

## **2018-2020 BUSINESS PLAN**

### **THE DE-RISKING PLAN ENVISAGED BY THE BUSINESS PLAN HAS BEEN COMPLETED IN ADVANCE**

**THE TRANSFER ("PROJECT ARAGORN") OF A BAD LOANS  
PORTFOLIO FOR A GROSS BOOK VALUE (GBV) EQUAL TO  
APPROXIMATELY EUR 1.6 BILLION THROUGH A  
SECURITISATION WHOSE SENIOR TRANCHE WILL BE  
ASSISTED BY THE "GACS" GUARANTEE HAS BEEN  
COMPLETED**

**TRANSFER PRICE IS EQUAL TO APPROXIMATELY 32% OF  
THE ACCOUNTING GBV, SUBSTANTIALLY CONSISTENT WITH  
THE ASSUMPTIONS OF THE BUSINESS PLAN**

**AT THE END OF MARCH, THE NPL RATIO PROFORMA IS  
EQUAL TO APPROXIMATELY 11.5%, INCLUDING THE  
EFFECTS OF THE ARAGORN TRANSACTION AND THE  
ADDITIONAL SALES ALREADY CARRIED OUT IN THE  
CONTEXT OF THE "PROJECT GIMLI" FOR A  
COMPREHENSIVE GBV EQUAL TO APPROXIMATELY EURO 2  
BILLION**

**Sondrio, 13 June 2018** – Consistently with the 2018-2020 Business Plan's objectives regarding de-risking and asset quality improvement, Credito Valtellinese ("**Creval**" and, together with Credito Siciliano, the "**Originators**") hereby announces the completion of the securitization of a bad loans (*sofferenze*) portfolio for a Gross Book Value ("**GBV**") as at the cut-off date (31.12.2017) equal to approximately EUR 1.6 billion ("**Project Aragorn**"), through the transfer of such portfolio to a securitization vehicle - Aragorn - established pursuant to Law 30 April 1999 No. 130, and the issue of the following three classes of Asset-Backed Securities notes:

- a EUR 509.5 million senior tranche, with expected rating consistent with the requirements provided by the regulations regarding the State guarantee (GACS),
- a rated EUR 66.8 million mezzanine tranche and a EUR 10 million junior tranche.

The senior notes - having a EUR 6m + 0.50 basis points yield - are expected to benefit from the State guarantee "GACS" - the request of which to the MEF will be submitted in the next few days - and are entirely retained by Creval.

The mezzanine and junior tranches were placed for 95% with institutional investors; the settlement of such placement is expected to take place by the end of the current week and is subject to the release - by two rating agencies<sup>1</sup> - of an investment grade rating for the tranche senior of the securitisation, as required by GaCS regulations.

The accounting deconsolidation of Aragorn portfolio is expected to take place as at 30 June 2018 (as reference date), while the prudential derecognition is subject to the obtainment of the GaCS.

With reference to the overall price of the portfolio, Deloitte Financial Advisory has issued a specific fairness opinion to the benefit of the Board of Directors.

From 2015 the aggregate sales carried out by Creval amount to approximately Eur 4 billion, with a reduction of the NPE gross amount equal to approximately 67%, including the effects of the Aragorn transaction calculated on a pro forma basis on the result as at 31 march 2018.

#### **Impact on the asset quality profile**

Following this transaction, the NPLs sales plan for 2018 is almost completed with the full achievement of the 2018-2020 Business Plan's objectives.

The deconsolidation of the Aragorn portfolio determines an improvement of the gross NPL ratio from 19,3% as at 31 March 2018 to approximately 11.5% pro-forma on the same date, including the Aragorn transaction's effects, as well as the out additional disposals already carried within the scope of "Project Gimli". The target for the end of 2018 is 10.5%, with a further reduction to 9.6% at the end of 2020, fully benefiting from the expected improvement in the internal management of non performing loans, consistently with the Group's NPL Plan.

#### **Impact on the economic and capital position profile**

Considering the FTA of the new accounting standard IFRS9, as well as the transitional regime for the related prudential treatment provided for by EU regulation, as a result of all the sales - with expected effects on the Income Statement lower than the actual improvement in the risk profile - the capital ratio targets envisaged by the business plan are confirmed, taking also into account the reduction of the RWA associated to the transferred portfolios and the expected benefits related to the GACS.

The accounting effects of the transaction will be recorded in the half-year financial statements as at June 30, 2018.

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<sup>1</sup> A rating agency has already communicated the positive conclusion of its assessment by releasing an investment grade rating for the tranche senior of the securitisation.

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In the structuring of the transaction J.P. Morgan, Mediobanca and Société Générale acted as Co-Arrangers of the securitisation. Law firms BonelliErede and Chiomenti assisted Creval and the Co-Arrangers, respectively, on legal matters.

Within the Securitisation, Credito Fondiario will act as the Master Servicer and will operate, jointly with Cerved Credit Management, as Special Servicer, in compliance with the agreements signed by Creval and Credito Fondiario last February.

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