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Credito Valtellinese

PRESS RELEASE

COMPREHENSIVE ASSESSMENT RESULTS WERE RELEASED TODAY

CREVAL PASSED THE TEST FACTORING IN THE CAPITAL STRENGTHENING MEASURES TAKEN BY THE GROUP IN 2014

Sondrio, 26 October 2014 – The *Comprehensive Assessment* (CA) final results were released earlier today. The exercise was conducted by the European Central Bank (ECB) in cooperation with the National Competent Authorities (NCA) – i.e. the Bank of Italy for our country – and was aimed at providing an in-depth assessment of banks' capital soundness prior to assuming full responsibility for supervision under the Single Supervisory Mechanism (SSM) in November 2014. 130 Eurozone-based banks, including those of Lithuania, were subjected to the comprehensive assessment exercise. Together, they account for 85% of overall banking activities.

The comprehensive assessment is an important first step towards enhancing the transparency of the banks' balance sheets and consistency of supervisory practices in Europe. The assessment started in November 2013 and took 12 months to complete. The comprehensive assessment was carried out by the ECB in collaboration with the National Competent Authorities (NCAs) of the Member States participating in the SSM, and supported at all levels by independent third parties.

The assessment exercise relies on two main pillars:

*• an **Asset Quality Review** (**AQR**) – to enhance the transparency of bank balance sheets by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions;*

*• a **Stress Test** – performed in close cooperation with the European Banking Authority (EBA). The test examined the resilience of banks' balance sheets to stress scenarios. The outcomes of the stress test reflect the predefined baseline and adverse stress test scenario, where the baseline scenario assumptions about the worsening of the economic cycle are more conservative whilst those of the adverse scenario are highly unfavourable.*

For the Creval Group, the Comprehensive Assessment led to a positive outcome, factoring in the capital strengthening measures taken by the Group in 2014 - EUR 415 million - as outlined in the table below.

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Results of the Comprehensive Assessment

	Results disclosed by the ECB						Excess/Shortfall after the AQR, including main capital strengthening measures	Results including other capital strengthening measures	
	Excess/Shortfall after the AQR	Excess/Shortfall after the ST baseline	Excess/Shortfall after the ST adverse	Min Excess/Max Shortfall	Main capital strengthening measures (1)	Excess/Shortfall, including main capital strengthening measures		Other capital strengthening measures (2)	**Final Excess/Shortfall, including all capital strengthening measures**
	A	B	C	D = min(A,B,C)	E	F = D+E	**G = A+E**	H	**I = D+E+H**
Mill. EUR	-88.05	-196.99	-376.66	-376.66	415	38.34	**326.95**	12.00	**50.34**

(1) Include the EUR 400 million capital increase completed in June 2014, the ordinary and extraordinary exercise of "Warrant Azioni Ordinarie Creval 2014" (EUR 13 million) and the benefit of the measurement of the shareholdings of Bank of Italy (EUR 2 million).

(2) Include the disposal of Creval's *leasing* business unit to Alba Leasing (EUR 11.77 million of capital gain and EUR 56 million as RWA reduction)

Adjusted CET1 ratio after stress test adverse scenario, including all eligible capital strengthening actions undertaken between 1 January and 20 September 2014 (*RWAs used for the calculation are those of the worst year in the relevant scenario*)	**5.8%**

Following the outcome of the comprehensive assessment exercise and taking into account all capital strengthening measures taken by Creval over the course of 2014 – mainly the EUR 400 million capital increase completed in June which, alone, would have sufficed to cover the maximum capital shortfall identified by the CA exercise – the adjusted CET1 Ratio after stress test adverse scenario comes in at **5.8%.**

As Creval calculated the ratio applying the standard methodology of RWAs for credit risk, **it does not include the benefit deriving from the Advanced Internal Rating Based model validation, estimated in approx. 130 *basis points***, as pointed out with reference to the *risk optimization* and *capital management* actions outlined in the 2014-2016 business plan.

* * *

The comprehensive assessment is prudential in nature. Accounting rules were an important consideration. For the purposes of the exercise, the ECB was not bound by accounting rules where the application of prudential or economic judgement led to an alternative result. It should also be noted, that because the exercise is prudential it does not necessitate accounting changes.

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Further details on the results of the AQR and stress test under the baseline and adverse scenarios as well as information on credit exposures and exposures to central and local governments are provided in the complete Disclosure Templates available on the ECB and EBA websites, as well as on Creval's website.

The outcomes of the stress test reflect the predefined baseline and adverse stress test scenario that are designed as 'what-if' scenarios including plausible but extreme assumptions, which are therefore not very likely to materialize and that cannot be considered as forecasts of financial performance nor forecasts of capital ratios.

Annexed to this press release is Section 1. 'MAIN RESULTS AND OVERVIEW' of the *Disclosure Template* the ECB published on Credito Valtellinese.

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