GRUPPO BANCARIO
Credito Valtellinese

PRESS RELEASE

CONSOLIDATED RESULTS AS AT 31 MARCH 2015

- ✓ GOOD PERFORMANCE OF THE OPERATING RESULTS, WITH THE OPERATING PROFIT ALSO SUPPORTED BY THE INCREASE IN COMMISSION MARGINS (+3.8%); FEES AND COMMISSIONS FROM ASSET MANAGEMENT AND FINANCE ACTIVITIES AT 20.7 MILLION, +13.1%
- ✓ THE DECLINE IN CREDIT TO HOUSEHOLDS AND BUSINESSES STOPS: GROSS "COMMERCIAL" LOANS ALMOST UNCHANGED IN THE FIRST QUARTER COMPARED TO THE END 2014
- ✓ COST OF CREDIT RISK IN GRADUAL NORMALISATION
- ✓ THE PENETRATION IN THE HOUSEHOLDS SECTOR ACCELERATES: MORTGAGES GRANTED TO PRIVATE CUSTOMERS (JANUARY 2015 – APRIL 2015) EUR 167 MILLION, UP BY 90% COMPARED TO THE SAME PERIOD OF THE PREVIOUS FINANCIAL YEAR (88 MILLION BETWEEN JANUARY 2014 AND APRIL 2014)
- ✓ OPERATING COSTS FURTHER DECREASED, WITH A COST/INCOME DOWN BY 53.7%
- ✓ THE SOUND EQUITY WAS CONFIRMED, WITH A COMMON EQUITY TIER 1 RATIO OF 11.1% (11.6% FULLY LOADED)
- ✓ LIQUIDITY INDICATORS: LIQUIDITY COVERAGE RATIO AT 153% - NET STABLE FUNDING RATIO AT 135%

- Operating income: EUR 229 million (- 1.8% y-o-y)
- Operating costs: EUR 123 million (- 2.3% y-o-y)
- Operating profit: EUR 106 million (-1.2% y-o-y)
- Impairment losses on loans and receivables and other financial assets: EUR 67.5 million
- Net profit for the period: EUR 23.4 million

- Direct funding: EUR 23.3 billion (included EUR 3.5 billion of deposits from central counterparties)[1]
- Indirect funding: EUR 12.9 billion (+ 7.9% compared to 31 December 2014)
- Loans and receivables with customers: EUR 18.6 billion (- 2.1% compared to 31 December 2014)

[1] Cassa di Compensazione e Garanzia and Cassa Depositi e Prestiti

Sondrio, 12 May 2015 - The Board of Directors of Credito Valtellinese approved the consolidated results as at 31 March 2015, which confirmed the resilience of operating margins from customers, despite the compression in market interest rates and subdued volumes. The favourable performance of financial markets - with positive repercussions on fees and commissions and on the results of securities management – and the gradual normalisation of the cost of credit risk, after the full implementation of the Asset Quality Review (AQR) results of last year, support the net profit/loss for the period, anticipating the performance of the coming quarters and the achievement of the objectives set for the current year.

Statement of financial position aggregates

As at 31 March 2015, **loans and receivables with customers** stood at EUR 18.6 billion, down 2.1% compared to EUR 19 billion as at 31 December 2014. However, the reduction is slowing down, the new granting of loans to businesses and, even more, of mortgages for purchasing properties, seem to confirm the first signs of reversal of the negative cycle.

Positive signs also appear with regard to credit quality. During the period, there was a further slowdown in the flow of new problem loans, especially for the less risky categories. At the end of the period **Non-Performing Exposure (NPE)** net of impairment losses, totalled approximately EUR 3.3 billion, compared to EUR 3.2 billion as at 31 December 2014.

Non-performing loans totalled EUR 1,160 million, increasing by 5.3% compared to EUR 1,102 million as at 31 December 2014, with a coverage ratio of 55.3%. Based on the new definitions of non-performing exposure (NPE) issued by the EBA and adopted by the Bank of Italy, other doubtful loans amounted to EUR 2,152 million, of which EUR 1,603 million due to "unlikely to pay" and EUR 548 million due to past-due exposures. At the end of 2014, other doubtful loans, based on the definitions of impaired financial assets in force then, totalled EUR 2,090 million.

Direct funding amounted to EUR 23.3 billion, up by 12.3% compared to December 2014. Net of the component referring to central counterparties, the funding stood at EUR 19.8 billion, decreasing by 3.4%, essentially due to the re-composition of the total funding towards the indirect funding.

Indirect funding amounted to EUR 12.9 billion, up by 7.9% compared to EUR 12 billion in December 2014, driven by the increase in the component referring to "managed funds", which totalled EUR 6.5 billion, up by 11% compared to EUR 5.8 billion at the end of last year.

Financial assets amounted to EUR 7.8 billion. Of these, EUR 7.6 billion were represented by Italian government securities, mainly classified in the AFS (Available for sale) portfolio, with a duration of approximately 3.1 years, considering the transactions for interest-rate risk hedging. The valuation reserve on AFS securities, recorded among equity items, was positive by EUR 98 million compared to EUR 14 million at the end of 2014.

The **liquidity position** further improved. The net balance of overall liquidity at three months is currently equal to EUR 7 billion. The exposure to the ECB for refinancing operations TLTRO (Targeted Longer-Term Refinancing Operations) currently stands at EUR 1.5 billion.

The liquidity requirements – LCR and NSFR – were already well above the minimum levels required by Basel 3.

Equity and capital ratios

The **equity** attributable to owners of the parent as at 31 March 2015 amounted to EUR 2,131 million. The common equity TIER1, without net income of the period, amounted to 1,845 million in connection with risk-weighted assets of EUR 16,678 million.

The capital ratios amounted to:

- **11.1%** for the phased in **Common Equity Tier1 ratio**,
- **13.6%** for the phased in **Total Capital ratio**.

Income statement

In the first quarter of 2015, **net interest income** amounted to EUR 117 million, down by 8% compared to EUR 127 million of the first quarter of the previous financial year, however slightly improving on a quarterly basis despite the performance of interest rates, the failure to recover the volumes and lower contribution of interests on securities. The commercial spread further improved, reaching 2.59%.

Net fee and commission income amounted to EUR 68.5 million, up by 3.8% year on year, mainly due to the more than positive trend of the fee and commissions on managed funds, which allowed to counterbalance the deceleration of the components relating to lending and payment collection services.

Net trading and hedging income and profit on sales/repurchases grew significantly, reaching EUR 35 million, compared to EUR 30.6 million of the prior year, entirely due to profits realised on portfolio Government securities, thanks to the favourable conditions of the financial markets. Net gains on equity-accounted investments contributed by EUR 4.2 million almost in line with the same period of 2014.

Operating income totalled EUR 229 million decreasing by 1.8% compared to EUR 233 million of the corresponding prior period.

Operating costs totalled EUR 123 million decreasing by 2.3%, compared to EUR 126 million of the corresponding period of 2014.

The **operating profit** reached EUR 106 million, decreasing by 1.2% year on year.

Net impairment losses on loans and receivables and other financial assets, which reached EUR 67.5 million, decreased significantly compared to EUR 102 million of the same period of 2014. After the substantial provisions made, also in implementation of the AQR results as a whole, the cost of credit risk, equal to 145 basis points, showing a substantial stabilisation.

Pre-tax profit from continuing operations amounted to approximately EUR 38.6 million, compared to EUR 4.7 million of the first quarter of 2014.

Income taxes for the period of EUR 13.9 million and profit attributable to non-controlling interests amounting to EUR 1 million, fix the **profit for the period** of EUR 23.4 million, compared to a break-even point in the first quarter of last year.

Current-year outlook

The macroeconomic scenario in the Eurozone seems to indicate a significant improvement and the beginning of a growth phase, driven by the depreciation of the Euro, the marked reduction in oil prices and the actions of the ECB - the Public Sector Purchase Program (QE), the TLTRO operations. At the end of the recession in the fourth quarter of 2014, the recovery should continue in the first quarter of 2015 also for the Italian economy, supported by all the components of aggregate demand. Quality indicators report an improvement of the confidence of businesses and households as well.

In this scenario, credit should increase at the end of 2015, with a gradual improvement also of the credit quality and of the net interest income. Non-performing loans are still expected to grow, albeit at progressively lower rates. Adjustments on loans, albeit in decline, will limit the comprehensive income; in this context, Creval expects a decline in the cost of credit during the year, in line with the targets of the Business Plan. Vice versa, the margins of commercial banking will be supported by a further improvement of spread from customers, mainly due to lower funding costs, and by the increase in net fee and commission income, offsetting the expected lower contribution from interest on securities. The operating costs are expected to further decrease in the second half of the year, also due to savings expected from the full implementation of the labour agreement signed in December last year.

Declaration of the Manager in charge of financial reporting

The Manager in charge of financial reporting, Simona Orietti, hereby declares that, pursuant to Article 154-bis, paragraph 2 of the Consolidated Finance Act, the accounting information provided in this report matches the information reported in the company’s documents, books and accounting records.

Signed Simona Orietti

GRUPPO BANCARIO Credito Valtellinese

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The Managing Director, Miro Fiordi, will present the consolidated results as at 31 March 2015 to the financial community, during a conference call scheduled for today 12 May at 4.30 p.m. (CET).

Financial statement highlights and the reclassified consolidated Statement of financial position and Income Statement are set below.

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FINANCIAL STATEMENT HIGHLIGHTS AND PERFORMANCE INDICATORS

(figures in thousands of EUR)

STATEMENT OF FINANCIAL POSITION	31/03/2015	31/12/2014	% change
(in thousands of EUR)			
Loans and receivables with customers	18,614,292	19,004,863	-2.06
Financial assets and liabilities	7,485,287	6,539,442	14.46
Equity Investments	206,654	200,797	2.92
Total assets	29,437,878	28,813,556	2.17
Direct funding from customers	23,297,163	20,745,569	12.30
Indirect funding from customers	12,911,913	11,963,332	7.93
of which:			
- Managed funds	6,510,061	5,848,254	11.32
Total funding	36,209,076	32,708,901	10.70
Equity	2,131,261	2,020,106	5.50

SOLVENCY RATIOS	31/03/2015	31/12/2014
Common equity tier 1 capital / Risk-weighted assets (CET1 capital ratio)	11.1%	11%
Tier 1 Capital/Risk-weighted assets (Tier1 capital ratio)	11.1%	11%
Total own funds / Risk-weighted assets (Total capital ratio)	13.6%	14%

FINANCIAL STATEMENT RATIOS	31/03/2015	31/12/2014
Indirect funding from customers / Total funding	35.7%	36.6%
Managed funds / Indirect funding from customers	50.4%	48.9%
Direct funding from customers/ Total liabilities	79.1%	72.0%
Customer loans / Direct funding from customers	79.9%	91.6%
Customer loans / Total assets	63.2%	66.0%

CREDIT RISK	31/03/2015	31/12/2014	% change
Net non-performing loans (in thousands of EUR)	1,160,433	1,101,939	5.31
Other net doubtful loans (in thousands of EUR)	2,151,757	2,090,157	2.95
Net non-performing loans / Loans and receivables with customers	6.2%	5.8%	
Other net doubtful loans / Loans and receivables with customers	11.6%	11.0%	
Coverage ratio of non-performing loans	55.3%	56.0%	
Coverage ratio of other doubtful loans	18.7%	18.9%	
Cost of credit (*)	1.45%	3.41%	

(*) Calculated as the ratio between net impairment losses on loans and year-end loans.

ORGANISATIONAL DATA	31/03/2015	31/12/2014	% change
Number of employees	4,322	4,275	1.10
Number of branches	539	539	-
Banc@perta line users	247,883	243,557	1.78

OTHER FINANCIAL INFORMATION	Q1 2015	2014	Q1 2014
Cost/Income ratio	53.7%	55.8%	54.0%

2014 figure calculated net of non-recurring expenses related to the implementation of the redundancy fund and of the impairment of the customer lists; figure of the first quarter of 2014 restated in accordance with the provisions of IFRS 5.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(figures in thousands of EUR)

ASSETS	31/03/2015	31/12/2014	% change
Cash and cash equivalents	159,122	194,289	-18.10
Financial assets held for trading	412,383	61,787	n./a.
Available-for-sale financial assets	7,436,450	6,789,606	9.53
Loans and receivables with banks	779,573	839,489	-7.14
Loans and receivables with customers	18,614,292	19,004,863	-2.06
Equity Investments	206,654	200,797	2.92
Property, equipment and investment property and intangible assets (1)	658,257	663,968	-0.86
Non-current assets held for sale and disposal groups	3,158	3,191	-1.03
Other assets (2)	1,167,989	1,055,566	10.65
Total assets	**29,437,878**	**28,813,556**	2.17

(1) Includes financial statement position items “120. Property, equipment and investment property” and “130. Intangible assets”.
(2) Includes items “140. Tax assets” and “160. Other assets".

LIABILITIES AND EQUITY	31/03/2015	31/12/2014	% change
Due to banks	2,401,288	4,837,374	-50.36
Direct funding from customers (1)	23,297,163	20,745,569	12.30
Financial liabilities held for trading	4,021	3,233	24.37
Hedging derivatives	359,525	308,718	16.46
Liabilities associated with disposal groups	736	573	28.45
Other liabilities	937,575	635,058	47.64
Provisions for specific purpose (2)	302,059	258,471	16.86
Equity attributable to non-controlling interests	4,250	4,454	-4.58
Equity (3)	2,131,261	2,020,106	5.50
Total liabilities and equity	**29,437,878**	**28,813,556**	2.17

(1) Includes items "20. Due to customers" and "30. Securities issued".
(2) Include items “80. Tax liabilities”, “110. Post-employment benefits” and “120. Provisions for risks and charges”.
(3) Includes items "140. Valuation reserves", "160. Equity instruments", "170. Reserves", "180. Share premium reserve", "190. Share capital", "200. Treasury shares” and "220. Profit (loss) for the period".

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PRESS RELEASE

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(figures in thousands of EUR)

ITEMS	Q1 2015	Q1 2014	% change
Net interest income	**117,051**	**127,247**	**-8.01**
Net fee and commission income	68,521	66,012	3.80
Net gains on equity-accounted investments (1)	4,244	4,443	-4.48
Net trading and hedging income (expense) and profit (loss) on sales/repurchases	34,949	30,565	14.34
Other operating net income (4)	4,441	5,230	-15.09
Operating income	**229,206**	**233,497**	**-1.84**
Personnel expenses	(74,228)	(74,609)	-0.51
Other administrative expenses (2)	(40,193)	(42,288)	-4.95
Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets (3)	(8,672)	(9,144)	-5.16
Operating costs	**(123,093)**	**(126,041)**	**-2.34**
Operating profit	**106,113**	**107,456**	**-1.25**
Net impairment losses on loans and receivables and other financial assets	(67,512)	(102,237)	-33.97
Net accruals to provisions for risks and charges	-	(347)	-100.00
Net gains (losses) on sales of investments	(37)	(158)	-76.58
Pre-tax profit from continuing operations	**38,564**	**4,714**	**n./a.**
Income taxes	(13,884)	(2,860)	n./a.
Post-tax profit from continuing operations	**24,680**	**1,854**	**n./a.**
Profit from discontinued operations	(277)	(210)	31.90
Profit for the period attributable to non-controlling interests	(1,030)	(808)	27.48
Profit (Loss) for the year	**23,373**	**836**	**n./a.**

(1) Net gains on equity-accounted investments includes net gains/losses on equity-accounted investments included in the item 240 "Net gains on investments". The residual amount of that item is included in gains on sales of investments, together with item 270 "Net gains (losses) on sales of investments";

(2) Other administrative expenses include taxes and other recoveries recognised to item "220. Other operating net income" (EUR 14,592 thousand in the first quarter of 2015 and EUR 14,094 thousand in the first quarter of 2014);

(3) Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets include items 200 "Depreciation and net impairment losses on property, equipment and investment property", 210 "Amortisation and net impairment losses on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements, under item 220 "Other operating net income" (EUR 744 thousand in the first quarter of 2015, and EUR 979 thousand in the first quarter of 2014);

(4) Other income and expenses correspond to item 220 "Other operating net income" after the above reclassifications.

The corresponding prior year figures were restated, in accordance with the provisions of IFRS 5, as a result of the agreement signed on 22 December 2014 with the Cerved Group whose subject matter was the development of a long-term industrial partnership for the management of non-performing loans. This agreement also includes the sale of the subsidiary Finanziaria San Giacomo S.p.A., which took place on the first of April 2015.