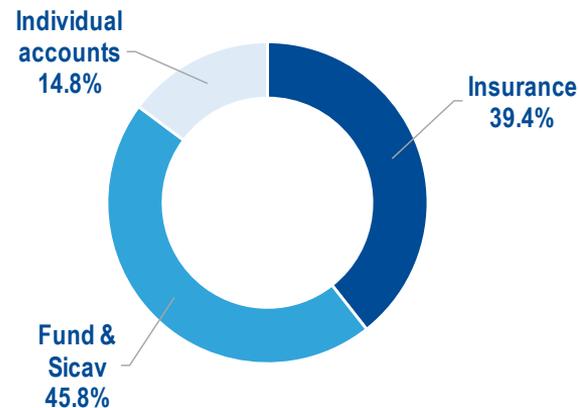


## Indirect funding breakdown

€/m



## AuM breakdown as at 30<sup>th</sup> June 2019

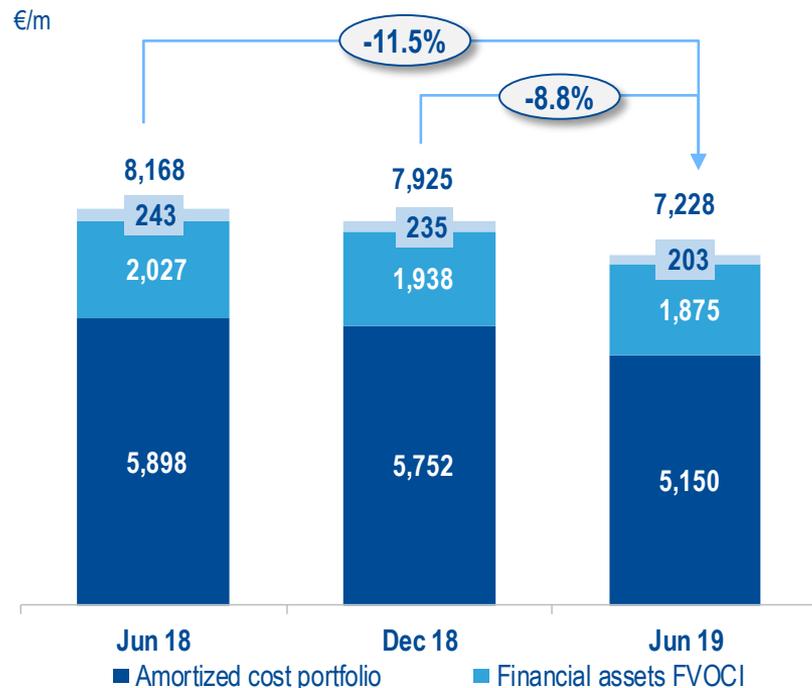


- Indirect funding increased by 2.6% in 1H19 driven by positive AuM performance

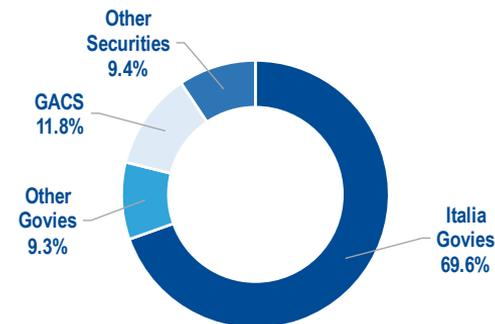
# Securities portfolio breakdown



## Securities portfolio<sup>(1)</sup>



## Portfolio breakdown as at 30<sup>th</sup> June 2019



## Evolution of Government portfolio

€/m

	Dec 18	Mar 19	Jun 19	Chg. QoQ
Govies ITA	5,295	5,025	5,028	+3
Other govies	974	675	672	-3
<b>Total</b>	<b>6,269</b>	<b>5,700</b>	<b>5,700</b>	<b>-</b>
FVOCI reserve	-20	-12	-5	+7

- Securities portfolio decreased by 11.5% y/y and 8.8% ytd following the ongoing reduction strategy

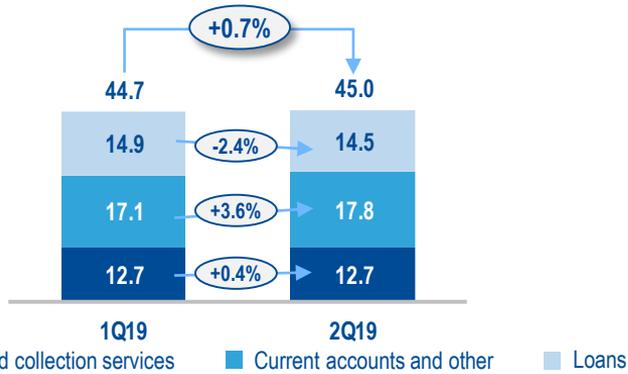
(1) Excluding loans and receivables with Banks.

# Net fee and commission income



## Quarterly evolution

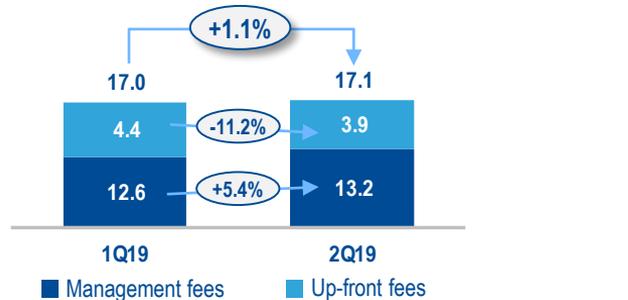
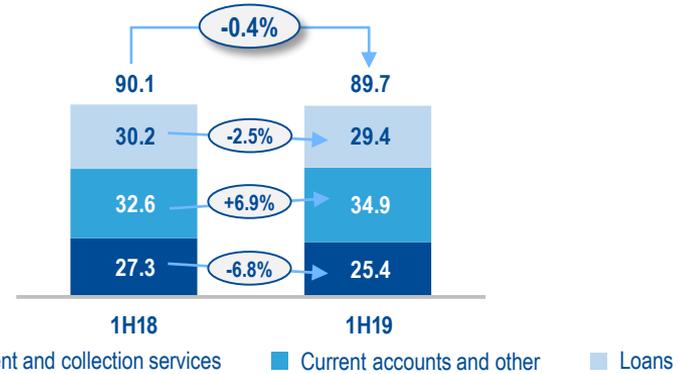
€/m



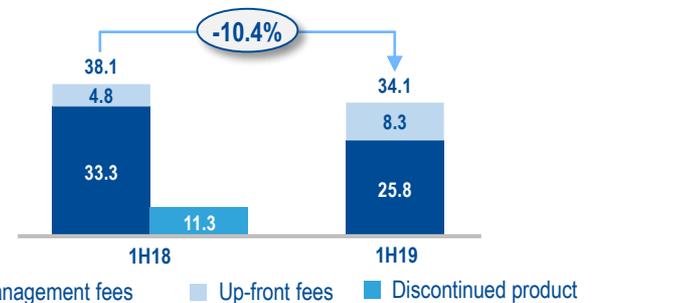
## Banking fees

## Yearly evolution

€/m



## AuM fees



• Quarterly positive dynamic of fees. Yearly trend affected by special campaign last year

# Operating costs (1/2)



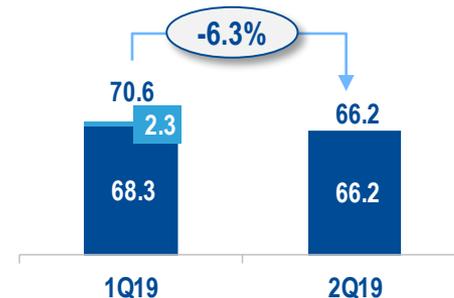
## Operating costs

€/m



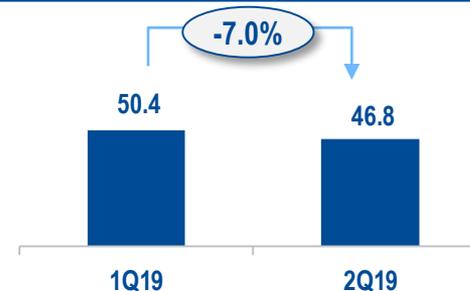
## HR costs

€/m



## Other costs and depreciations

€/m



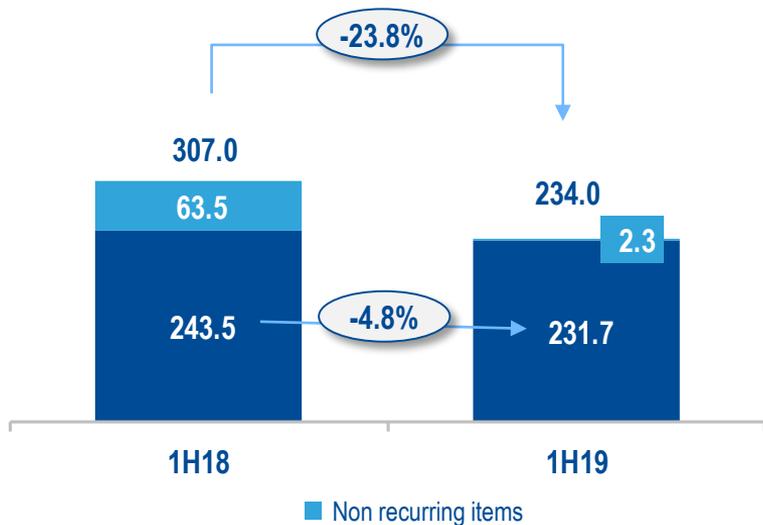
- Operating cost down q/q driven by reduction both in HR and non-HR costs

# Operating costs (2/2)



## Operating costs

€/m



Cost/Income<sup>1</sup>

71.4%

70.0%

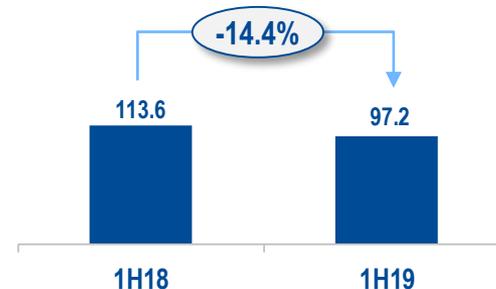
## HR costs

€/m



## Other costs and depreciations

€/m



- Recurring operating costs down y/y thanks to the reduction of other costs and depreciations.
- Comparable HR costs marginally higher due to variable part and potential contractual salaries rise

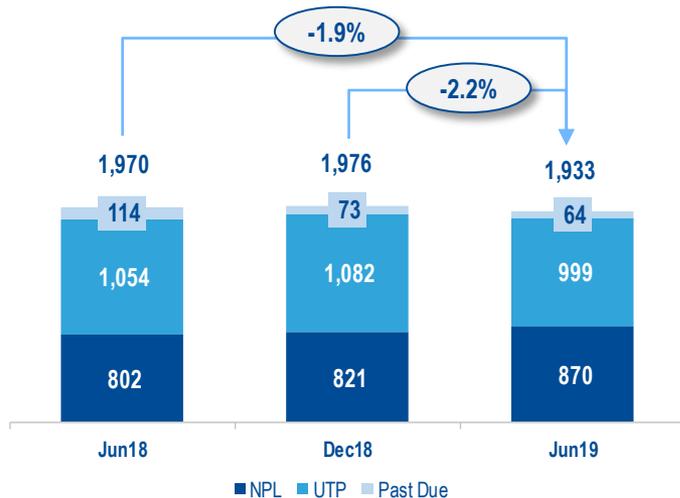
(1) Excluding non recurring items

# Asset quality (1/2)



## Gross NPE

€/m



Gross NPE ratio<sup>1</sup>

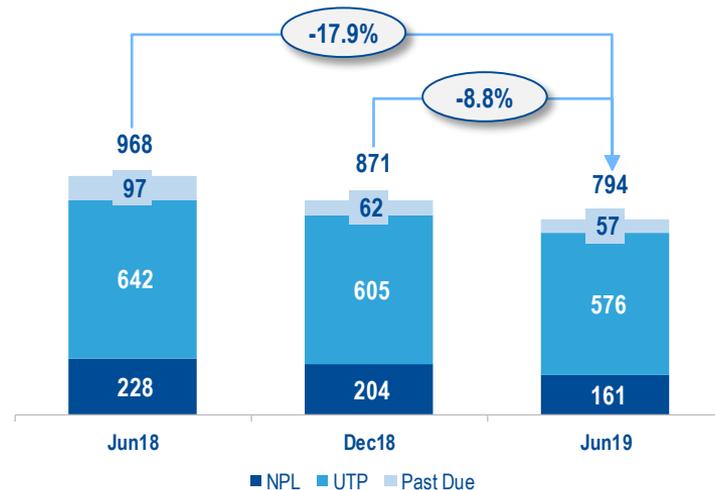
11.2%

11.0%

11.4%

## Net NPE

€/m



Net NPE ratio<sup>1</sup>

5.9%

5.2%

5.1%

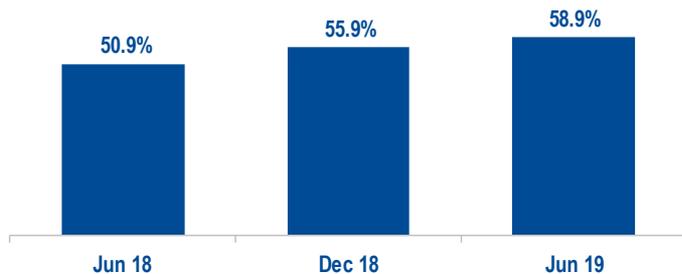
- Gross and net NPE decreased both on annual and quarterly basis

(1) Excluding Government bonds

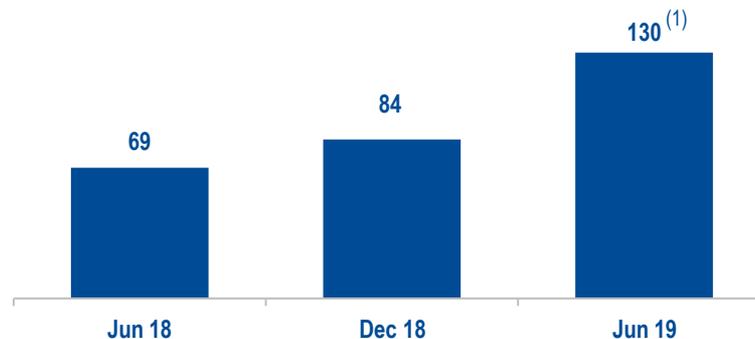
# Asset quality (2/2)



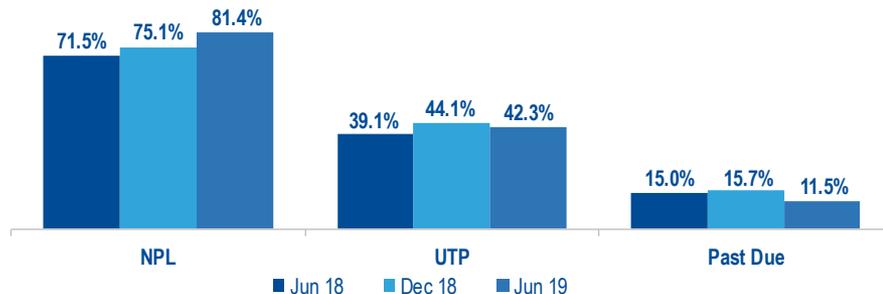
### Total NPE coverage



### Cost of risk (bps)



### NPE coverage breakdown

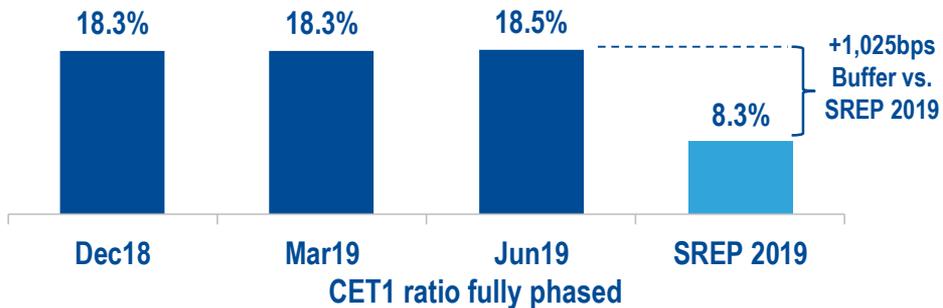


- Coverage ratios up following the increase in the LLPs aimed at accelerating the NPE disposal

(1) Includes the additional LLPs related to the implementation of the business plan NPL disposal



## CET1 ratio phased-in



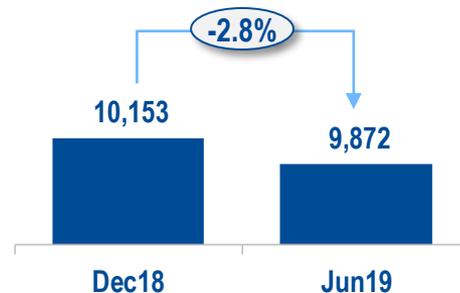
## Regulatory capital ratios phased-in

	Dec-18	Jun-19	2019 SREP
CET1 ratio (%)	18.3%	18.5%	8.25%
Tier 1 ratio (%)	18.3%	18.5%	9.75%
Total Capital ratio (%)	20.2%	20.3%	11.75%



## RWA – phased-in

€/m



- Excellent solidity confirmed by the large buffer vs. SREP

# 1H 2019 Results: Conclusions

---



- **Net profit reported at €23.5m after 6 months of 2019 compared to €0.8m in 1H 2018, after additional LLPs for the disposal of 800m NPE**
- **Commercial focus expected to deliver acceleration on results to be already visible in the second half of the year**
- **Actions aimed at increasing cost efficiency will continue**
- **Strong capital and liquidity ensuring safe and sustainable growth in line with the business plan**



**Creval**

**Annexes**

# Reclassified Balance Sheet - Assets



€/000

ASSETS	30/06/2019	31/12/2018	Change
Cash and cash equivalents	168,203	200,153	-15.96%
Financial assets at fair value through profit or loss	202,800	235,378	-13.84%
Financial assets at fair value through other comprehensive income	1,874,934	1,937,531	-3.23%
Loans and receivables with banks	1,251,681	1,205,925	3.79%
Loans and receivables with customers	19,757,148	21,413,093	-7.73%
Equity investments	17,702	20,269	-12.66%
Property, equipment and investment property and intangible assets (1)	609,177	447,642	36.09%
Non-current assets held for sale and disposal groups	86,099	75,548	13.97%
Other assets (2)	1,056,421	937,130	12.73%
<b>Total assets</b>	<b>25,024,165</b>	<b>26,472,669</b>	-5.47%

# Reclassified Balance Sheet – Liabilities and equity



€/000

LIABILITIES AND EQUITY	30/06/2019	31/12/2018	Change
Due to banks	3,232,949	4,096,231	-21.08%
Direct funding from customers (1)	19,231,732	19,944,672	-3.57%
Financial liabilities held for trading	63	64	-1.56%
Hedging derivatives	158,934	134,545	18.13%
Liabilities included in disposal groups classified as held for sale	2,347	2,271	3.35%
Other liabilities	539,498	491,739	9.71%
Provisions for specific purpose (2)	244,953	236,885	3.41%
Equity attributable to non-controlling interests	20	20	-
Equity (3)	1,613,669	1,566,242	3.03%
<b>Total liabilities and equity</b>	<b>25,024,165</b>	<b>26,472,669</b>	<b>-5.47%</b>

# Reclassified Income Statement



€/000

ITEMS	1H 2019	1H 2018	Change
<b>Net interest income</b>	<b>178,573</b>	<b>178,879</b>	<b>-0.17%</b>
Net fee and commission income	123,807	139,422	-11.20%
Dividends and similar income	924	1,867	-50.51%
Profit of equity-accounted investments	817	1,299	-37.11%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases	22,775	16,473	38.26%
Other operating net income	4,326	3,039	42.35%
<b>Operating income</b>	<b>331,222</b>	<b>340,979</b>	<b>-2.86%</b>
Personnel expenses	(136,811)	-193,432	-29.27%
Other administrative expenses	(75,346)	-100,957	-25.37%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets	(21,855)	-12,567	73.91%
<b>Operating costs</b>	<b>(234,012)</b>	<b>-306,956</b>	<b>-23.76%</b>
<b>Net operating profit</b>	<b>97,210</b>	<b>34,023</b>	<b>185.72%</b>
Impairment or reversal of impairment and modification gains (losses)	(101,862)	22,202	n.s.
Profit (Losses) on derecognition of financial assets valued at the amortised cost	6,292	-95,220	n.s.
Net accruals to provisions for risks and charges	(10,551)	-4,575	n.s.
Net gains (losses) on sales of invest. and valuation differences on property and equipment at fair value	5,211	-19	n.s.
Badwill	-	15,357	n.s.
<b>Pre-tax loss from continuing operations</b>	<b>(3,700)</b>	<b>(28,232)</b>	<b>-86.89%</b>
Income taxes	27,246	30,777	-11.47%
<b>Post-tax profit from continuing operations</b>	<b>23,546</b>	<b>2,545</b>	<b>n.s.</b>
Profit for the period attributable to non-controlling interests	-	(1,721)	n.s.
<b>Profit for the period</b>	<b>23,546</b>	<b>824</b>	<b>n.s.</b>



Investor Relations

*T. +39 02 80637127*

*Email: [investorrelations@creval.it](mailto:investorrelations@creval.it)*