NOTICE TO THE PUBLIC

IN ACCORDANCE WITH SUPERVISORY MEASURES FOR BANKS (CIRC. NO. 263 OF 27 DECEMBER 2006)

REFERENCE DATE: 31 DECEMBER 2012

VENETO BANCA
cooperative joint stock company
Treviso Register of companies no. 00208740266
Stockholders' equity at 31/12/2012 Euro 3,046,594,446.84
Member of the Interbank Fund for the Protection of Deposits

INTRODUCTION

Bank of Italy Circular no. 263 of 27 December 2006 and following amendments, Chapter IV, introduced the obligation to periodically publish information on capital adequacy, risk exposure and the general characteristics of the systems adopted to identify, measure and manage risk for the purpose of strengthening market discipline.

The Veneto Banca Group (hereafter referred to simply as "the Group") must formalise the strategies and procedures which will ensure respect for the information requirements and assess the adequacy in terms of methods and frequency of diffusion of the information. It is the responsibility of the Group to guarantee the completeness, correctness and truthfulness of the information published.

Bank of Italy verifies the existence of organisational supervision appropriate for guaranteeing reliability in the processes of production, processing and diffusion of information.

The information published in compliance with the above-mentioned discipline is qualitative and quantitative and follow the breakdown into four summary tables defined in Attachment A, Chapter 1 of Circular 263.
No blank tables are published.
Quantitative information, unless otherwise specified, is expressed in thousands of Euro.

The present document, entitled Disclosure to the Public, which constitutes fulfillment of the legislative obligations mentioned above, is prepared on a consolidated basis and is published every year, at the same time as the annual financial statements and the consolidated financial statements.

Veneto Banca the notice to the Public (Risk Report Pillar 3) and its successive updates on its internet site www.venetobanca.it

CONTENTS OF THE NOTICE [1]

[1] The Tables "7 - Credit Risk: notice on portfolios to which IRB approaches are applied" and "11- Market risk: information for banks using the method of internal models for position risk, exchange risk and goods risk (IMA)" are not supplied because they are deemed not pertinent in view of the Group operations.

TABLE 1 - GENERAL INFORMATION REQUIREMENTS

QUALITATIVE NOTICE

Starting on 1 January 2008, the Veneto Banca Group definitively applied the new prudential supervisory measures, after having exercised the option of one year postponement as per Directive 2006/48/CE, introduced in Italy by Bank of Italy Circular no. 263 of 27 December 2006 which implemented the provisions of the New Agreement on capital called Basel II.
The preliminary implementation phase was followed by adoption of what is required by subsequent revisions of the aforesaid circular, issued over past financial years.

The new measures brought important innovations in terms of measuring and managing risk capital which, very briefly, can be summarised by the architecture of that regulation articulated in 3 pillars where the first provides for the evolution of Basel I (standard capital requirements) towards more sophisticated measuring methods (Standardized IRB), with innovations especially in credit risk and the addition of operational risk. The second pillar instead involves the implementation of the internal process of prudent control intended to bring about an overall self assessment of the capital adequacy (ICAAP[2]), which would then be re-examined by the supervisory authorities (SREP[3]).
The third and last refers to the requirement to supply adequate notice to the public on matters concerning capital adequacy, risk exposure and their related identification, measurement and management systems.

The aim of the adoption of the new rules is, in addition to identifying risk as completely and accurately as possible in the various lending forms by applying analysis methodologies and more evolved calculation than those required by regulations previously in force, to pay greater attention to and to be more aware of risk control, going beyond the merely prudential and employing the new concepts introduced especially with regard to the second pillar.

In the following paragraphs the detailed risk control and survey methodologies required by current legislation are presented (cf. Circular no. 262 of December 2005 and subsequent amendments) which specifically call for the provision of information on specified risk profiles, related management policies and coverage implemented as well as on operativeness in financial derivatives instruments.

The types of risk considered which coincide with those mostly concerning the typical commercial and financial operativeness of the Group are ascribable to:

- Credit risk:
- market risk, which can be broken down into:
  - interest rate risk;
  - price risk;
  - exchange risk;
- liquidity risk;
- operational risk.

The Veneto Banca Group has always governed its activities - ordinary and extraordinary – in accordance with prudential criteria and limited its own risk exposure as much as possible in compliance with the need to protect its financial solidity and its reputation and the spirit of mutual cooperation which characterises the Institute.

This can be seen in the constant and careful risk control in the management model based on:

- clear identification of reponsibilities in the risk assumption processes;
- adoption of measurement and control systems in line with best international practices;
- the clear separation between organisational units governing risk and the functions delegated to its control.

These guidelines were set out and formalised in specific policies on large risks, approved by the Parent Company Board of Directors as proposed by the Group Risk Committee and were subsequently adopted also by the governance bodies of the subsidiaries. These documents are intended to control the definition and perimeter of regulated risks, the significant indicators subject to periodical monitoring, supervisory thresholds and operational limits, overdraft management procedures, stress tests applied and the organisational structure assigned to carry out disciplinary activities.

Within the framework of the risk management model adopted, the Parent Company has responsibility for overall direction, management and control and the individual companies which generate risk of the types

[2] Internal Capital Adequacy Assessment Process

[3] Supervisory Review and Evaluation Process

related to the nature of their specific business must operate within the limits of autonomy assigned to them.

CREDIT RISK

Credit disbursement is one of the essential elements of the core business of the territorial banks belonging to the Veneto Banca Group.
The Group has adopted a credit policy aimed at supporting lucrative growth in lending throughout the territories it covers and pursuing, in the meantime, continuous improvement in the quality of its portfolio through assessment of and monitoring the risk concentration by sector and yield.

Organisational Aspects

The Group's credit strategy is aimed at an efficient selection of borrowers through an accurate analysis of creditworthiness so as to contain the risk of insolvency while keeping in mind commercial objectives.
In order to do this, portfolio loan diversification criteria must be applied while at the same time the concentration of exposure in individual counterparties and economic business sectors must be limited, and also specific and systematic analysis of the composition and distribution of the portfolio by risk degrees, for individual counterparties and economic sectors.
This is flanked and supported by a creditworthiness evaluation system to the disbursement, and by a sector portfolio monitoring system, which allows prompt detection of any symptoms of deterioration in positions and their management in a specific credit supervision system.
This activity is demanded to specific territorial units called "Problem Loans", coordinated by the Parent Company, which must also take broad initiatives and/or sectorial initiatives to protect and contain credit risk.
Central Credit Division supervises all phases of evolution, composition and management of the credit portfolio, also interacting with other Bank structures such as Risk Management and Internal Audit.
Credit risk assumption is regulated by an articulated structure of operational delegations and levels of decision-making autonomy defined by the Board of Directors of the Parent Company and expressed in terms of exposure of the counterparty borrower. In this context, the following issues are considered:

- direct and indirect risks;
- by financial group;
- by accumulation;
- by technical form and loan duration;
- by risk fractioning;
- the risk classification of the counterparty (rating).

On the basis of this structure, which defines for individual technical forms, guarantees present and professional figures, faculties delegated, all overdraft proposals and requests for extension must follow the hierarchical procedure of levels, starting from the branch, which manages relations with customers through to the competence decision-making body. The Parent Company also exercises its function of guidance and strategic control of credit through the procedure of the "binding opinion", obligatory for all single positions and/or positions of economic groups that exceed certain direct risk thresholds, of 5 million euro for investee companies operating in Italy, 2 million euro for Banca Italo Romena and 1 million euro for investee companies operating in Eastern Europe.
The evaluations, monitoring and classification of risks of performing positions are carried out by dedicated organisational units from the credit territorial structures. These activities are supported by computer systems which provide a counterparty rating, and by an integrated monitoring and monthly reporting system carried out by the Credit Monitoring department of the Parent Company aimed at giving analytical information on the composition and distribution of the credit portfolio, pursuant to which targeted and immediate measures are activated and favoured to protect against the risks. Similar activities are also carried out for foreign subsidiaries.
Special attention is paid to past due positions, for which constant monitoring and analysis is guaranteed in terms of verifying deterioration, with the development of specific managerial guidelines in collaboration with the network structures.
Watch-listed positions, instead, are followed by a dedicated organisational structure which envisages specialist units in support of the network activities, diversified according to credit exposure level, at both peripheral level and at the Central Credit Management level. Non-performing loans are instead monitored on behalf of the network banks by the Legal Department of the Parent Company and the department of the foreign subsidiaries, with support from the Parent Company through outsourcing contracts.
The Dispute Department, after it receives the report from the Doubtful Loans Office, acts to protect the credit through the most appropriate legal actions, managing and supervising allocations to the financial statements according to company policy, evaluating proposals to define and return the credits, executes consortia guarantees, and monitors the issues from start to finish in terms of accounting. In addition, on specific request, it initiates urgent legal action (obtaining the injunction and registering a judgement mortgage on the debtors' assets) for credits not yet classified as non-performing. For credits of modest amount, generally unsecured, in a lack of guarantees, out of court solutions are favoured, including through entrusting management to external credit recovery companies.

Management systems, measurement and control
As mentioned above, the Group credit activities are regulated by a precise structure of operational delegations and levels of decision-making autonomy which take into account not only the exposure of the individual counterparty but also the overall risk assumed with respect to connected parties and to the technical characteristics of the existing relationships. On the basis of this structure which defines the delegated powers by individual technical form, existing guarantee and professional figure, all the loan proposals and requests for derogation must follow the hierarchical route of the levels starting with the branch managing the relationship with the client up to the competent deciding body.

For several years, the Veneto Banca Group has implemented a process aimed at adapting the Bank to the prudential discipline for banks and banking groups, on the basis of the new Basel agreement on capital.
Starting from 2002, statistical tools for risk assessment and screening and qualitative customer monitoring techniques were introduced. The system includes a structured model for protection and analysis which, from the disbursement stage, ensures the monitoring of the positions and the handling of any default via an integrated database.

Anyway, starting from the second part of 2009, the Veneto Banca Group launched the creation of a system based on internal rating methodologies, as envisaged by the Supervisory Body pursuant to the Basel 2 principles, given the growth in the size of the Group, that made even more urgent the need and opportunity to move towards IRB approaches. These, as is known, have a strong impact and go well beyond the simple construction of statistical instruments for the measurements of risk. In particular, the process of validation prescribed by the regulations requires the Group to prepare an implementation plan which covers the aspects of governance of the project and of involvement of the Board of Directors/Top Management, and of the organizational and methodological changes and information system updates, to be monitored continuously in terms of consistency with respect to the minimum requisites for compliance. The Assessment performed made it possible to insert all the necessary actions in an overall programme, which combines methodological, regulatory, organizational, credit and IT responsibilities.

Programme development was, as mentioned, started during the second half of 2009. First and foremost, the scope of application of the internal system was hypothesised, and the related extension plan to the various Group entities. Subsequently and in line with this plan, activities began relating to the area of "Models and Methodologies", which, as a first step, requested the update of risk segmentation logics, to allow for a development of rating models and a construction of rating assignment processes fully coherent with the risk features of the target clientele, as well as with regulatory and process rules. 13 risk segments were therefore defined, identified on the basis of identity database drivers and financial statements.

In 2010, the PD models were developed, differentiated according to the Retail, Corporate and Large Corporate segments, able to assign to every customer, on the basis of the specific information of that counterpart and the behaviour of counterparts with similar features, a specific risk assessment.
With reference to methodological aspects, the statistical models are built by analysing the conduct and characteristics exclusively of Group customers (internal models), making them perfectly adherent to the typical nature that marks the portfolio of the Veneto Banca Group. The models are also determined according to a counterparty approach and based on a Group logic, providing for the attribution of a single rating per counterparty, even if shared by more than one Group entity.
For all models, the length of the historical series used during estimate was determined in compliance with the prescribed legislation, as was the default definition adopted, with the consequent identification and processing of so-called "technical past-dues".
Regardless of risk segment, all models were developed according to a protocol involving specific operative steps. First, after the construction of the development sample and the conducting of suitable single-variance analyses aimed at selecting a short-list of potentially discriminating variables, a multi-variance logistic regression model is estimated according to a stepwise type approach. In thus doing, each counterparty of the sample is assigned a score that summarised, according to ordinal metrics, the credit rating. Subsequently, the calibration stage is fulfilled, which enables the transformation of the score (ordinal measurement) into a probability of default (cardinal measurement), anchored to the effective risk of the reference portfolio, represented by the default rate of the portfolio over the long-term (the "Central Trend"). The PD obtained are then translated into a ratings class through the mapping in the master scale that is specifically constructed for each segment. A ratings class therefore consists of the group of parties who are considered equivalent in terms of Probability of Default. For all risk segments, therefore, in the new internal ratings system the ratings class represents the probability that customers of that class become insolvent, or rather that they should be classified as a state of default (past due, watch-list, restructured or non-performing) in the twelve months following the analysis date.

Below are some specific aspects of the individual models in relation to the different macro segments of customers.

As concerns the Corporate segment (partnerships and capital companies), the ratings model is based on an approach that is coherent with the segment characteristics, guaranteeing an in-depth assessment of financial statement indicators in addition to internal and system trend components. In applicative terms, the integration of these three components results in the determination of the statistical rating (according to the rules summarised by the parameters quantified during estimate), which is further enriched with expert modules able to consider data duly collected through qualitative questionnaires specifically prepared to this end. In addition to the individual assessment, we must add the influence of any other companies (or sole traders) which, in various ways, are connected with the counterparty in question, or which exert an influence, which may be significant to a greater or lesser degree, on its risk profile.

The Large Corporate sector consists of large scale counterparties and those belonging to complex corporate groups. Given the limited numbers, however, it has not been possible to develop an ad hoc statistical model. In applicative terms, the methodology used for the Large Corporate rating model, therefore, establishes the processing of inputs deriving from the information sources analysed by the corporate ratings models (economic – financial data, internal trends and risks centre) in order to attribute an appropriate rating to the counterparty. This rating is then integrated through an expert appraisal process, appropriately structured in questionnaires, the responses of which are qualitatively weighed to correct statistical assessment and incorporate the influences of the economic group to which they belong.

With regard to the Retail segment (private and small businesses), rating models have been designed featuring two modules (issuing and trend) integrated with each other, to result in the determination of a single rating, resulting from the joint assessment of social-demographic and system information and the relative technical forms held by the customer and, for Small Businesses, the financial statement or accounts.
When applying the model, the integration of all components of the two modules specified results in the determination of the statistical rating, according to the rules summarised by the parameters quantified during estimate. For the Retail segment, no further integration with expert components is envisaged.

To reach the assignment of a new rating assigned to each counterpart, a new rating assignment process has been constructed, with different methods according to the type of counterpart, in particular privileging a greater depth of analysis for the most important counterparties (Corporate and Large Corporate).
For the latter, in fact, the integration of the statistical component and the expert components described above determines (apart from where overridden), the official rating. This rating is valid for 12 months unless new information or elements should arise that would appear to indicate a change to the counterparty risk. For the Retail segments, on the other hand, the official rating of the counterparty corresponds to the statistical rating, which is updated once a month in an automatic fashion.
The rating thus assigned to each counterpart direct the credit issue processes and for this purpose the decisional processes in force have been reviewed, starting from January 2012.

The period of use of the above described rating system (experience requirement) of three years, necessary for the Supervisory Authority to authorise the use of a system for measuring the capital requirement against the credit risk, began formally in January 2011. The use of the system is applied, in respect of the requisites envisaged by legislation, for credit granting and renewal, and for risk assessment.

In model terms, in 2012 further action was taken. In fact, alignment of the rating models was carried out in terms of the changes in the default definition envisaged in the Supervisory regulations. In addition the new LGD model was developed, and the development of the EAD model has been begun.

The LGD models aim to forecast the value of the loss given by the default. There are various objective ways discussed in literature by which to evaluate the LGD realised or implicit in the live portfolio.
The approach taken by the Veneto Banca Group under the scope of the IRB programme is referred to as the "workout methodology". It is based on the use of data on historical figures and is appropriate for portfolios that are not linked to market listings.
As part of the LGD workout model, the reference sample (constituted according to a Group logic, of data relating to the parent company and the network banks) has been divided up into two components. The first consists of the archive of non-performing positions, including records and changes; this is, therefore, a section limited to the world of dispute. The second, on the other hand, consists of all information on transfers between the various states of default and therefore also contains data relating to past due, watchlist and restructured positions. The methodology used is analytical and can be broken down into two separate stages, each of which is realised starting from the two above-identified data sets.

The first stage entails the calculation of the LGD effectively realised on closed non-performing positions (the set of analyses, in fact, actually consists of non-performing positions that have concluded the debt collection process) and the subsequent estimate of "ex-ante" LGD. The calculation of the LGD is based on the notion of economic loss, as established by legislation. The cash flow detected in the various collection stages have therefore been suitably discounted; additionally, both direct costs, represented by accounting or non-accounting expenses directly related to each proceeding and indirect costs, represented by structural costs for the management of non-performing positions (expenses attributed to the organisational units dealing with debt collection), have been considered; finally, in relation to late payment interest, the treatment established by legislation has been implemented. The "ex ante" LGD estimate, i.e. the LGD to be applied to the exposures of the live portfolio, has been prepared initially taking a "historic average" approach (look up tables), on which basis, classes of LGD are identified that share similar characteristics and show limited variance. The move was then made to an econometric specification, which enables the translation of the relevant connections between the loss rate and the characteristics of loans into an algorithm.

The second stage of the development of the LGD model establishes the breakdown of the LGD into the loss rates associated with the various administrative states. In actual fact, the non-performing LGD model is developed using a default definition that includes, therefore, only non-performing positions and therefore requires a calibration factor in order to make the result coherent with the adoption of the default definition compatible with legislation and with the estimates of the other risk parameters. The estimated calibration rate (the "Danger Rate") is obtained by estimating the probability of the evolution from a performing status to a state of default (past due/watchlist/restructured/non-performing) and moves within the various states of default (from past due to watchlist, from watchlist to non-performing). Consideration is also taken of the breakdown of the default portfolio and the impact of collection carried out prior to the move to non-performing, through the estimate of a suitable coefficient of the variation of the exposure between states of default, as a synthetic proxy of collections and losses pre-non-performing status.
For both estimate stages, the length of the historic series used has been determined in compliance with prescribed legislation.
Once the two model development stages have been completed, the final LGD is calculated to apply to the live portfolio, multiplying the non-performing LGD obtained, for the various analysis axes, under the scope of the ex-ante estimate for the respective Danger Rates.
The various analysis axes to which reference was made in estimating the LGD model include the regulatory portfolio. This has meant that according to the above-described methods and stages, four models have been concretely developed, one for the "Credit exposure to businesses" portfolio and one for each of the three sub-portfolios relating to the regulatory segment "Retail credit exposure": Exposures backed by residential property (Retail mortgages), Qualified Retail Rotative Exposures (Retail Rotative) and Other retail exposures (Other Retail).
Further drivers considered during estimate and required in order to operatively assign each live contract the LGD forecasts estimated as described above, include the risk segment, the technical macro form, the region of residence, the SAE, the Value to Loan class (ratio of value of guarantee and amount used), the present/absence flag of personal/omnibus/mortgage guarantee, exposure class, etc. On the basis of these axes, the appropriate LGD values can be assigned to live relations according to their characteristics.
Finally, under the scope of the development of the LGD model, a particular focus has been taken on the quantification of the relationship existing between loss rates and default rates, and the subsequent determination of a downturn factor to be applied to the LGD estimates in regulatory terms.

EAD models aim to forecast the amount of the exposure in place at the time of default. The methodological approach chosen by the Veneto Banca Group under the scope of the IRB programme, in line with that envisaged by legislation, establishes that the EAD will be calculated using an estimate of the relate credit conversion factor (CCF). The CCF (Credit Conversion Factor), is the ratio of the part that is unused of the credit facilities, for which use is estimated in the event of default, and the part that is currently unused. This parameter is used to determine the EAD of the off-balance sheet exposures (guarantees given and/or commitments to disburse funds). In actual fact, whilst for exposure for cash, the EAD equals the use, for the off-balance sector, the EAD is determined by adding the available credit margin multiplied by the CCF to the current use. The model development process first and foremost entails calculating the CCFs historically realised in the reference sample and subsequently estimating the ex-ante CCFs to be applied, then, to the live portfolio. The EAD models being estimated are based on the same definition of default applied to the PD and LGD models and, as envisaged by the law, consider the characteristics of the operations.

While working towards completion of projects on adaption to advanced risk credit measurement methods, in 2011 Risk Management also maintained the estimates of LGD and EAD previously internally implemented, for management purposes and validity exclusively for internal utilisation.

With regards to the operative uses of risk measurements, as mentioned above, the ratings system is used with reference to the concession and renewal of loans and for measuring risk.
Moreover, PD and LGD are also used in the calculation of prudential adjustments which include the lump sum provisions on performing loans for balance sheet purposes in accordance with the provisions of the international IAS/IFRS accounting principles. For that purpose, the estimates of the PD and LGD risk components are implemented in the collective assessment process in determining devaluation percentages to apply to performing loan portfolios thus ensuring greater consistency between estimates of provisions for accounting purposes and the quantification of prudential capital requirements at the time the new supervisory regulations come into force.

The internal estimates of PD and LGD (Loss Given Default) are also the basis for a detailed system of supervisory limits and thresholds which are monitored monthly in order to check the consistency of the indicators with the risk propensity on which theGroup's strategic and operational guidelines are based ("Risk Appetite").
Trend over time in risk measurements is summarised in the management reports, produced once a month, which provide a complete overview of portfolio risk levels.

The constant monitoring of credit risk is carried out in all Group banks belonging to the group-wide computer system, among which are included Veneto Banca, BancApulia and Cassa Risparmio di Fabriano e Cupramontana.

As regards the Companies not included in the consortium perimeter, the Risk Management Unit has established a process of monitoring and analysis of the relevant credit risks, through the production of management reports every month.

With reference to the computer sub-system supporting the credit risk control, measurement and management system, the start-up of the managerial use of the ratings system in January 2011 made important interventions necessary, which were begun in 2010 and continued throughout 2011, aimed at guaranteeing that the systems and computer procedures in support of IRB models are fully integrated with the managerial and management information systems.
Further IT works, which began in 2011 and followed in 2012, look to consolidate the definition of a suitable monitoring of technical activities in order to guarantee that the IT architecture supporting the IRB systems is suitably documented, that the archives and procedures used to estimate the models and calculate the risk measurements guarantee high quality standards and enable complete replication of results obtained in the past.

With reference to the organisational aspects relative to IRB systems, in 2011, two new organisational units were established.
In the first place, in order to centralise responsibility in relation to evaluating override requests with the parent company, the "Rating Desk" division has been established and assigned specific tasks in relation to certification, or rather the granting or refusal of override requests. The Rating Desk is assigned the task of evaluating the coherence of said information and, therefore, of the reason for the override, with the entity of the override requested. Its evaluations are exclusively the expression of factors that are relevant in terms of credit rating.
In the second place, with reference to the structure of the internal controls system, the Internal Validation department has been established, in compliance with the provisions of law contained in Circular 263/2006 of the Bank of Italy in relation to banks and banking groups intending to request authorisation to use internal ratings systems. According to the regulation approved by the parent company Board of Directors, the Internal Validation Department is assigned the responsibility of defining and fully implementing the validation process in relation to all first and second pillar risks, or rather the formalised set of activities, instruments and procedures aimed at evaluating the correctness and coherence of the internal model development process, the accuracy of estimates of all relevant risk components and at expressing an opinion on the regular function, predictive capacity and overall performance of internal models. With specific reference to credit risk, the Internal Validation Department conducts qualitative and quantitative analyses extended to all components of the IRB system (models, processes, systems).

Credit risk mitigation techniques

Consistent with the Group's strategy, credit policy is always centred on criteria of healthy and prudent management and demands flexibility in utilisations, correct financial flows and avoidance of excess.
The development of adequate computer supports in recent years has made it possible to better direct loan management and related risk towards the correct use of delegations, prudent assessment of creditworthiness, the regular establishment of guarantees - specifically of pledges - and towards a strict management of relationships with specific reference to overdrafts.
Credit risk monitoring related to activities with clients is furthermore constantly ensured by the Parent Company through the systematic checking of relationships with irregular trends and with measures set in place for any interventions needed to eliminate or mitigate any such related risk.
Correct classification is ensured for performing positions and those under supervision, defining when needed the timing and procedures for reclassification to problem loans or non performing loans.

The Credit Supervisory office, located in the Problem Loans function, ensures constant remote monitoring of credit risk in relations with the clients of the Group companies and takes any necessary steps to eliminate or mitigate risks coming from business sectors and/or from relationships with irregular trends.
The same function ensures correct classification of performing positions and those under supervision using "trend rating" and proposes the reclassification to problem loan for counterparties deemed to be at greater risk and for which it is deemed that coercive measures should be undertaken.
It keeps the monitoring and risk control processes and instruments updated, ensuring continual consistency with both corporate policy and the provisions of the Supervisory Body.

The Parent Company's Doubtful Loans Office, finally, is responsible both on the territorial and Parent Company levels, for accurate and specialized management of the portfolio of doubtful loans. This assistance has the goal, as a priority, of recovering performance of credit positions, as well as correctly setting up the credit system and the relative guarantees with the objective of ensuring the utmost supervision in the case of passage to non-performing, the management of which is entrusted to the Parent Company's Disputes Office.

Impaired financial assets

By resolutions of its board, Veneto Banca has adopted valuation criteria for impaired financial assets. Said criteria establish that:

a) analytical valuation is to be applied to non-performing loans pursuant to the rules of the non-performing loans management policy;
b) analytical valuation is to be applied to watch list loans for amounts over € 20 thousand and lump-sum valuation to loans for lesser amounts;
c) restructured loans are assessed in detail by the corporate units responsible, including in the write-downs the discounted expense arising from any renegotiation of the rate to conditions lower the original contractual rate;
d) loans which are past due and/or over-the-limit for more than 90 days are the subject of detailed assessment if they are more than Euro 250 thousand; those less than Euro 250 thousand are impaired on a lump sum basis by analytically applying percentages calculated as a lump-sum on a historical/statistical basis.

These criteria were also extended to subsidiary banks, except for the foreign banks, including Banca Italo-Romena in consideration of the fact that all its branches are located in Romania. For these banks, since a modest number of positions are at stake, valuations are analytical with a case-by-case examination based on experience rules.

The classification as watch-list of a position is proposed by the Credit Supervision to the Credits Central Management. Once a position has been accepted as watch-list, its management – including the decision to move it to non-performing - is taken by this department.

The parent company manages the non-performing loans through its Dispute function, with assignment of single positions to individual staff members; the same procedure is adopted for the watch-list loans. For loans of moderate value, the Bank avails itself of amicable recovery procedures through specialised external companies.

The management of said loans is inspired by the cost-benefit principle, and to this end out-of-court solutions with settlement in the short-term are favoured over legal action due to the latter's cost and duration. Nonetheless, the Bank ensures remarkable speed of recourse to legal action when the counterparty's assets seem sufficient to guarantee recovery of all or a significant part of the loan.
All of the Group's companies have, generally, agreements with first-rate law firms that are responsible for the majority of ordinary recovery action; nonetheless, the Bank also avails itself of other professionals based on the type of problem at hand and the appropriate sector specialisation.

Valuation of non-performing loans is updated throughout all stages of debt collection, depending on changes in fact and in law and, in any case, at least once a quarter; that of watch list loans on a quarterly basis. Updates on legal action in which the Bank is the defendant other than credit recovery (avoidance actions, actions regarding investment services, disputes of cheque payment, etc.) are also provided on a quarterly basis. Thereafter, monthly and/or quarterly reports are prepared to report the situation to the Top Management of the Parent Company and to the General Managers of the banks of the network and to the financial reporting department. This information is then shared with the Board of Directors, for the related resolutions (if any), as well as with the Board of Auditors.

Finally, as regards the factors which determine the re-classification back to performing loans of the loans included in the watch-list , there are no pre-set rules, but this re-classification is carried out on a case by case basis, subject to the prior assessment of the cessation of the conditions which led to the default, all with the appropriate resolution of the applicable body.

Concentration risks

On the basis of Bank of Italy Circular 263/2006, concentration risk is defined as "the risk deriving from exposures to single counterparties or groups of connected customers (concentration on single borrowers or single names) or of counterparties operating in the same economic segment or geographical area (geo-sectoral concentration)".

The Risk Management Unit of the Veneto Banca Group has developed methods for the measurement and monitoring of this risk. The results are summarized in a monthly management report.

For the banks in Italy the concentrations monitored monthly are those involving the different business segments and the economic groups to which one or more banks of the Group are most exposed. The results of these measurements are the basis for a detailed system of supervisory limits and thresholds, which are monitored monthly in order to check the consistency of the indicators with the propensity to sectoral and idiosyncratic concentration on which the Bank's strategic and operational guidelines are based.

For all the Group entities, including the foreign legal entities and product companies, the Granularity Adjustment is also monitored monthly; this is calculated according to the method indicated in Annex B, Title III, Chapter 1 of Bank of Italy Circular 263/2006.

MARKET RISK

The following commentary makes reference to the following paragraphs of the Bank of Italy's Circular N. 262 of 22 December 2005.

1 Interest rate risk and price risk– trading portfolio for supervisory purposes
2 Interest rate risk and price risk – bank portfolio
3 Exchange rate risk

1. INTEREST RATE RISKS AND PRICE RISK – REGULATORY TRADING BOOK

General issues
According to the directives set forth by the Parent Company's Board of Directors, own assets from the stock, bond, money market, forex and derivatives compartments that are subject to market risk due to trading and/or arbitrage are referred to the Group Finance Central Division and the Irish subsidiary Veneto Ireland Financial Services ltd, and the subsidiary Banca Intermobiliare di Investimenti e Gestioni spa (BIM), within specific limits and according to precise criteria of risk and return in order to optimise expected profit and loss.
Product companies are not authorised to hold positions subject to market risk, foreign subsidiaries Banca Italo Romena, Veneto Banka d.d., B.C. Eximbank and Veneto Banka Sh.a. cannot hold trading positions except for residual positions in foreign exchange or derivatives relating to obligations of a regulatory nature (mandataory trading portfolio on Moldavian securities held by B.C. Eximbank). Italian bank subsidiaries may, when the Risk Committee so proposes, assume market risks strictly for strategic purposes and subject to resolution to their respective boards and that of the Parent Company.

In terms of market risks, total exposure is quantified by the Parent Company on a daily basis in terms of "Value at Risk," (VAR) with the profit and loss components of the trading portfolio constantly monitored. The potential impact of different scenarios on main risk factors is also assessed on a regular basis, these mainly consist of sharp fluctuations on the interest rate market or assumptions of sharp fluctuations on the equity markets.

Senior management is informed of any instances in which authorised operating limits are exceeded and of any contingent or forecast risk situations deemed worthy of attention on the basis of market performance and set principles.

The main source of the interest rate and price risk consists mostly of positions on plain securities: IRSs, bonds, equities, UCITS units and equity derivates.

Liquidity/price risk: anagement processes, and assessment methods
Financial risk tolerance policies are expressed as operating limits in terms of maximum loss (Value at Risk on a 10 day and at a 99% confidence level) approved by the Parent Company's Board of Directors. VaR is an estimate of the maximum amount that may be lost with reference to a specific time horizon and a given confidence level.

The price risk and interest rate risk are calculated, as prescribed by the current prudential supervisory regulations for banks issued by the Bank of Italy, considering the financial instruments present in the regulatory trading book.
The monitoring and management of interest rate and price risk are part of the operational management of market risk. For this purpose at the end of every day the Value at Risk is calculated at 99% of confidence in a time horizon of 10 days with the historical method.

In determination of the price risk implicit in the construction are the price changes dependent on fluctuations of market variables (the risk factors taken into consideration) and the specific factors of the issuers and counterparties (specific risk factors) and on the dependency existing between them ("correlation").

The following are envisaged:
- position (stock) ceilings, to monitor total exposure;

- financial ceilings that limit operations on individual exposures;
- total limits in terms of Value at Risk (VaR) and strategic Stop Loss, for the monitoring of market risk.

The VaR relating to market risk is calculated with the method of historical simulation which uses a unilateral confidence interval of 99% and a holding period of 10 days.
The model used uses a full revaluation methodology for all financial contracts on the basis of historic scenarios of the risk variables and assumes future distribution of performance of risk factors is equal to the historic distribution of the same.
These type of approach was mainly selected for three reasons:
1) no a priori hypotheses are made on the distribution of performances;
2) the correlation between the risk factors is implicitly captured, without the need for an ad hoc estimate;
3) the model is appropriate for all types of instruments, both linear and non.

The VaR limits assigned to the different compartments are approved annually by the BoD on the basis of the budget assigned to the individual business units.
The daily VaR dati are historicized for each portfolio in order to populate a database needed for the backtesting work. Backtesting activities makes it possible to verify the efficacy of the VaR calculation model using retrospective tests which, comparing the forecast VaR with the corresponding period P&L, highlights the capacity of the model used to envisage the variability of the portfolio market value from a statistical point of view.

It must be noted that the internal VaR model is not used in the calculation of the capital requirements on market risks for the purposes of regulatory reporting to the Bank of Italy, for which the standard approach is adopted as laid down in the prudential supervisory regulations.

2 INTEREST RATE RISK AND PRICE RISK– BANKING BOOK

General issues, management processes, and assessment methods
The Veneto Banca Group has a dynamic approach to managing interest rate risk, the objectives of which are to ensure correct risk management by:
1) preserving the stability of the interest margin and minimising the negative impact of changes in interest rates (current earnings approach), focusing mainly on the short term. The stability of the interest margin is mainly influenced by the Repricing Risk, Yield Curve Risk, Basis Risk and Optionality Risk;
2) immunising the economic value, which is the sum of the present value of future cash flows generated by both sides of the balance sheet, thereby providing a medium/long term outlook which is mainly tied to the repricing risk;
3) ensure that the interest risk assumed or to be assumed is correctly identified, measured, controlled and managed according to official, shared methods and procedures, while maintaing the quality of the measurement systems and management processes in lines with the best practices on the market.

Since 2003 the Bank has employed a process aimed at quantifying and managing cash flows in an integrated manner, and has used a specific Asset and Liability Management (ALM) computer programme to monitor said risks, created by Prometeia.

The techniques applied enable the following risk categories to be monitored:
- changes in interest margins resulting from temporal mismatch in maturities and the time lag in the repricing of interest rates on the Bank's assets and liabilities. Changes in expected interest margin due to such mismatch, where interest rate shocks occur, can be measured via Maturity Gap techniques with reference to the financial year in course, that is, for the short-term period. This change is measured using the unexpected shock of +/- 100 basis points;
- changes in Group profit or loss due to market rate shocks. The impact of such shocks is measured on the long-term using Sensitivity Analysis techniques. This change is measured using the unexpected shock of +/- 100 basis points.

The Companies of the Group currently monitored with these techniques are comprised of the Parent Company Veneto Banca, commercial banks BancApulia, Banca Intermobiliare di Investimenti e Gestioni, Banca IPIBI and Carifac and the subsidiaries Claris Leasing, Veneto Ireland Financial Services, Apulia Prontoprestito and Claris Cinque.
For the foreign companies of the Group (Banca Italo-Romena, B.C. Eximbank s.a., BIM Suisse, Veneto Banka d.d. e Veneto Banka sh.a.) monitoring takes place according to a simplified method on the basis of templates sent once a month to the parent company.

Greater understanding of the dynamics underlying accounts in the portfolio and their constant monitoring led to the introduction of positioning policies over the year, based on forecast trends in market rates.

The Parent Company's Board of Directors has set specific limits within which the Group must operate. The Group's Risk committee is therefore in charge of periodically examining the companies' risk situations and providing the Group Finance Division with guidelines for contracting or expanding positions.
The Board of Directors has also decided upon the management policy for interest rate risk and the application of hedge accounting principles.

The main sources of price risk are represented by capital securities, stakes in mutual funds and securities falling within financial activities available for sale and those classified among the financial activities assessed at fair value. This portfolio also includes securities which before applying international accounting principles were classified among the equity investments.

Price risk measurement and control methods are not limited only to variations deriving from fluctuations of market variables but intrinsically include specific factors since internal VaR models use the historical simulation methodology. The parameters and assumptions for VaR calculation are the same as those already expressed in the section on market risk.

The price risk is calculated as required by the regulation currently in force on prudential supervision for banks issued by Bank of Italy.
Price risk monitoring and management fall under operational market risk management, that is, Value at Risk on the 10 day horizon at 99% of confidence is calculated at the end of the day using the historical method.
In determining this value, the price variations influenced by fluctuations in market variables (risk factors considered) and by the factors specific to issuers and counterparties (specific risk factors) and by their interdependence (Correlation) are built in.

Fair value hedges
Hedging is carried out at an integrated level for the entire Group by the parent company's Finance Central Division in order to protect changes in fair value of deposits and loans caused by market movement of the interest rate curve. The following types of derivatives are employed: interest rate swaps (IRSs), cross currency swaps (CCSs), and interest rate options (IROs). Hedges performed for subsidiaries are in turn replicated on the market so that the hedge meets the valid requirements to be entered to the hedge accounting form and be considered IAS compliant at the level of the consolidated financial statements.

Cash flow hedges
Hedging aims to protect against cash flows changes caused by market movements of the interest rate curve.
This type of hedging is not normally carried out by the companies of the Group; however, the BIM Group, before its entrance in the Veneto Banca Group, had an interest rate swap derivative to hedge specific cash flows relative to lease positions of one of its subsidiaries.

3. EXCHANGE RATE RISK

General issues, management processes and assessment methods
The main sources of exchange rate risk are the negotiation of spot exchange rates, term exchange rates and derivatives thereof as part of the activities of the Operating Finance Service which is part of the Group's Finance Department. The methods applied for measuring and controlling exchange rate risk are not limited to the changes from fluctuations in market variables but also intrinsically include specific factors as the internal VaR model uses historical simulation. The parameters and assumptions for the calculation of the VaR are the same as those set forth in the section on market risk.

The exchange rate risk is calculated as indicated in the currently applicable prudential supervisory regulations for banks issued by the Banca d'Italia for the financial instruments held in the trading portfolio for supervisory purposes.

Insofar as the monitoring and the management of the exchange rate risk operating management of the market risk is applied, that is the VaR is calculated at the end of each day at 99% confidence over a 10 day period using historical simulation.
The changes in exchange rates and the existing dependencies between them (correlation) are implicit in the determination of this value. This method involves calculating the exchange rate risk which is inherent in the activities carried out by the operating finance service which supervises spot, term and derivative trading on exchange markets.

We note that the internal VaR model is not used to calculate capital requirements on market risks to be notified to the supervisory section of Banca d'Italia as the standard method set forth in the prudential supervisory regulations is applied in this case.

Exchange rate risk hedging
The exchange rate risk has been maintained, for the entire year, at VaR levels which are rather reduced and always within the limits set by the regulations on Policy for Market risks.

As regards operating ALM activities for assets and liabilities in foreign currencies, these are carried out on an integrated level for the entire Group by the Parent Company's Operating Finance Departement. The latter has access to the overall position updated in real time, so as to be able to promptly act on the interbank market to balance any deficits.
The following activities are an exception to the above:

- Veneto Ireland Financial Services Ltd. (VIFS), which is authorised to assume exchange rate risk independently, within set limits. However, the exchange activity of VIFS during 2012 was practically non-existent.
- Banca Italo-Romena, B.C. Eximbank, Veneto Banka d.d. and Veneto Banka Sh.a., due to the peculiarities of the different regulatory and economic/social contexts in which they operate, are authorised to hold at their operating head quarters a daily position in exchange which is not balanced, so as to allow greater flexibility in the trading activities carried out on behalf of Retail and Corporate customers. This position is monitored on a daily basis by various Parent Company departments (Risk Management, Group Finance, Internal Audit).

LIQUIDITY RISK

General issues, management processes and liquidity risk assessment methods
Liquidity risk is defined as the chance that the company may not be able to fulfil its commitments to make payments due to its inability to locate new funds, sell assets on the market to make up for the shortage, or be forced to sustain very high costs to fulfil its commitments.
The Group's governance model is based on centralised management of liquidity. This set-up ensures that in addition to being in charge of the relative policy and definition of the procedures for recognition of this specific type of risk, the Parent Company will directly manage funding and liquidity risk for all banks belonging to the Group.
The managerial approach taken therefore establishes that the Parent Company, in addition to being responsible for the related Policy and for defining the methods by which the risk in question shall be detected, is the direct manager of funding and the liquidity risk for all Group Banks with the exception of the foreign banks with regards to treasury in the various local currencies.

The Group liquidity policy is governed by the specific Liquidity Risk Policy manual.
This policy is based on the following cardinal principles:
- separation of management processes and liquidity risk monitoring processes;
- definition of a distinct limits system for short (maturity < 3 months) and medium/long term (with maturity> 3 months) positions.
  Specifically liquidity management is divided into:

- o liquidity risk management for the short term (operational liquidity) for the purpose of guaranteeing the ability of the Bank to honour its payment commitments and minimise its costs;
- o liquidity risk management for the medium/long term (structural liquidity) for the purpose of guaranteeing maintenance of an adequate dynamic relationship between medium/long term liabilities and assets:

- monitoring short term limits more frequently than monitoring medium/long term limits;
- inclusion within the monitoring parameters of short term liquidity, of postings characterised by greater volatility and greater impact on liquidity in a "normal course of affairs" scenario;
- adoption in the monitoring of medium/long term liquidity of behavioural models for mapping the cash flow of the items without contractual maturities or with a non-determinist repayment profile (at sight items, callable assets and liabilities, assets subject to prepayment).

The goals that this model aims to achieve in addition to regulatory compliance, are:

- the instant balancing of short term monetary movements from the point of view of economy;
- the minimising of structural imbalances in the medium/long terms profile so as to guarantee a high degree of solvency and at the same time to optimise the funding cost.

From the organisational viewpoint, the operational/management owner of the liquidity risk – operationally and structurally – within the Veneto Banca Group is the Group's Central Finance Management, while responsibility for the monitoring and reporting for the Banks managed centrally, on the basis of the evidence supplied by the Group's Central Finance Management and by the Information Systems, is delegated to the Risk Management Service for both the operating and the structural liquidity.
The safeguard of the level I controls of the liquidity risk in Veneto Banca is guaranteed by the Operational Finance Service (level I controls on operating liquidity) and by the Group's Central Finance Management (level I controls on the structural liquidity); while level II controls on operating and structural liquidity are entrusted to the Risk Management Service.
For the foreign banks, however the level I controls are carried out by the Treasury Service of each bank.

In order to apply the principles and achieve these goals, the qualitative and quantitative instruments used in the model change according to the profile to measure and take the form of instruments and methodologies for measurement of both short term liquidity risk among which the Operational Maturity Ladder and quantification indicators and operational liquidity profile monitoring as well as medium/long term liquidity risk with specific identified ratios and limits after having defined the relevant assets & liabilities.
In addition to the instruments identified for risk control a plan has been drawn up for intervention in liquidity management in crisis conditions (the so-called Contingency Funding Plan), the statement of which came from the problematic trend of a pre-defined series of exogenous and endogenous factors.

Since 2011, the liquidity risk management model was adjusted to meet the provisions of the 4th update of Bank of Italy circular no. 263/2006, in force as from 1 January 2011.
More specifically, the definition of a threshold of tolerance was introduced, as maximum exposure to risk considered sustainable in a context of "normal course of business" integrated by stress situations. This threshold, defined by the body appointed to perform strategic supervision, is the reference point in preparing Group operating limits systems.

In the area of the project for the adaptation to the standards established by the Basel 3 regulations on the management of the liquidity risk, the Group has equipped itself with a software solution by which to calculate the Liquidity Coverage Ratio (LCR) indicator. The implementation of this solution, supplied by one of the major market players, enabled the detection of the indicator on a monthly basis from January 2012.

OPERATIONAL RISKS

General issues, management processes and assessment methods
The operating risk is defined as the risk of suffering losses deriving from the inadequacy or from the malfunction of procedures, human resources or internal systems, or from external events.
Operating risk includes the legal risk, whilst it does not include strategic and reputational risk.
Operating risk can be caused by the following types of events:

- internal fraud, where the risk of loss derives from acts involving at least one internal party generating fraud, misappropriation or aimed at avoiding regulations, legislation or company policy;
- external fraud, where the risk of loss derives from acts committed by third parties and generating fraud, misappropriation or aimed at avoiding current legislation;
- contract and safety at work, where the risk of loss derives from acts in breach of the law or agreements on employment, health and safety at work, the payment of compensation of personal injury or discrimination or failure to apply equal conditions;
- customers, products and business practices, where the risk of loss derives from unintentional or

negligent failure to comply with a professional obligation in relation to specific customers (including trust requirements and suitability), or by the nature or design of a product;
- damages to objects, where the risk of loss derives from damages to tangible objects caused by natural disaster or other events;
- system failures and breakdowns where the risk of loss is due to the interruption of operations, dysfunctions or system unavailability;
- enforcement, delivery and management of processes, where the risk of loss is due to errors in completing the operations or management of processes, in relations with commercial counterparties or suppliers.

During the year, the parent company pursued implementation of a company system by which to detect and measure operating risk.

Following the recent organisational and dimensional reorganisation of the Group, the start up an Operational Risk Management project is being assessed. The aim of the project will be of calibrating a methodological and organisational framework for the governance of operating risk on a Group and individual entity (Italy network banks) level, specifying the model, functions and responsibilities, in order to then calculate the equity requirement according to the standardised method (TSA).
This is why it is extended to the structures - in particular relating to Risk Management, Planning, Legal, Administration, Technical Resources, Finance, Internal Audit and Human Resources - that contribute to the above process involving the collection of data on losses, which must therefore also carry out self risk assessment.

INSURANCE COMPANY RISKS

The following is quality and quantity information relating to the risks of the companies Apulia Previdenza spa.

There is a Risk Management department in Apulia previdenza. The role and activities of this department comply with the supervisory provisions pursuant to ISVAP Regulation no. 20 of 26/03/2008. Its aim is to provide the Board of Directors and Senior Management with an overall picture of the risk context to which the Company is exposed on a regular basis, and the consequences that the most significant risks may have in developing strategic objectives and maintaining solvency requirements.

1. INSURANCE RISKS

Life branches
Subscription risk: for protection products, assumption methods are envisaged which consider the guarantees provided and the personal and biometric characteristics of the party insured; for savings products, no particular assumption methods are required.
In particular, for protection products, the health premiums will be applied when mortality is worsened upon analysis of the health documentation produced. The health premium cannot, in any case, be applied for a worsening of mortality in excess of 250%.

Mortality risk: the individual tariffs are based on prudential demographic tables and refer to population tables or the experience of the most important re-insurers. On an annual basis, experience analysis is carried out on observed mortality in comparison to expected mortality. In any case, exposure to mortality risk is reduced by using risk reinsurance, with appropriate excess or quota treaties.

Longevity risk: for the risk of longevity, which is implicit in all life return products which include the guarantee of an insured return, a specific additional reserve is allocated, whilst for products involving an accumulation phase, contractual mechanisms have been introduced, which adapt the demographic base used to determine the return to be supplied, using the most recent and widespread on the insurance market.

Minimum return risk: the minimum guaranteed return risk, which is mainly present in savings products, is considered from pricing, establishing guarantee levels in a prudential manner, in line with the market context and current regulatory constraints. For products distributed in the past that envisage guarantee levels higher than those in effect at the time of the measurement, a special additional reserve is allocated.

Other risks: the risk of voluntarily terminating the contract early and that of unsuitability of the loading to coverage of expenses involved in the acquisition and management of contracts are measured prudentially in the pricing of new products, during tariff construction.

There is no significant concentration of insurance risks with reference to the breakdown according to geographic area or exchange.

2. RE-INSURANCE POLICY

The re-insurance strategy of Apulia previdenza is in line with the directives issued and updated by the Company's Board of Directors, focussed on reaching a sufficiently low level of exposure to risk. It falls coherently within the schemes of Risk Management system.
These directives identify the formal and operative responsibilities involved in implementing the local re-insurance strategy and, in particular:

- Senior management is responsible for the re-insurance policy and its development, more specifically, it established the maximum level of retention;
- Senior management is responsible for the organisational part of re-insurance, namely the re-insurance treaties, contractual and administrative aspects of sales;
- Senior management is responsible for ensuring the correct application of internal procedures to implement the strategy outlined.

At each renewal of the treaties, Senior Management may make changes to the guidelines of the re-insurance policy, including maximum retention levels, upon prior approval of the Board of Directors.

Life branches
The Apulia previdenza Re-insurance Sales Plan, which is unchanged with respect to the close of the previous financial year, aims to limit the mortality risk. The re-insurers the Company can contact must have a rating of at least "BBB" from Standard & Poor's, or equivalent issued by other agencies; they must have registered offices in a zone A State in accordance with Directive 2000/12/EC.

The following re-insurance treaties are in force as of 31 December 2012:

- Re-insurance treaty with risk premium for excess, for temporary death policies – Individual portfolio (re-insurer Scor Global Life SE General representation for Italy);
- Re-insurance treaty with risk premium for excess, for temporary death policies stipulated to cover the residual debt of a mortgage – Individual portfolio (re-insurer Scor Global Life SE General representation for Italy);
- Re-insurance treaties with risk premium for excess, for temporary group death or death and permanent invalidity policies – Collective portfolio (re-insurers Scor Global Life SE General representation for Italy and Swiss life Insurance and Pension Company);
- Re-insurance treaties with risk premium in share, for temporary group death or death and permanent invalidity policies – Collective/International customers portfolio (re-insurers Scor Global Life SE General representation for Italy);
- Re-insurance treaty for the transfer in share and for excess of annual premium policies with death risk component, to the amount of 50% of the 1996 and 1997 generation policies only – Individual portfolio (re-insurers Scor Global Life SE General representation for Italy).

In relation to credit risk, the following are the ratings assigned to the re-insurers with which Apulia previdenza operates:
- Scor Global Life: "A" (S&P's);
- Swiss Life: "BBB+" (S&P's).

3. FINANCIAL RISKS

INVESTMENT POLICY AND FINANCIAL RISK MANAGEMENT

The Board of Directors defines and, at least once a year reviews, asset allocation and investment risk tolerance strategies, in order to ensure that exposure to risk is in line with the entity of capital available and with the risk profile of liabilities held, and in order to ensure the continuous availability of assets that are able and sufficient to cover the commitments made.

On 23 April 2012 the Apulia Previdenza Administrative Body adopted, in accordance with Art. 8 of ISVAP Regulation no. 36 of 31 January 2011, the "Investments Framework Resolution2, which establishes guidelines on investments, considering the size, nature and complexity of the business performed, in addition to the risk profile of the liabilities held, to ensure the integrated management of assets and liabilities.

The Apulia Previdenza strategic investment policy, which is closely linked to the risk management policy, is based on the underlying principle of low investment risk appetite and sets itself the objective of ensuring the adoption of investment choices that enable the following to be achieved:

- healthy, prudent financial management suitable to guaranteeing the Company's equity solidity;
- the achievement of stable performance or performance above the technical rate, where envisaged by current insurance contracts;
- constant profits in the portfolio, with a time frame that looks to preserve the value of investment over time.

Investments are identified by Senior Management, with the help of the Investments Committee and the Risk Management Department, in line with the objectives and risk appetite established in advance by the Board of Directors and considering the prudential limits to risk according to the trading market, rating, amount of the specific issue or minimum capitalisation, maximum subscription quantities and maximum concentration quantities.

Risk control, management, measurement and identification is in accordance with the criteria established by Senior Management in collaboration with the Risk Management Department and approved by the Board of Directors in the "Investments Framework Resolution" of 23 April 2012.

With regards to the control of financial risk, the Investments Committee monitors the trend of investments and verifies - with the Risk Manager - the pursuit of the risk/return objectives and compliance with the investment limits established by the Board of Directors, reporting the most significant results and critical issues to the attention of the Administrative Body. In support of this, at least once a fortnight, the trend of investments is monitored by the Accounting and Finance Administration Area and investment risks control is monitored at least once a quarter by the Risk Management Department.

As the financial management of Apulia previdenza aims to minimise risk and ensure stability and optimisation of medium/long-term, the strategic allocation of the portfolio is mainly focussed on assets that are suitable to covering the insurance commitments, privileging investments in bond and money markets, with high credit rating and liquidity level, according to the provisions and limits outlined below.

Price risk: investments in the share segment are permitted, in order to optimise portfolio return, for a total percentage that must not exceed 3% of the portfolio; for "corporate bonds", maximum exposure per counterparty cannot exceed 10% of the technical reserves to be covered (5% for securities not traded on regulated markets), as long as the value of the investment does not exceed 20% of the share capital of the issuing company and as long as thresholds are applied for the rating classes as established under the next point covering credit risk; maximum exposure in callable/subordinate bonds (as long as traded on regulated markets) cannot exceed 30% of the investments portfolio; no alternative investments are permitted in shares or non-harmonised open-ended UCITS units, in shares or units of closed-end real estate fund not traded on a regulated market and in reserved and speculative funds.

Interest rate risk: in order to decrease sensitivity of the bond portfolio to the potential effects of a rise in interest rates, part of the investments is kept in variable return securities and/or money market instruments. In the event of unfavourable, lasting forecasts on the trend of interest rates, the bond portfolio position is favoured in terms of its short/medium-term part.

Credit risk: Apulia previdenza mainly invests in financial instruments with high credit rating; only investments whose issuers belong go EU Member States and/or the OECD are permitted, as long as the country has a credit rating, assigned by at least two major international ratings agencies, of no less than "A" (min A-), with the exception of then Italian government; investment limits in corporate securities: (i) for issuers of the financial segment with a rating at least equal to investment grade, maximum exposure limit of 45% of the investments portfolio, which can rise to 60% if at least 15% is represented by covered bonds with rating of no less than AAA and repayment at maturity of invested capital; on an exceptional basis, and up to the maximum exposure limit of 15%, investment is permitted in financial segment securities with ratings from BBB to BBB- or not networked, upon evaluation by the Risk Management Department and the Investments Committee of the economic-equity requirements of the issuer company; (ii) for issuers of other segments with ratings of at least A-, maximum exposure limit of 5% of the investments portfolio; overall, the securities issued by counterparties with ratings from BBB to BBB- or "not networked" are admitted on an exceptional basis up to the maximum limit per counterparty of 5% of the technical reserves to be covered. When credit risk by issuer counterpart undergoes a downgrade that brings it below the level of investment grade, it is necessary to prudentially evaluate the possibility of discounting the investment.

Liquidity risk: investment in debt securities traded on regulated and liquid markets is preferred; investments in financial instruments not traded on regulated markets are permitted on an exceptional basis, by careful evaluation by the Investments Committee and the Risk Manager and in any case up to the following maximum limits, with the exclusion of restricted bank deposits: (nominal) value per individual security of no more than 3% of the technical reserves to be covered; total (nominal) value no more than 10% of the technical reserves to be covered; for risk and liquidity control, cash flow forecasts are also prepared of assets and liabilities (Cash Flow Matching and Liquidity Gap) of separated management over the medium-term, in order to monitor any imbalances that may require the disposal of assets, with the risk of realising capital losses; finally, the constant monitoring of short-term cash flow, by means of the programmed management of incoming and outgoing cash flow by the Treasury Department, guarantees an efficient and effective management of financial resources and the appropriate investment of liquid funds.

Exchange risk: this does not exist as investment is only permitted in financial instruments held and/or refunded in euros.

No investments are permitted in the real estate segment, except on an exceptional basis, which will be evaluated and authorised by the Board of Directors.

The Company can no longer operate in derivative financial instruments, including structured products.

SECURITISATION RISK

General aspects, securitisation risk management processes and measurement methods
Risk arising out of securitisation is defined as risk that the financial substance of the securitisation transaction is not fully reflected in the assessment decisions and risk management.
That is, the possibility must be assessed that the representation of securitisation transactions in the determination of the Pillar I prudential requirements does not fully reflect the nature of the transaction and underestimates its actual risk. Concretely, the risk lies in the possibility that the equity absorption of the post transaction assets is lower than the equity needs before the transaction.

The Group Risk Committee, once it has finalised the securitisation transaction in line with Group funding strategies, assesses, on the basis of closing data prepared by the Central Planning and Control Division and of the considerations prepared by the Central Administrative Division, if, as regard the securitisation transaction, it can considered that the equity absorption post transfer transaction is lower than the requirement before the transfer transaction. That body must assess which specific supervisory measures to adopt in order to verify continuously that "the financial substance of the transaction is fully reflected in the assessment decisions and in risk management".
If, however, no decrease in post transaction requirements are found, the supervisory measures already in place are deemed suitable for correctly monitoring and assessing the risk of the totality of the assets involved in the transaction. It must be noted that securitisation transactions put in place by the Veneto Banca Group are not considered for supervisory purposes since the substance of the transaction does not allow for the transfer of risks outside the Group. Significant risk factors (loans, interest rate and liquidity) connected to the transaction are therefore managed and monitored according to the policy established for each specific case.
The sole exception to the above regards the non-performing loan securitisation transaction, carried out in 2009, for which the assets transferred were completely derecognised, because the relevant underlying credit risks are not attributable to the Bank.

RESIDUAL RISK

General aspects, residual risk management processes and measurement methods
Residual risk is defined as that risk wherein the recognised techniques for credit risk mitigation and used by the Group prove to be less effective than expected.
Residual risk occurs in relation to the techniques for Credit Risk Mitigation (CRM) used by the Group in determining the capital absorption required to cover credit risk. In view of its nature, residual risk is difficult to measure but management-wise, it can be subjected to auditing, assessment and mitigation processes.

Residual risk is managed and adopts a qualitative assessment methodology of the expert type (scorecard approach) in order to facilitate and direct management and mitigation actions.

The scorecard is developed on the basis of a qualitative questionnaire broken down into a series of selected questions for the purpose of pinpointing the individual aspects that can describe the onset of residual risk within the complex guarantee management process. The questionnaire contents were formulated regardless of the analysis of the minimum requirements related to acceptability of the security coverage since they are considered as already directed within the area of Pillar I credit risk measurement.

The scorecard has four distinct phases, that is:
- phase 1: assessment of preliminary and legal aspects related to guarantee acquisition;
- phase 2: assessment of the activity of acquisition/activation of guarantees;
- phase 3: assessment of the activities related to guarantee management (for example, monitoring guarantee values);
- phase 4: assessment of activities related to the process of guarantee enforcement.

On the basis of points earned, the score is preliminarly analysed and valued, breaking down its main macro-phases. With respect to each phase, an overall score is obtained and standardised on a rising potential scale of risk value levels from 1 to 5.
The compilation is done by experts who use data and information from guarantee management procedures in performing this task.
On the basis of score levels and evidence emerging during assessment, any strategies or corrective or mitigation actions needed are identified.
Periodically through the repetition of this assessment, the effectiveness of the actions taken is verified and the weights to ascribe to single risk factors may be redefined.

STRATEGIC RISK

General aspects, strategic risk management processes and measurement methods
Strategic risk is defined as the current or perspective risk of a drop in profits or capital deriving from a change in the operational context or from erroneous corporate decisions, inadequate implementation of decisions or insufficient reactivity to variations in the competitive scenario. The possibility must be assessed that the operational context of Group operations may not be interpreted correctly leading the Administrative Body to take initiatives that are not in line with the risk-yield objectives set by the Bank.

In order to adequately monitor the strategic risk and mitigation control process, the Veneto Banca Group uses a series of qualitative and quantitative instruments/indicators which change according to the risk components being reviewed:

1. Changes in the operational context:
    a. Income Indicators;
    b. Market scenario identifying indicators;
    c. Evidence of the most significant market evolutions;
2. Erroneous corporate decisions:
    a. Support analysis (swot analysis; business plan initiative....);
    b. Decision-making process (formalisation of strategic decisions; assessment of capital absorbed; stress test business plan);
3. Inadequate implementation of decisions:
    a. Operational plan (level of detail of planning activities; correct workload identification; project activity progess reports);
    b. Implementation process (assignment of planning responsibilities; communication of objectives);
4. Reactivity vis à vis evolutions in the competitive context:
    a. Monitoring/updating the plan;
    b. Re-directing actions (based on project activity progress reports, changes in the competitive scenario).

Strategic risk assessment, given its nature, is carried out through qualitative/quantitative analysis based on deviation trends between forecast data and final results. This analysis performed at the consolidated level also includes more circumscribed strategic initiatives and is aimed at measuring not only the achievement of objectives but also the robustness of the underlying assumptions of the plan.
The objective of the verifications after the fact is to assess the ability of the Bank to formulate and set in place value-producing strategies and to set itself achievable goals that are consistent and can be modified depending on changed market conditions.

REPUTATIONAL RISK

General aspects, reputational risk management processes and measurement methods
The "Reputational Risk" is defined as the present or prospective risk of a drop in profits or capital deriving from a negative perception of the image of the bank by customers, counterparties, shareholders of the bank, investors or supervisory authorities.

Reputational risk:
- is associated neither with a specific accounting item – as it is not of an economic nature – nor with a certain hierarchical level or process or function, but may involved the most various levels/processes/functions;
- has features of a structural/permanent kind;
- cannot be defined as a pure risk, but presents itself as a second level risk (it occurs, in fact, following an event of operating, strategic, compliance risk, etc.); it is, however, a risk of primary importance because it is capable of causing the bank to be forced out of the competitive arena;
- is a risk which is difficult to model analytically;
- is a risk which can be mitigated controlling and managing internally the events that generate it;
- is a risk which is never completely controllable, because it depends also on factors external to the Bank's operations (think of the impact which the reputation of the entire industry can have on the reputation of each operator), so that it must be monitored permanently in order to be able to intervene effectively and promptly.

As this risk is difficult to quantify, it is indispensable to ensure "upstream":
- an adequate level of awareness of the top management bodies on the significance of the issue;
- effectiveness in implementing actions decided by the top management of the Group;
- promotion of a culture of ethical behaviour and correct conduct;
- adequate management of relations with stakeholders (shareholders, customers, employees and counterparties);
- effectiveness and efficiency of the internal control system (ICS), which ensures substantial and not just formal observance of the legislative framework of reference and of the commitments assumed voluntarily by the Group governed by the Internal Code of Ethics and Behaviour;
- suitability of the risk management and containment systems (minimization of the causes and – after the fact – of any damage and assessment of the opportunity of specific hedging of assets).

The assessment and management of the risk require a preliminary check on the existence of an adequate internal commitment, with particular reference to the framework of corporate governance and the strategic decisions on the subject of fixing the risk appetite (the level of risk that the bank has decided to assume). This also in the light of the attention paid to corporate reputation on the part of the shareholders/partners, who are interested in rigorous monitoring of reputational risks, with which they tend to associate (and therefore demand) a probability of occurrence that tends to zero.

The Basel Committee did not lay down any specific capital requirement to cover reputational risk, envisaging only *moral suasion* in its prevention.
In effect it would be difficult to provide for an ad hoc capital requirement for this risk, owing above all to the difficulty of measuring it and to the close link between operating losses and reputational losses; a circumstance which entails the possibility of counting losses twice and therefore a double gearing of capital.
On the other hand, we cannot ignore the implications that a reputational loss can have in terms of lower profits and higher costs.
Factors mitigating the risk are therefore prevention and good governance.

As this is a composite risk, the result of events that arise from a plurality of contexts, reputational risk is managed in accordance with a "building block" approach.
Causes of reputational risk:
- non-observance/infringement of external regulations: laws, regulations and measures (Bank of Italy, Consob, MEF, ...);
- transparency for customers;
- institutional messages;
- diffusion of a culture of service (professional ethics and quality of service);
- non-observance/infringement of internal regulations:
- reputational impact of operating impacts;

- corporate strategies;
- conduct of the top management bodies;
- incorrect awareness of the top management bodies on exposure to significant risks;
- inadequacy/ineffectiveness of decision-making processes;
- operation of the internal control system (ICS);
- badly-designed or inadequate bonus and remuneration systems;
- claims;
- missing, inadequate or incorrect information flows to the exterior.

In the Veneto Banca Group these have been grouped together into the following macro-sources of reputational risk:

- the risk of non-compliance with standards/regulations (compliance risk)
- strategic risk
- corporate governance
- customer claims
- new products
- legal risk

within these the operational risks[4] which can affect "reputation" are identified.

Compliance risk

The risk of not complying with regulations is the risk of incurring judicial or administrative sanctions, significant financial losses or damages as a consequence of the infringement of laws or regulations, or the provisions of self-regulation or codes of conduct. To this end of particular significance is the establishment within banks and banking groups of an auditing unit devoted to monitoring and controlling compliance".[5]

In this context, for the purposes of the prevention/mitigation of the associated reputational risk, it becomes important on the one hand to promote a corporate culture based on principles of honesty, correctness and observance of the rules, and on the other to put in place specific organizational monitoring with the aim of ensuring observance of the legislative prescriptions and self-regulation.

In fact:

- the adoption of strong organizational monitoring of compliance risk (establishment of a corporate unit and appointment of a manager) contributes also to the protection of the company's image, the loss of which is one of the events to which reputational risk is sensitive;
- compliance risk refers above all to the most significant legislative provisions for the banking business, that is those regarding the exercise of broking activities, the management of conflicts of interest, transparency in customer relations and, more generally, the regulations protecting consumers[6].

In the Group the organizational unit responsible for the coordination, management and monitoring of compliance risk is the Compliance Unit, which plays the role of second level auditing unit. The regulatory areas it oversees are contained in the Mandate conferred on it by the Board of Directors of the Parent Company on 15 February 2011.

The effects of compliance risk are:

- administrative sanctions (fines);
- prohibitions and/or disciplinary measures;
- losses of assets and legal losses (disputes with customers);
- damage to reputation and image.

Strategic risk

Its effect on reputational risk may derive from:

- errors in the choice of markets or in the commercial positioning of the Bank;
- purchasing or equity investment decisions, if we are looking at a company that up to that time has not worked well from the point of view of correctness and/or transparency;
- incorrect dividend policies;
- failure to observe the capital ratios (risk appetite) communicated to the exterior, that is capital inadequacy;
- commercial and operating decisions excessively imbalanced towards short-term objectives.

The corporate unit responsible for the monitoring of strategic risk is the Central Budget and Control Unit, which is part of the Central Planning and Control Department.

Corporate governance

As part of a wide-ranging regulatory system regarding corporate organization and governance, the Bank of Italy has paid particular attention to the role and operation of the bodies of administration and control and to the relations between these and the corporate framework, fixing general rules and giving autonomy to intermediaries in the concrete identification of the most suitable solutions for implementing

[4] They are the risks of losses deriving from the inadequacy or failure of internal processes, people and systems or from external events (including among these risks legal risk, but explicitly excluding strategic and reputational risks) – Source: Basel Committee

[5] Source: Bank of Italy, Supervisory Instructions, "the compliance unit", 10 July 2007.

[6] Source: Bank of Italy, Supervisory Instructions, "the compliance unit", 10 July 2007.

them, to enable them to make decisions regarding corporate governance on the basis of the features in term of dimensions, organization and business of the company[7].

The general principles set forth concern:

- the clear distinction of roles and responsibilities;
- the appropriate balancing of powers;
- the balanced composition of the corporate bodies;
- the effectiveness of controls;
- monitoring of all the business risks;
- adequacy of the information flows.

In our business it is the Parent Company which has the responsibility to define the governance model and to ensure the overall consistency of the framework of governance of the Group, establishing first and foremost adequate methods of communication between the corporate bodies, the structures and the corporate units of the different components of Group. On 23 June 2009 the Board of Directors of the Parent Company approved the “Corporate Governance Project of Veneto Banca and of the VB Group”, and this was subsequently examined by the Boards of Directors of the subsidiary banks.

The Governance Model therefore regulates:

- the administration and control system chosen (submitted for the approval of the shareholders' meeting);
- the duties and powers of the corporate bodies;
- the composition and operation of the corporate bodies;
- the mechanisms of remuneration and incentives;
- the information flows.

The objective sensitivity and strategic/operational “weight” of the issue make it inevitably a “source” of reputational risk; this also in consideration of the fact that all of the above must be adequately made public.

Customer claims: management process

As far as this point is concerned of primary importance is careful monitoring of the level of customer satisfaction in relations with the Bank. To this end the analysis and management of claims are both an indicator of the critical areas as regards the quality of the offer and the service, and an opportunity to re-establish an adequate level of satisfaction in customer relations.

To monitor and manage customer claims, mitigating their consequences in reputational terms, the Veneto Banca Group has put in place organizational mechanisms capable of:

1. responding promptly and completely to customer requests
2. informing adequately the Corporate Bodies responsible for management and control of the Group and of the single legal entities.

With the adoption of the new structure of the Veneto Banca Group, all written customer claims are managed in a centralized manner by the Group Claims Unit which, in investigating the claims received, contacts directly the branch that has the relationship with the claimant customer, requesting information and documentation in relation to the position and events challenged, and formulates the responses to the claims formalized.

The process relating to claims, containing the principles which the organizational units must comply with and governed by specific internal regulations, envisages the following operational indications:

a. verbal customer claims, above all those concerning the application of conditions, are managed by the branch, holding to the principles of professional and ethical correctness and assessing carefully the interests involved, both those of the business and those of customers;

b. customers who require a formal response in writing are invited to send to the Group Claim Unit a detailed written claim on specific standard forms prepared by the Bank. Claims sent exclusively to third parties (BdI, Consob, …) and subsequently forwarded by them to the Bank are also treated in the same way;

c. if customers are not satisfied by the response received they can activate the out-of-court dispute resolution process, pursuant to section 2.3.4.1 below If they decide instead to reply to the Claims Office the process described does not change and is repeated;

d. any further written requests by customers are dealt with by the Group Claims Office, unless there are “writs of summons”, in which case the file must be passed on to the Legal and Disputes Unit.

Every six months, in a written report, accompanied by the appropriate statements, the Group Claims Office informs the Board of Directors and the Board of Statutory Auditors of the Parent Company on the development of non-financial claims, in terms of numbers and economic implications.

A copy of the report is sent to the Group Compliance Unit.

Once a year, on the basis of feedback from the ABI Claims Monitoring Service, the Group Claims Office monitors the position of the Group banks with respect to the Banking System, making it possible to highlight the main critical issues in terms of products/services involved and types of claim. The results of the analysis are shared with the Compliance Unit.

[7] Source: Bank of Italy, "Supervisory Regulations on the Organization and Corporate Governance of Banks" (letter N° 266623 of 4 March 2008) and subsequent “Note of Clarifications” (letter N° 197183 of 24 February 2009).

Management/placement of Products with customers
An Operational Process of "Examination and authorization of new products" was formalized for the examination and assessment of proposals for trading/marketing of new products and/or activation of new markets/counterparties.
The aim is to ensure that the adoption of new products, financial instruments or services and the activation of new markets or new marketing agreements with other companies takes place with due consideration of all legislative, management and commercial aspects; this with reference to financial risk, the production process, organizational oversight and, finally, the features of the product and the type of customer to which it caters.
This work is done by the proposing unit and by those involved each time, each as far as it is responsible, through analysis of the strategic, commercial, operational and legal aspects associated with the release of a new product and/or the provision of a new service, both for the Group as a whole, and for the individual banks.
The proposing unit must then verify the correct process of definition of the product or service being proposed for all areas of feasibility, as better defined by the internal regulations (i.e. financial sustainability, definition of the supporting instruments and processes, compliance with the legislation, definition of the internal operating rules, observance of the risk policies).

Legal risk
Legal risk is the risk of losses or reduction in the value of assets and/or of operating difficulties associated in any way with contract forms or legal documents which are inadequate or incorrect. This risk therefore directly involves commercial or contractual aspects of the business[8] and can cause economic damage noticeable also in the short term.
In the context of the banking business, the legal risk may have various immediate causes, depending on the different role assumed from time to time by the Group (service provider, lender, purchaser of goods and services etc.), such as:
- responsibilities arising from the adoption of contracts for the provision of banking and/or investment services not in line with the current legislation (nullity, ineffectiveness …);
- responsibilities arising from the execution of contracts pursuant to the previous point, from the methods and contents of performance of the service, from the options of withdrawal and termination;
- ineffectiveness of the process of recovery of credit claims (revocation of credit facilities, enforcement of guarantees….);
- unplanned management of instruments and methods of recovery and valuation of receivables and warranty and litigation risks;
- responsibilities arising from the signing, execution, withdrawal from and termination of contracts with suppliers and/or consultants and/or professionals and from the preparation and exchange with the same of documents not adequately assessed.

As mentioned in the introduction, legal risk, unlike compliance risk, is therefore essentially associated with the contractual, extra-contractual (activity in preparation for the signing) and commercial aspects; it regards mainly laws and the external regulations which complete them and refers to a context of private law relations.
The corporate unit responsible for monitoring legal risk is the Disputes Department, which, in the context of the work of preparation of the contractual forms of a banking/financial nature makes use also of the operational collaboration of the organizational and auditing functions of the corporate compliance unit.

As already pointed out, by nature reputational risk is hard to measure, but can however be subjected to processes of detection, assessment and mitigation.
In the absence of historical series and of best practices of reference relating to the monitoring of reputational risk an approach was chosen which, after defining the main sources of generation, highlights the factors that may influence or determine its arisal.

Preventive monitoring of events giving rise to reputational risk is fundamental; there may in fact be latent signs for long periods – such as, for example, complaints by customers or employees - which, if "neglected", may lead to real and proper reputational crises.
The following can have an impact on reputational risk:
- the internal regulatory framework (which includes systems for auditing and attenuating risk);
- the significant business processes;
- the internal information flows;
- the corporate conduct associated with reputational risk.

For this purpose particular attention is paid to:
- completeness of the mapping of business processes, with the aim of limiting the occurrence of risk factors and assigning certain and well-defined responsibilities for the purposes of governance of such risks;
- the promptness and effectiveness of actions when situations of conflict arise;
- a careful process of selection, assessment, training and development of the Bank's personnel;

[8] Unlike "legislative" risk which involves relations between the Group and the Authorities, primarily the Supervisory Authorities.

- conformity of the processes of external communication with principles of correctness and transparency and assignment to a determined unit of the duties of coordination and control of such activities (External Relations Service and Advertising and Image Service);
- continual attention to all stakeholders, primarily shareholders and customers (through indices of customer satisfaction, retention, claims), but also employees (indices of competence and satisfaction) and counterparties, developing correct relations founded on reciprocal trust;
- acceptance of codes of conduct (internal and industry-wide) and verification of actual dissemination and application of the same within the business;
- the care taken in the construction of bonus systems, excluding elements that may also indirectly give rise to non-compliant conduct on the part of operators.

To enable the Bank to perform effective monitoring of risk factors there must be:

- uniform criteria (between the Compliance and Internal Audit Units) of assessment in advance of the degree of exposure of the Group to compliance and reputational risks in relation to a given law (compliance risk assessment and self-assessment);
- uniform criteria (between the Compliance and Risk Management Units) of detection after the fact of compliance and reputational events (recording the frequencies of occurrence), of measurement after the fact of financial losses deriving directly or indirectly from such events (measurement of loss data) and of comparison between such data and any historical series available (analysis of performance trends).

In this context the work of the Compliance Unit can be seen as action of a *bottom up* kind, which starts from the corporate business processes with the aim of assessing the degree to which they correspond to the legislation and preparing the corrective plans necessary to remove the gaps found, divided into the following stages:

1) assessment of the risk inherent in a certain corporate activity;
2) assessment of the controls in place for the mitigation of the risk, of the degree of coverage provided by these and of the degree of "error" inherent in them[9];
3) preparation of the corrective action plan, deriving from assessment of the distance (gap analysis) between the level of risk estimated and the level of risk considered acceptable (that is manageable and tolerable by the bank), which describes the organizational measures proposed for mitigation of the gap detected.

Reputational risk has therefore been identified with a semi-qualitative measurement technique (scoring); this is better because it enables assessment of the total risk aggregating the scores attributed to the single risk factors.
Obviously the lack of reliable historical series makes the numerical quantification of perception of the risk hard to define.

[9] Due to the detection of errors that have occurred in the stage of design of the controls or introduced by subsequent changes in the external legislation or organizational regulations of the bank (substantially, failure to update/maintain the auditing structure).

TABLE 2 – SCOPE OF APPLICATION

QUALITATIVE NOTICE

This public notice refers to the Veneto Banca Group which is composed as follows:

Parent Company: Veneto Banca s.c.p.a. – Montebelluna (TV)

Group companies:

Company Names		Registered Offices	Type of relation-ship (1)	Shareholding relationship		Available votes % (2)
				Shareholding relationship	% Stake	
A.	Companies					
A.1	Fully consolidated					
1.	Veneto Banca scpa (Capogruppo)	Montebelluna				
2.	Air Box srl	Montebelluna	1	Veneto Banca scpa	100.000%	
3.	ARIES SPV srl	Conegliano	4		-	
4.	Apulia Finance n. 2 srl	Conegliano	4	BancApulia spa	10.000%	
5.	Apulia Mortagages Finance n. 3 srl	Conegliano	4	BancApulia spa	10.000%	
6.	Apulia Finance n. 4 srl	Conegliano	4	BancApulia spa	10.000%	
7.	Apulia Previdenza spa	Milano	1	BancApulia spa	100.000%	
8.	Apulia Prontoprestito spa	San Severo	1	BancApulia spa Veneto Banca scpa	86.921% 13.079%	
9.	B.C. Eximbank s.a.	Chisinau	1	Veneto Banca scpa	100.000%	
10.	BancApulia spa	San Severo	1	Veneto Banca scpa	70.105%	69.217%
11.	Banca Intermobiliare di Investimenti e Gestioni spa	Torino	1	Veneto Banca scpa	71.401%	
12.	Banca IPIBI Financial Advisory spa	Milano	1	Banca Intermobiliare di Investimenti e Gestioni spa Veneto Banca scpa	67.216% 20.045%	
13.	Banca Italo-Romena spa	Treviso	1	Veneto Banca scpa	100.000%	
14.	Bim Fiduciaria spa	Torino	1	Banca Intermobiliare di Investimenti e Gestioni spa	100.000%	
15.	Bim Immobiliare srl	Torino	1	Banca Intermobiliare di Investimenti e Gestioni spa	100.000%	
16.	Bim Insurance Broker spa	Torino	1	Banca Intermobiliare di Investimenti e Gestioni spa	51.000%	
17.	Bim Intermobiliare di Investimenti e Gestioni (Suisse) S.A.	Lugano	1	Banca Intermobiliare di Investimenti e Gestioni spa	100.000%	
18.	Cassa di Risparmio di Fabriano e Cupramontana spa	Fabriano	1	Veneto Banca scpa	67.186%	
19.	Claren Immobiliare srl	Montebelluna	1	Veneto Banca scpa	100.000%	
20.	Claris ABS 2011 srl	Conegliano	4		-	
21.	Claris Cinque spa	Montebelluna	1	Veneto Banca scpa	100.000%	
22.	Claris Factor spa	Montebelluna	1	Veneto Banca scpa	100.000%	
23.	Claris Finance 2005 srl	Roma	4	Veneto Banca scpa	5.000%	
24.	Claris Finance 2006 srl	Conegliano	4		-	
25.	Claris Finance 2007 srl	Conegliano	4		-	
26.	Claris Finance 2008 srl	Conegliano	4		-	
27.	Claris Lease Finance srl	Conegliano	4		-	
28.	Claris Leasing spa	Treviso	1	Veneto Banca scpa	100.000%	
29.	Claris RMBS 2011 srl	Conegliano	4		-	
30.	Claris SME 2011 srl	Conegliano	4		-	
31.	Claris SME 2012 srl	Conegliano	4		-	
32.	Immobiliare D srl	Milano	1	Banca Intermobiliare di Investimenti e Gestioni spa	100.000%	
33.	Immobiliare Italo Romena srl	Bucarest	1	Veneto Banca scpa	100.000%	
34.	Intra Mortgage Finance 1 srl	Milano	4	Veneto Banca scpa	5.000%	
35.	Monteverde Consulting srl	Bucarest	1	Veneto Banca scpa Banca Italo-Romena spa	99.830% 0.170%	
36.	Paomar Terza srl in liquidazione	Bergamo	1	Banca Intermobiliare di Investimenti e Gestioni spa	100.000%	
37.	Patio Lugano sa	Lugano	1	Bim Intermobiliare di Investimenti e Gestioni (Suisse) S.A.	100.000%	
38.	Symphonia SGR spa	Milano	1	Banca Intermobiliare di Investimenti e Gestioni spa	100.000%	
39.	Veneto Banka d.d.	Zagabria	1	Veneto Banca scpa	100.000%	
40.	Veneto Banka sh.a.	Tirana	1	Veneto Banca scpa	100.000%	
41.	Veneto Ireland Financial Services ltd	Dublino	1	Veneto Banca scpa	100.000%	

Legend:
Type of relationship:
1 = majority voting rights in ordinary meeting
2 = dominant influence in the ordinary meeting
3 = agreements with other shareholders
4 = other forms of control
5 = joint control
(2) (2) Availability of votes in the ordinary shareholders' meeting.Where not otherwise specified, the participation share corresponds to the percentage votes available in the ordinary shareholders' meeting.

The consolidation area for prudential purposes, the parameters of which are determined in compliance with supervisory legislation in force, allows for integral consolidation of all the companies directly controlled by the parent company.

The value of stakes held in insurance companies is deducted from the regulatory capital in a proportion equal to or higher than 20% and in finance companies in proportions equal to or higher than 10%; similarly the sum of said values is not considered among the activities with weighed risk.

The area of consolidation for balance sheet purposes includes the companies in which the parent company directly or indirectly holds the majority of voting rights, those in which it holds stakes of between 20% and 50% or, even in the case of minority profit-sharing, when one or more of the following circumstances recur:

a) significant representation on the Board of Directors or in an equivalent body of a subsidiary of members who are the expression of the Veneto Banca Group;
b) participation in the decision-making process, including participation in decisions relating to the allocation of profits and distribution of dividends;
c) the occurrence of large transactions between shareholder and shareholding;
d) the interchange of management personnel;
e) the supply of essential technical information.

It is noted that within the Group there are no current or foreseeable impediments which would hinder the rapid transfer of asset resources or funding.

It is specified that since the Group does not report asset shortfalls at the consolidated level, the Parent Company and the other Group banks and financial companies reduce their own capital requirements by 25% on an individual basis pursuant to the supervisory measures in force, except for the subsidiary Cassa di Risparmio di Fabriano e Cupramontana spa, for which the higher capital requirement imposed by the Bank of Italy is, starting from 2009, still applied, and it is equal to 10% of credit risk. The said requirement is still requiered, despite the entry of the bank in the Veneto Banca Group.
For the calculation of consolidated capital for supervisory purposes, reference is made only to the data relating to banking, financial and instrumental companies belonging to the banking group. Such data also include asset and liability relationships (on and off the balance sheet) of the balance sheet and the profit and loss account with other companies included in the consolidation of the balance sheet which were the object of the elision.

As compared with the situation as of 31 December 2011, the scope for consolidation has not changed.
In 2012 an increase is recorded in the majority share of Gruppo in Apulia Prontoprestito spa , from 70,458% to 100% due to the effects of the voluntary public takeover bid (OPA) which led to the squeeze out and consequent delisting of Apulia Prontoprestito shares from the MTA of Borsa Italiana.
Additional changes in interests were also recorded for Carifac, for which the share went from 53.652% to 67.186%, for Banca Apulia, which increased from 63.747% to 70.105%, for BIM, which went from 71.388% to 71.401% and for Banca IPIBI, which rose from 87.096% to 87.261%.

Herewith follows a table illustrating the composition of the area of consolidation for balance sheet and prudential purposes specifying, in the first case, the methodologies of consolidation, and in the second, the calculation of prudential capital requirements.

Area of consolidation at 31 December 2012 for balance sheet and prudential purposes and other entities deducted from capital for supervisory purposes

Names	Registered Offices	Type of activity	Type of relation-ship (*)	% Stake	Consolidation for IAS/IFRS balance sheet purposes	Treatment for prudential supervisory purposes	
						Consolidation	Deduction from Capital for Supervisory Purposes
Veneto Banca scpa (Capogruppo)	Montebelluna	Banking			Full	Full	No
Air Box srl	Treviso	Non Financial	1	100.000%	Full	Full	No
Aries SPV srl	Conegliano	Financial	4		Full	Full	No
Apulia Finance n. 2 srl	Conegliano	Financial	1	10.000%	Full	Full	No
Apulia Mortagages Finance n. 3 srl	Conegliano	Financial	1	10.000%	Full	Full	No
Apulia Finance n. 4 srl	Conegliano	Financial	1	10,000%	Full	Full	No
Apulia Previdenza spa	Milano	Insurance	1	100.000%	Full	Full	No
Apulia Prontoprestito spa	San Severo	Financial	1	100.00%	Full	Full	No
B.C. Eximbank s.a.	Chisinau	Banking	1	100.000%	Full	Full	No
BancApulia spa	San Severo	Banking	1	70.105%	Full	Full	No
Banca Intermobiliare di Investimenti e Gestioni spa	Torino	Banking	1	71.401%	Full	Full	No
Banca IPIBI Financial Advisory spa	Milano	Banking	1	87.261%	Full	Full	No
Banca Italo-Romena spa	Treviso	Banking	1	100.000%	Full	Full	No
Bim Fiduciaria spa	Torino		1	100.000%	Full	Full	No
Bim Immobiliare srl	Torino	Instrumental	1	100.000%	Full	Full	No
Bim Insurance Broker spa	Torino	Non Financial	1	51.000%	Full	Full	No
Bim Intermobiliare di Investimenti e Gestioni (Suisse) S.A.	Lugano	Banking	1	100.000%	Full	Full	No
Cassa di Risparmio di Fabriano e Cupramontana spa	Fabriano	Banking	1	67.186%	Full	Full	No
Claren Immobiliare srl	Montebelluna	Instrumental	1	100.000%	Full	Full	No
Claris ABS 2011 srl	Conegliano	Financial	4		Full	Full	No
Claris Cinque spa	Montebelluna	Financial	1	100.000%	Full	Full	No
Claris Factor spa	Montebelluna	Financial	1	100.000%	Full	Full	No
Claris Finance 2005 srl	Roma	Financial	4	5.000%	Full	Full	No
Claris Finance 2006 srl	Conegliano	Financial	4	-	Full	Full	No
Claris Finance 2007 srl	Conegliano	Financial	4	-	Full	Full	No
Claris Finance 2008 srl	Conegliano	Financial	4	-	Full	Full	No
Claris Lease Finance srl	Conegliano	Financial	4	-	Full	Full	No
Claris Leasing spa	Treviso	Financial	1	100.000%	Full	Full	No
Claris RMBS 2011 srl	Conegliano	Financial	4		Full	Full	No
Claris SME 2011 srl	Conegliano	Financial	4		Full	Full	No
Claris SME 2012 srl	Conegliano	Financial	4		Full	Full	No
Immobiliare D srl	Milano	Instrumental	1	100.000%	Full	Full	No
Immobiliare Italo Romena srl	Bucarest	Instrumental	1	100.000%	Full	Full	No
Intra Mortgage Finance 1 srl	Milano	Financial	4	5.000%	Full	Full	No
Monteverde Consulting srl	Bucarest	Financial	1	100.000%	Full	Full	No
Paomar Terza srl	Bergamo	Instrumental	1	100.000%	Full	Full	No
Patio Lugano sa	Lugano	Instrumental	1	100.000%	Full	Full	No
Symphonia SGR spa	Milano	Financial	1	100.000%	Full	Full	No
Veneto Banka d.d.	Zagabria	Banking	1	100.000%	Full	Full	No
Veneto Banka sh.a.	Tirana	Banking	4	100.000%	Full	Full	No
Veneto Ireland Financial Services ltd	Dublino	Financial	1	100.000%	Full	Full	No
Bim Vita spa	Torino	Insurance	2	50.000%	Net assets	Net assets	Yes
Credito di Romagna spa	Torino	Banking	3	9.889%	Net assets	Net assets	No
Eta Finance spa	Vicenza	Financial	2	30.000%	Net assets	Net assets	Yes
MGP srl	Treviso	Financial	2	24.500%	Net assets	Net assets	Yes
Sec Servizi scpa	Padova	Instrumental	2	26.293%	Net assets	Net assets	No
Sintesi 2000 srl	Milano	Non Financial	2	33.333%	Net assets	Net assets	No

For prudential treatment purposes, also deducted from assets are:

Arca SGR spa	Milano	Financial		19.999%	Not consolidated	Not consolidated	Yes
Ver Capital Sgr	Milano	Financial		16.000%	Not consolidated	Not consolidated	Yes
Soc. Regionale di garanzia Marche – Soc. Coop. Per azioni	Ancona	Instrumental		13.602%	Not consolidated	Not consolidated	Yes

Legend:

(1) Type of relationship:
- 1 = majority voting rights in ordinary meeting
- 2 = dominant influence in the ordinary meeting ((subsidiaries)
- 3 = agreements with other shareholders
- 4 = other forms of control
- 5 = joint control

TABLE 3 - COMPOSITION OF CAPITAL FOR SUPERVISORY PURPOSES

QUALITATIVE NOTICE

In 1988 the Basel Committee introduced the concept of risk capital while Community Directive 2000/12/EC laid down the general lines for European regulation aimed at limiting the default risk of financial intermediaries. On the basis of Community indications, Bank of Italy, starting in 1992, established capital adequacy ratios which financial intermediaries must be able to guarantee.
Supervisory capital constitutes the main point of reference in the assessments of the Supervisory Body on the stability of individual banks and the banking system in general. It is the basis for the most important prudential control instruments such as the solvency ratio, the requisites against market and operational risk and the rules on risk concentration and transformation of maturity dates. Specifically, capital adequacy in a bank is assessed in relation to the amount of the ratio between the supervisory capital (composed of the asset base, the supplementary assets and Tier three assets) and the total of the weighed risk activities. On a consolidated basis, the supervisory capital must not be less than 8% of the weighed risk activities.

1. Capital base

The following table summarises the main contractual characteristics of the innovative capital instruments composing the capital base together with the traditional components composed of capital, surplus issue, reserves and the quota of profit allocated to reserves after deduction of shares or proprietary stakes, of intangible assets and any losses recorded in previous years.

Characteristics of financial instruments	Interest rate	Step-up	Issue date	Maturity date	Early repayment starting on	Nominal residual amount (Euro/000)	Amount of balance sheet at 31/12/2012	Contribution to supervisory capital
Preference shares	6.411% fixed;as from 21/12/2017 Euribor 3m+2.75%	Si	21/12/2007	Irredeemabl e	21/12/2017	162,250	185,634	159,371
Total calculable innovative capital instruments (Tier I)						**162,250**	**185,634**	**159,371**

The preference shares are, in respect of current legislation, calculated in the asset base within its 15% limit and any excess is calculated in the supplementary assets.

2. Supplementary assets

The supplementary assets are, as a rule, composed of revaluation reserves, hybrid instruments for increasing company equity and subordinate liabilities. Supplementary assets do not have to be greater than the asset base.
The solvency ratio must be calculated on the sum of tier I capital and tier II capital, net of equity investments in financial companies and insurance companies, hybrid equity increase instruments, and subordinated loans to said entities.
The following table shows the main contractual characteristics of subordinate financial instruments in place at the year end and calculated for purposes of supplementary assets.

Characteristics of financial instruments	Interest rate	Step-up	Issue date	Maturity date	Advance repayment starting on	Nominal residual amount (Euro/000)	Amount in balance sheet at 31/12/2012	Contribution to supervisory capital
Subordinate convertible bond issue	Euribor 6m+0.50%; as from 30/12/2008 Euribor 6m+1,00%	Yes	30/12/2003	30/12/2013	No	28,252	28,196	5,654
Subordinate bond issue	Euribor 3m+0.60%; as from 12/11/2009 Euribor 3m+1,20%	Yes	29/10/2004	12/11/2014	12/11/2009	89,990	90,958	39,979
Subordinate bond issue	4.46% fixed	No	9/6/2005	9/6/2014	No	25,000	26,139	10,000
Subordinate bond issue	4.65% fixed	No	9/6/2005	9/6/2015	No	30,000	30,089	18,000
Subordinate bond issue	Euribor 3m+0.45%; as from 21/06/2012 Euribor	Yes	21/6/2007	21/6/2017	21/06/2012	68,700	72,814	68,394

	3m+0.60%							
Subordinate bond issue	Euribor 3m+0.50%	No	1/10/2008	1/10/2014	No	54,000	54,097	54,000
Subordinate bond issue	Euribor 3m+0.50%	No	15/12/2008	15/12/2014	No	54,000	54,015	53,999
Subordinate bond issue	4.22% fixed; as from 15/5/2014 Euribor 3m+2%	No	15/5/2009	15/5/2019	15/5/2014	75,000	75,413	75,000
Subordinate bond issue	3.895% fixed; as from 30/09/2009 Euribor 6m+0.70%	No	30/9/2004	30/9/2014	30/9/2009	48,273	48,258	20,000
Subordinate bond issue	Euribor 6m+1.15%; as from 15/02/2011 Euribor 6m+1.30%	Yes	15/2/2006	15/2/2016	15/2/2011 (1)	21,000	21,152	20,860
Subordinate bond issue	Euribor 6m+1%; as from 15/4/2013 Euribor 6m+1.80%	Yes	15/4/2008	15/4/2018	15/4/2013	18,000	18,054	18,000
Subordinate bond issue	6% fixed	No	20/4/2009	20/4/2015	20/10/2010	20,000	20,237	20,000
Subordinate bond issue	1.50% fixed	No	29/7/2005	29/7/2015	No	127,014	121,519	89,054
Subordinate bond issue	5.1% fixed	No	4/3/2008	4/3/2013	No	3,971	4,137	3,970
Subordinate bond issue	5.1% fixed	No	31/3/2008	31/3/2013	No	3,921	4,071	3,920
Subordinate bond issue	5.1% fixed	No	15/4/2008	15/4/2013	No	1,950	2,020	1,949
Subordinate bond issue	4.25% fixed	No	31/3/2009	31/3/2014	No	3,976	4,103	3,975
Subordinate bond issue	10% fixed	No	22/10/2012	22/10/2022	No	15,000	15,283	14,995
Total calculable subordinate instruments (Lower Tier II)						**688,047**	**690,555**	**521,749**

(1) The issue terms and conditions envisage that repayment only takes place on 15/2/2011.

3. Tier three assets

There are no calculable financial instruments in Tier three assets.

The provisions of Circular no. 155/91 "Instructions for completing reports on supervisory capital and its prudential ratios" are intended to harmonise the criteria for determining the supervisory capital and the ratios with international accounting principles. They specifically require the application of the so-called "prudential filters" indicated by the Basel Committee in order to protect the quality of the supervisory capital and reduce the potential volatility of the aggregates following the application of the new accounting principles. Specifically, with reference to the most important aspects, the new measures provide that:

- for financial assets held for trading, both the capital gains and the capital losses transiting the profit and loss account and not realised are fully relevant;
- for the financial assets available for sale, the profit and loss from assessment, after compensation are recorded in a specific reserve of net assets: the balance of that reserve, if negative, reduces the net assets, and if positive, 50% of it contributes to the supplementary assets;
- the revaluation deriving from the re-determination of the cost of the properties carried out during the first application of international accounting principles is calculated entirely in the supplementary assets;
- for liabilities assessed at fair value (fair value option) both the capital gains and the capital losses transiting the profit and loss account and not realised are fully relevant with the exception of the component due to variations in proprietary creditworthiness.

The solvency ratio must be calculated on the sum of the asset base, of the supplementary assets and of tier three assets. When present, equity investments, innovative capital instruments, hybrid instruments for increasing the company's equity and subordinate assets held in other banks and finance companies in amounts of more than 10% of the capital of the body held must be deducted from these aggregates. Stakes in insurance companies and the subordinate liabilities they issue as well as other elements connected with the calculation of capital requirements are also deducted.

QUANTITATIVE NOTICE

	POSITIVE ELEMENTS IN THE ASSET BASE	
	Share capital	404,276
	Share premium reserve	2,393,971
	Other reserves	558,797
	Profit (self financing share)	
	Innovative capital instruments	159,371
	Other positive filters	10
A.	TOTAL POSITIVE ELEMENTS IN ASSET BASE	3,516,425
	NEGATIVE ELEMENTS IN ASSET BASE	
	Shares or proprietary stake	(10,616)
	Intangible assets	(1,350,895)
	Loss for the period	(71,946)
	Reserves with negative assessment on securities available for sale	(40,244)
	Fair value option: changes in creditworthiness	(3,021)
	Other negative filters	(33)
B.	TOTAL NEGATIVE ELEMENTS IN ASSET BASE	(1,476,755)
	ASSET BASE ELEMENTS DEDUCTED	
	Equity interests in financial and credit institutions of more than 20% of the financed entity	(13,046)
	Equity interests in financial and credit institutions of more than 10% and less than 20% of the financed entity	(1,129)
	Equity interests in financial and credit institutions of 10% or less of the capital of the investee entity: equity interests	
	Equity interests in financial and credit institutions of 10% or less of the capital of the investee entity: hybrid capitalization instruments	
	Equity interests in financial and credit institutions of 10% or less of the capital of the investee entity: subordinated instruments	
	Equity investments in insurance companies acquired after 20/07/06	(11,282)
C.	TOTAL ELEMENTS DEDUCTED FROM ASSET BASE	(25,457)
D.	**TOTAL ASSET BASE (A+B+C)**	**2,014,213**
E.	POSITIVE ELEMENTS IN THE SUPPLEMENTARY ASSETS	564,186
F.	NEGATIVE ELEMENTS IN THE SUPPLEMENTARY ASSETS	(343)
	Prudential IAS/IFRS filters, other negative elements	-
G.	SUPPLEMENTARY ASSETS: ELEMENTS DEDUCTED	(25,457)
H.	**TOTAL SUPPLEMENTARY ASSETS (E+F+G)**	**538,386**
	ELEMENTS TO DEDUCT FROM ASSET BASE AND SUPPLEMENTARY ASSETS	
	Equity investments in insurance companies acquired before 20/07/2006	(11,221)
I.	TOTAL ELEMENTS TO DEDUCT FROM ASSET BASE AND SUPPLEMENTARY ASSETS	(11,221)
L.	**SUPERVISORY CAPITAL (D+H+I)**	**2,541,379**
M.	TIER THREE ASSETS	-
N.	**SUPERVISORY CAPITAL INCLUDING TIER THREE ASSETS (L+M)**	**2,541,379**

Source: Reporting base 1 – Items 36502--36522

TABLE 4 - CAPITAL ADEQUACY

QUALITATIVE NOTICE

Capital adequacy, one of the main strategic objectives of the Group, is subject to constant monitoring by the Parent Company in both the phases of account rendering of management trends and in the annual Budget planning process which is carried out with the approval of the Industrial Plans. Consequently analytical forecasts and verifications of final balances are constantly being done to help maintain an adequate capital surplus which not only complies with minimum capital requirements but also ensures adequate growth margins.

The operations, both ordinary and extraordinary, of the Veneto Banca Group are marked by criteria of prudence, limited risk exposure as much as possible in compliance not only with the need for stability in banking activity but also with the Shareholders' attitude towards risk and by the spirit of mutual cooperation of the Institute.

In order to protect the financial solidity and reputation of the Group from undesired events, the Veneto Banca Group has established structural organisations, processes, resources - human and technological - with the skills to ensure the identification, control and management of all risks related to its characteristic operations. It is specifically noted that the entire process is supervised and coordinated by the Veneto Banca Parent Company where the persons and structures assigned to monitor and manage the various risks are located.
In this process which passes through various levels of the organisational structure, the fundamental role is played by the Parent Company Board of Directors whose task it is to define direction and strategies on risk taking and to approve strategic and operational limits and related guidelines.
The Group Risk Committee whose role and responsibilities are specified and formalised in a specific Regulation supports the Board of Directors and the Managing Director on these matters with regard to the powers conferred on them. The Group Risk Committee in particular assists the Managing Director and the Board of Directors of the Group in formulating strategies and risk policies and supplies the instruments and information needed to make informed decisions. This Committee must propose actions to optimise the utilisation of the capital of the Group and of its individual Companies, maintaining the corporate risk propensity within the limits set by the Board of Directors and implemented by the governance bodies of each individual Company.

The process of assessing financial capital adequacy with respect to the risk assumed has always been central to the strategies and activities of risk governance from both the historical and forecast points of view.
The consistency of this process with annual scheduling and strategic planning is ensured not only by the simultaneousness of drawing up the budget, the three year plan and the asset plan but also by the use of methodologies and measurement criteria leading to uniformity between final figures and the forecast.
This basic consistency therefore is followed by the systematic verification during periodic account rendering to ensure that management capital adequacy targets and regulatory ratios are respected. Thus any needed corrective actions to the dynamics under way can be defined as may emerge from the analysis of deviations of final figures from expected figures.

In compliance with current prudential supervision provisions, the process is formalised and regulated by a specific internal ICAAP regulation intended to define assessment methodologies, regulations and operational limits for large risk management as well as the procedures for the description and communication of the evidence emerging from periodic account rendering and risk monitoring.

In brief, according to the provisions of the specific Pillar 2 Organisational Manual, ICAAP in Veneto Banca is divided into eight phases which include the following macro activities:

1. Mapping large risks by management and measurement instruments or the identification of large risks to which the Bank is exposed on the basis of its own operations and in the supervised business areas;
2. Definition of the Group risk propensity or the maximum capital amount that the Group is willing to put at risk, identified in a ratio between total capital and total internal capital;
3. Current total internal capital or the calculation of total internal capital obtained by summation (building block) of the internal capital absorbed by the various large risks.
4. Stress test, or the development of sensitivity analysis on hypotheses of variation of significant variables in order to assess the Group vulnerability to various risks of exceptional but plausible events;
5. Total capital, or the definition of the composition of endowment capital for coverage of large risks (first and second pillar) and its reconciliation with supervisory capital;
6. Capital adequacy, or the verification of the adequacy of the endowment capital (total capital) compared to the total internal capital absorbed by large risks assumed;

7. Prospective internal capital, or the measurement forecast for total internal capital and total capital with reference to the current fiscal year, consistent with expected evolutions in Bank operations defined in the strategic planning and budget;
8. Preparation and transmission of ICAAP annual report which is sent to Bank of Italy after approval by the Parent Company Board of Directors.

Important is also to evidence the strong interconnections between the ICAAP and other key internal management processes. Among these:

1. Monitoring risk indicators with consequent updating of periodical reporting on the trend of exposure to various large risks;
2. Three year plan or the drawing up of Group strategic lines for the medium term must be consistent with the definition of risk appetite (risk propensity) approved by the Board of Directors; the process must take into consideration the effects in terms of endowment capital, of strategies outlined and must lead to the formulation of a capital plan in line from the time horizon point of view as well;
3. Preparation of the information to be periodically reported and delivering it by the defined tecnical ways, aggregations and timing established by the requiring authorities.

QUANTITATIVE NOTICE

The following tables show the capital absorbed by credit and counterparty, market and operational risk and the values assumed by the capital ratios referring to the basic capital (Tier 1ratio) and the total capital (Total capital ratio).

	Capital requirements	Per rischio di credito	Per rischio di controparte
CREDIT AND COUNTERPARTY RISK			
Standard Methodology			
Exposure to administrations and central banks	7,226	7,226	
Exposure to supervised intermediaries	91,168	81,013	10,155
Exposure to territorial institutions	118	118	
Exposure to not for profit bodies and public sector corporations	7,650	7,575	75
Exposure to multilateral development banks			
Exposure to international organisations			
Exposure to undertakings	809,409	792,505	16,904
Exposure to retail	240,473	239,658	814
Short term exposure to retail			
Exposure to collective investment undertakings in transferable securities (UCIT)	8,850	8,684	166
Exposure to securitisation	34,692	34,692	
Exposure backed by real estate	290,755	290,755	
Exposure in the form of covered bonds	3,700	3,700	
Past due exposure	254,081	252,533	1,548
Exposure belonging to high risk categories for regulatory purposes	2,120	2,120	
Other exposure	102,599	102,599	
TOTAL CREDIT AND COUNTERPARTY RISK	**1,852,841**	**1,823,178**	**29,663**
MARKET RISK			
Standard Methodology			
General position risk	11,743		
Specific position risk	8,745		
Position risk in UCIT equity securities	1,755		
Options	388		
Exchange risk	4,311		
Commodities position risk			
TOTAL MARKET RISK	**26,942**		
OPERATIONAL RISK			
Basic method	15,853		
TOTAL OPERATIONAL RISK	**152,853**		
OTHER REQUIREMENTS			
TOTAL CAPITAL REQUIREMENT	**2,032,636**		

EQUITY RATIOS

Basic capital ratio (Tier 1 Ratio) Basic capital (Tier 1 Ratio) / weighed risk assets (Tier 1 Ratio)	**7.93%**
Total Capital Ratio (Supervisory capital / weighed risk assets)	**10.00%**

Source: Processing starting from Base reporting 1 - Item 36526 Sub-item 02 -18 Type of amount 03 (weighed amount), Item 36562 Sub-item 02-50, Item 36580 Sub-item 02-34, Item 36584 Sub-item 00, Item 36586 Sub-item 02

TABLE 5 - CREDIT RISK: GENERAL INFORMATION ON ALL BANKS

QUALITATIVE NOTICE

For the classification of deteriorated exposures in the various risk categories (non performing loans, problem loans, restructured exposure and past due exposure) the Bank refers to regulations issued by Bank of Italy.
Classification is done independently by operational structures or is subject to the opinions/provisions of the peripheral and central specialised functions assigned to credit control and recovery with the exception of lapsed credits and/or overdrafts beyond 90 days for which reporting takes place through automated procedures.
These deteriorated credits are subject to an analytical assessment process regardless of the amounts of past due and restructured positions while the problem loans above Euro 20,000.00 are assessed analytically. Problem loans below this threshold are subject to collective assessment.
Past due receivables exceeding 90 days are subject to analytical assessment if over Euro 250 thousand; otherwise they are assessed collectively.
The amount of the value adjustment for each credit is equal to the difference between its balance sheet value at the time of assessment (amortised cost) and the current value of forecasted future cash flows calculated by applying the actual original interest rate.
For all fixed rate positions, the rate determined in this way is also kept constant in successive years. In cases in which the original interest rate for a financial asset subject to discounting cannot be obtained, or it is excessively difficult to obtain it, the average rate determined for positions with similar characteristics is applied. For variable rate positions for which a change in the rates occurred due to the reference parameter, the new rate determined on the valuation date is applied.
Cash flow forecasts take into account expected recovery times and the presumed realisation value of any guarantees which back the positions as well as expected credit recovery costs. Cash flows for credits which are expected to be recovered in the short term are not back discounted, as the financial factor is not significant.
Specifically with regard to non performing loans in order to determine the calculation procedure of the recovery value, all the positions are subjected to analytical assessment with identification of a recovery forecast subject to realisation on the basis of the average recovery times estimated by the competent corporate functions.
Watch-listed positions for amounts over Euro 20,000.00 are assessed analytically, identifying a recovery forecast subject to realisation determined on the basis of actual recovery estimated by the competent corporate functions.
Positions with exposures below the said limit and those for higher amounts for which no specific credit risk has been identified are subject to collective devaluation by analytically applying percentages calculated on a lump sum basis, based on history/statistics.
Restructured credits rare exposures with counterparties for which agreements have been completed that envisage the granting of a moratorium on payment of the debt and the simultaneous renegotiation of the conditions at rates lower than market ones. Any capital line sacrifices are valuated analytically, including in the write-down the discounted expense arising from any renegotiation of the rate to conditions lower than the original contractual rate.
Past due receivables and/or overruns exceeding 90 days are subject to analytical assessment if over Euro 250 thousand; those lower than 250 thousand are devalued at a flat rate by analytically applying percentages determined on a lump sum basis, based on history/statistics.
Credits for which no individual objective evidence of loss has been found, and that is, normally, performing loans including those towards counterparties resident in countries at risk are subject to assessment of a loss of of collective impairment on the basis of a method that supplements the parameters of the calculation model established by the Basel II supervisory regulations, represented by the "probability of default" (PD) and the "loss given default" (LGD), with those of the international accounting standards. The latter, in fact, exclude losses forecast on loans but not yet verified, but, vice versa, consider those already incurred even if not yet seen as of the measurement date, on the basis of past experience of losses for business with credit risk characteristics similar to those considered.
The parameter that expresses, for the different categories of homogeneous exposure, the average delay between the deterioration of the financial position of a debtor and its classification amongst deteriorated exposure is the "loss confirmation period". Collective measurement is therefore determined as the product of the risk factors used for the purpose of Basel II requirements (which have a time frame of one year) and the mentioned loss confirmation periods, expressed as fractions of the year and diversified according to classes of assets, according to the characteristics and development level of credit processes. Should said indicators not be available, estimated, lump sum values are used, assumed from internal history or sector studies.
This assessment is done for uniform credit categories with similar characteristics in terms of credit risk and the related loss percentages are estimated taking into account historical series which make it possible to estimate the value of the latent loss in each credit category.

The actual original rate of each loan remains unchanged over time even if the ratio is restructured thus entailing variations in the contractual rate and even if the ratio becomes, in actual practice, non interest bearing in terms of the contract.
The write-down is entered in the profit and loss account.
The original value of the credits is restored in subsequent years in proportion to the disappearance of the causes determining the adjustment, provided that such assessment can be connected objectively to an event occurring after that adjustment. The write-back is entered into the profit and loss account and cannot, in any case, be greater than the amortised cost that the credit would have had without the previous adjustments. The write-backs also include the positive effects from the return of the realisation effect deriving from the progressive reduction in the estimated recovery time for devalued credits.
At each closing date of the balance sheet and of situations during the year, any additional write-downs or write-backs are recalculated differentially with reference to the entire performing loan portfolio on the same date.

QUANTITATIVE NOTICE

The following tables show:
- the distribution of financial cash and off balance sheet assets by portfolio grouping, type of counterparty, credit quality, geographical area and economic sector;
- the distribution of assets by residual life bracket;
- the dynamics of deteriorated exposure and the related value adjustments.

The values shown are those presented in the notes to the balance sheet at 31 December 2012 and refer to the banking group.

It is deemed that the values of the end period are representative of the Group risk exposure during the period under reference.

TOTAL GROSS CREDIT EXPOSURE BY TYPE OF EXPOSURE AND COUNTERPARTY

Distribution of financial assets by portfolio grouping and by credit quality (balance sheet values)

Portfolios/Quality		Banking group					Other undertakings		Tota 31/12/2012
		Non performing loans	Problem loans	Restructured exposure	Past due exposure	Country Risk	Other assets	Deteriorate d	
1.	Financial assets held for trading	2,117	4,954	2,055	1,465	426,706			437,297
2.	Financial assets available for sale					5,767,054		208,028	5,975,082
3.	Financial assets held up to maturity								
4.	Receivables from banks					2,363,929		236	2,364,165
5.	Receivables from clients	1,208,096	842,569	57,312	458,429	24,290,664		1,400	26,858,470
6.	Financial assets assessed at fair value					21,072			21,072
7.	Financial assets being divested								
8.	Derivatives coverage					150,022			150,022
	Total 31/12/2012	**1,210,213**	**847,523**	**59,367**	**459,894**	**33,019,447**		**209,664**	**35,806,108**
	Total 31/12/2011	**922,246**	**717,745**	**55,474**	**275,190**	**31,155,106**		**185,040**	**33,310,801**

CASH AND OFF BALANCE SHEET CREDIT EXPOSURE TO BANKS: GROSS AND NET VALUES

Types of exposure / Values		Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A.	**Cash exposure**				
a.	Non performing loans			X	
b.	Problem loans			X	
c.	Restructured exposure			X	
d.	Past due exposure			X	
e.	Other assets	3,063,732	X		3,063,732
	Total A	**3,063,732**			**3,063,732**
B.	**Off balance sheet exposure**				
a.	Deteriorated			X	
b.	Others	169,047	X		169,047
	Total B	**169,047**			**169,047**
	Total (A+B)	**3,232,779**			**3,232,779**

CASH AND OFF BALANCE SHEET CREDIT EXPOSURE TO CLIENTS: GROSS AND NET VALUES

Types of exposure / Values		Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A.	**Cash exposure**				
a.	Non performing loans	2,133,598	925,502	X	1,208,096
b.	Problem loans	1,025,357	182,788	X	842,569
c.	Restructured exposure	67,413	10,101	X	57,312
d.	Past due exposure	472,493	14,064	X	458,429
e.	Other assets	29,855,430	X	89,016	29,766,414
	Total A	**33,554,291**	**1,132,455**	**89,016**	**32,332,820**
B.	**Off balance sheet exposure**				
a.	Deteriorated	84,409	2,031	X	82,378
b.	Others	1,987,448	X	3,176	1,984,272
	Total B	**2,071,857**	**2,031**	**3,176**	**2,066,650**
	Total (A+B)	**35,626,148**	**1,134,486**	**92,192**	**34,399,470**

Credit exposure distribution by significant geographic area

Territorial distribution by cash and off balance sheet credit exposure to clients

Exposure / Geographic area		Italy		Other European countries		America		Asia		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Rettifiche valore complessive	Net exposure	Total write-downs	Net exposure	Total write-downs
A.	**Cash exposure**										
A.1	Non performing loans	1,076,066	864,206	121,071	52,809	294	577	7	7	10,658	7,903
A.2	Problem loans	754,524	154,255	85,666	28,269	4		33	7	2,342	257
A.3	Restructured exposure	53,338	9,247	3,974	854						
A.4	Past due exposure	394,703	11,968	55,545	1,653	172	3			8,009	440
A.5	Other exposures	28,303,252	71,708	1,142,089	8,302	32,463	44	2,023	4	286,587	8,958
	Total (A)	**30,581,883**	**1,111,384**	**1,408,345**	**91,887**	**32,933**	**624**	**2,063**	**18**	**307,596**	**17,558**
B.	**Off balance sheet exposure**										
B.1	Non performing loans	10,321									
B.2	Problem loans	54,981	2,023	4							
B.3	Other deteriorated assets	17,066	8	6							
B.4	Other exposure	1,786,994	2,751	186,574	425	5,606				5,098	
	Total (B)	**1,869,362**	**4,782**	**186,584**	**425**	**5,606**				**5,098**	
	Total 31/12/2012 (A+B)	**32,451,245**	**1,116,166**	**1,594,929**	**92,312**	**38,539**	**624**	**2,063**	**18**	**312,694**	**17,558**
	Total 31/12/2011	**30,828,842**	**742,738**	**2,021,891**	**71,008**	**95,667**	**505**	**1,935**	**14**	**74,931**	**1,636**

Territorial distribution by cash and off balance sheet credit exposure to banks

Exposure / Geographic area		Italy		Other European countries		America		Asia		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Rettifiche valore complessive	Net exposure	Total write-downs	Net exposure	Total write-downs
A.	**Cash exposure**										
A.1	Non performing loans										
A.2	Problem loans										
A.3	Restructured exposure										
A.4	Past due exposure										
A.5	Other exposure	2,025,395		974,005		6,310		4,139		53,883	
	Total A	**2,025,395**		**974,005**		**6,310**		**4,139**		**53,883**	
B.	**Off balance sheet exposure**										
B.1	Non performing loans										
B.2	Problem loans										
B.3	Other deteriorated assets										
B.4	Other exposure	79,585		84,290		1,434		3,480		258	
	Total (B)	**79,585**		**84,290**		**1,434**		**3,480**		**258**	
	Total 31/12/2012 (A+B)	**2,104,980**		**1,058,295**		**7,744**		**7,619**		**54,141**	
	Total 31/12/2011	**2,469,404**		**896,089**		**7,731**		**1,090**		**23,427**	

DISTRIBUTION OF CREDIT EXPOSURE BY ECONOMIC SECTOR

SECTORAL DISTRIBUTION BY CASH AND OFF BALANCE SHEET CREDIT EXPOSURE TO CLIENTS

Exposure / Counterparties		Governs			Other public institutions			Finance companies		
		Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Rettifiche valore specifiche	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure
A.	**Cash exposure**									
A.1	Non performing loans			X			X	4,211	11,258	X
A.2	Problem loans			X	5	3	X	3,259	235	X
A.3	Restructured exposure			X			X	12,620	8,516	X
A.4	Past due exposure			X			X	400	10	X
A.5	Other exposure	5,151,145	X		71,202	X		1,820,802	X	2,843
	Total A	**5,151,145**			**71,207**	**3**		**1,841,292**	**20,019**	**2,843**
B.	**Off balance sheet exposure**									
B.1	Non performing loans			X			X			X
B.2	Problem loans			X			X	8		X
B.3	Other deteriorated assets			X			X			X
B.4	Other exposure	35,784	X		259	X		72,716	X	
	Total B	**35,784**			**259**			**72,724**		
Total 31/12/2012 (A+B)		**5,186,929**			**71,466**			**1,914,016**	**20,019**	**2,843**
Total 31/12/2011		**2,578,897**			**63,214**			**2,027,389**	**11,697**	**2,554**

	Insurance companies			Non financial companies			Other persons		
	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs
			X	830,091	704,772	X	373,794	209,472	X
			X	644,039	153,528	X	195,266	29,022	X
			X	42,437	1,583	X	2,255	2	X
			X	273,749	9,809	X	184,280	4,245	X
	3,469	X	1	14,514,808	X	7,.858	8,204,988	X	14,314
	3,469		**1**	**16,305,124**	**869,692**	**71,858**	**8,960,583**	**242,741**	**14,314**
			X	10,266		X	55		X
			X	49,232	2,023	X	5,745		X
			X	14,286	8	X	2,786		X
	1,676	X		1,582,567	X	3,176	291,270	X	
	1,676			**1,656,351**	**2,031**	**3,176**	**299,856**		
	5,145		**1**	**17,961,475**	**871,723**	**75,034**	**9,260,439**	**242,741**	**14,314**
	19,856		**11**	**17,988,409**	**540,592**	**93,736**	**10,345,501**	**148,438**	**18,873**

PORTFOLIO DISTRIBUTION BY REMAINING CONTRACTUAL LIFE

Items/time ranges	On demand	From more than 1 to 7 days	From more than 7 to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 6 months to 1 year	From more than 1 year to 5 years	More than 5 years	Indefinite duration	Total
Liquid assets	**5,447,452**	**131,812**	**228,125**	**1,433,784**	**3,227,333**	**2,424,073**	**3,269,990**	**10,701,627**	**8,680,728**	**284,798**	**35.829.722**
Government securities	1,940	12,039	12,741	787	401,264	693,025	711,258	1,986,217	1,180,437		4.999.708
Other debt securities	17,407	3	2,071	41,037	242,976	212,658	249,169	522,418	346,527	20	1.634.286
Mut. inv. funds subscriptions	107,895									17,681	125.576
Loans	5,320,210	119,770	213,313	1,391,960	2,583,093	1,518,390	2,309,563	8,192,992	7,153,764	267,097	29,070,152
- Banks	1,488,607	9,150	23,334	105,710	257,428	64,724	0	0	11,999	260,382	2,221,334
- Clients	3,831,603	110,620	189,979	1,286,250	2,325,665	1,453,666	2,309,563	8,192,992	7,141,765	6,715	26,848,818
Off balance sheet transactions	**12,524,553**	**448,085**	**527,422**	**1,774,364**	**4,466,815**	**1,793,075**	**2,609,781**	**13,756,049**	**437,517**	**620**	**38,338,281**
Financial derivatives with exchange of capital	12,361,555	148,075	111,860	913,292	1,145,333	715,206	643,869	117,172	21,717		16,178,079
- Long positions	714,958	68,249	0	70,936	113,546	7,500	265,680	32,440	1,176		1,274,485
- Short positions	11,646,597	79,826	111,860	842,356	1,031,787	707,706	378,189	84,732	20,541		14,903,594
Financial derivatives without exchange of capital	10,579	12,719	26,534	59,714	1,107,726	396,418	1,672,806	8,518,783	237,478		12,042,757
- Long positions	152,419	287,291	389,028	801,358	2,213,756	681,451	293,106	5,120,094	178,322	620	10,117,445
- Short positions	**1,443,408**	**731,587**	**447,203**	**885,367**	**2,221,142**	**1,520,169**	**1,851,415**	**590,032**	**567,031**	**105,706**	**10,363,060**
Receivable deposits and loans	92,021	710,280	447,191	882,466	2,162,144	1,358,663	1,648,878	403,560	2,149		7,707,352
- Long positions	46,008	345,333	224,195	444,677	1,087,016	683,920	819,661	170,226	151		3,821,187
- Short positions	46,013	364,947	222,996	437,789	1,075,128	674,743	829,217	233,334	1,998		3,886,165
Irrevocable disbursement commitments	531,416	3,773		516	55,634	135,697	160,415	28,000			915,451
- Long positions	138,652	2,400			5,333	37,170	55,781				239,336
- Short positions	392,764	1,373		516	50,301	98,527	104,634	28,000			676,115
Financial guarantees issued											
Liquid assets											
Government securities											
Other debt securities	819,244	17,534	12	2,358	3,310	25,740	41,996	158,472	564,882	105,706	1,739,254
Mut. inv. funds subscriptions	11,362	11,479	12	2,358	3,310	25,740	41,996	157,960	564,882	58,252	877,351
Loans	807,882	6,055						512		47,454	861,903
- Banks											
- Clients											
Off balance sheet transactions											
Financial derivatives with exchange of capital											
- Long positions											
- Short positions	727			27	54	69	126				1.003
Financial derivatives without exchange of capital	389										389
- Long positions	338			27	54	69	126				614

DISTRIBUTION BY COUNTERPARTY SECTOR TYPE OF DETERIORATED CREDIT EXPOSURE, MATURITIES AND TOTAL WRITE-DOWNS

CASH CREDIT EXPOSURE TO CLIENTS: DYNAMICS OF GROSS DETERIORATED EXPOSURE SUBJECT TO COUNTRY RISK

Payment objects/Categories		Non performing loans	Problem loans	Restructured exposure	Past due exposure
A.	**Initial gross exposure**	**1,526,991**	**799,268**	**55,495**	**279,955**
	- of which: exposures transferred but not cancelled	43,048	25,660	2,307	14,390
B.	**Increases**	**748,902**	**1,000,118**	**41,721**	**1,526,086**
B.1	Performing loan inflows	187,374	570,033	30,299	1,401,766
B.2	Transfer of deteriorated exposure from other categories	500,833	342,963	7,909	29,351
B.3	Other increases	60,695	87,122	3,513	94,969
C.	**Decreases**	**142,295**	**774,029**	**29,803**	**1,333,548**
C.1	Outflows to performing loans	13,248	184,488	7,610	854,115
C.2	Cancellations	29,411	54	52	0
C.3	Collection	78,064	85,089	1,959	100,806
C.4	Realisation by assignment	10,313	9,449		11,235
C.5	Transfer of deteriorated exposure to other categories	3,341	491,111	17,180	362,388
C.6	Other decreases	7,918	3,838	3,002	5,004
D.	**Final gross exposure**	**2,133,598**	**1,025,357**	**67,413**	**472,493**
	- of which: exposures transferred but not cancelled	52,537	22,705	688	31,044

CASH CREDIT EXPOSURE TO CLIENTS: DYNAMICS OF TOTAL WRITE-DOWNS

Payment objects/Categories		Non performing loans	Problem loans	Restructured exposure	Past due exposure
A.	**Initial overall adjustments**	**604,745**	**87,299**	**1,774**	**4,766**
	- of which: exposures transferred but not cancelled	1,712	513		89
B.	**Increases**	**415,916**	**153,713**	**9,820**	**11,138**
B.1	Value adjustments	360,195	152,668	8,887	10,812
B.1.bis	Transfer of deteriorated exposure from other categories	380	145	69	
B.2	Other increases	52,042	682	862	215
B.3	**Decreases**	3,299	218	2	111
C.	Write-backs by assessment	**95,159**	**58,224**	**1,493**	**1,840**
C.1	Write-backs by collection	47,458	8,238	375	519
C.2	Cancellations	7,576	548		151
C.2.bis	Transfer of deteriorated exposure to other categories				
C.3	Other decreases	34,014	4		
C.4	**Final overall adjustments**	2	48,651	40	644
C.5	- of which: exposures transferred but not cancelled	6,109	783	1,078	526
D.	**Initial overall adjustments**	**925,502**	**182,788**	**10,101**	**14,064**
	- of which: exposures transferred but not cancelled	6,065	5,755		1,775

Deteriorated exposure to banks have not been recorded, and neither write-downs on the same, consequently

TABLE 6 - CREDIT RISK: INFORMATION ON PORTFOLIOS SUBJECT TO THE STANDARDISED METHOD AND ON SPECIALISED CREDIT EXPOSURE AND IN CAPITAL INSTRUMENTS IN THE AREA OF IRB METHODS

QUALITATIVE NOTICE

The new prudential regulation for banks and banking groups regulated by Bank of Italy Circular no. 263 of 27 December 2006 "New prudential supervisory measures for banks" allows, among the substantial new measures regarding improved management practices and measurement techniques for risk management, for the possibility of using the standardised method.
This criterion covers:

- the breakdown of exposure into different classes (portfolios) according to the nature of the counterparty or the technical characteristics of the relationship or the procedures by which it is handled;
- the application of diversified weighting ratios to each portfolio, possibly also depending on the creditworthiness assessment issued by a third party recognised by Bank of Italy (External Credit Assessment Institution – ECAI) or by export credit agencies (Export Credit Agency – ECA) recognised by Bank of Italy or by a competent authority in another Community state.

It is specifically noted that:

- for the central administrations and central banks portfolio, the weighting depends on the rating ascribed by the ECAI to the individual states;
- for the supervised intermediaries it depends on the standing of the State where the supervised intermediary has registered offices;
- for the public sector corporations the weighting rules are the same as for supervised intermediaries.

In cases where the banks do not wish to avail themselves of the recognised rating agency assessments, a weighed factor of 100% is generally applied to credit exposure with some specific exceptions as allowed for in the above-mentioned legislation of reference.

For the purpose of calculating weighed risk positions for credit and counterparty risk - the standardised method - the Group chose to avail itself of the following credit assessment agencies (ECAI).

Credit risk

Portfolios	ECA / ECAI	Rating characteristics (*)
Exposure to central administrations and central banks	Standard & Poor's Moody's Fitch	Unsolicited
Exposure to multilateral development banks	Standard & Poor's Moody's (**)	Solicited
Exposure to undertakings and other persons	Standard & Poor's Moody's (**)	Solicited
Exposure to collective investment undertakings in transferable securities (UCIT)	Standard & Poor's Moody's (**)	Solicited

(*) Solicited rating: the rating issued on the basis of the request by the person and for a consideration.
(**) Moody's is applied by the Gruppo Banca Intermobiliare di Investimenti e Gestioni spa (BIM) only

Securitisation

Positions on securitisation with a short term rating	Standard & Poor's Moody's Fitch
Positions on securitisation other than those with a short term rating	Standard & Poor's Moody's Fitch

QUANTITATIVE INFORMATION

QUANTITATIVE NOTICE

The following table shows the distribution of exposure subject to credit and counterparty risk based on weighed factors in accordance with the rules for compilation of supervisory reports laid down by prudential legislation. The amounts therefore take into consideration the risk mitigation techniques adopted. (post-CRM).

CREDIT AND COUNTERPARTY RISK: DISTRIBUTION OF EXPOSURE AND REQUIREMENT BY REGULATORY CLASS OF ASSET

Standardised method

Portafogli standard	Weighting factor							Other weighting	Total	Of which for cash	Of which off balance	Deductions from regulatory capital
	0%	20%	35%	50%	75%	100%	150%					
Central Administrations and Central Banks	6,212,005					87,140		3,272	6,302,417	6,297,031	5,386	
Non profit institutions and public entities		439				95,538			95,977	87,974	8,003	
Territorial entities		7,358							7,358	7,265	93	
Multilateral development banks	11,849								11,849	11,849		
International organisations												
Other brokers under supervision		2,082,563		355		717,046	48	22,979	2,822,991	2,803,411	19,580	
Companies and other subjects		4,645		6,371		10,094,712		24,416	10,130,144	9,475,940	654,204	
Retail exposures					4,004,563			4,153	4,008,716	3,777,166	231,550	
Short term exposures towards companies				92,491					92,491	92,491		
Exposures guaranteed by residential properties			6,166,968	2,952,009					9,118,977	9,066,361	52,616	
Exposures towards OICR						110,629			110,629	110,629		
Overdue exposures				36,406		1,214,749	1,295,370		2,546,525	2,503,844	42,681	
"High risk" exposures							17,670		17,670	17,670		
Securitizations		113,563		77,366		18,483		232,089	441,501	441,501		
Other exposures	246,557	2,682				1,277,668		1,010	1,527,917	1,527,891	26	
Total	**6,470,411**	**2,211,250**	**6,166,968**	**3,164,998**	**4,004,563**	**13,615,965**	**1,313,088**	**287,919**	**37,235,162**	**36,221,023**	**1,014,139**	

Source: Reporting Base 1- Item 36526 Sub item 02-30 - Type of amount 82 ((asset backed financial guarantees) - Type of amount 83 (credit equivalent) Field 01136 (weighting factor)

The following table shows the distribution of exposure subject to credit and counterparty risk based on weighed factors in accordance with the rules for compilation of supervisory reports laid down by prudential legislation. The amounts therefore take into consideration the risk mitigation techniques adopted.
(post-CRM) e dei fattori di ponderazione.

CREDIT AND COUNTERPARTY RISK: DISTRIBUTION OF EXPOSURE AND REQUIREMENT BY REGULATORY CLASS OF ASSET

Standardised method

Standard Portfolio	Weighting factor							Other weighting	Total	Of which for cash	Of which off balance	Deductions from regulatory capital
	0%	20%	35%	50%	75%	100%	150%					
Central Administrations and Central Banks						87,140		3,180	90,320	90,320		
Non profit institutions and public entities		88				95,538			95,626	87,623	8,003	
Territorial entities		1,472							1,472	1,453	19	
Multilateral development banks												
International organisations												
Brokers under supervision		416,513		178		717,046	48	5,797	1,139,605	1,125,230	14,375	
Companies and other subjects		929		3,186		10,094,712		18,790	10,117,616	9,468,572	649,044	
Retail exposures					3,003,422			2,486	3,005,908	2,833,326	172,582	
Short term exposures towards companies				46,246					46,246	46,246		
Exposures guaranteed by residential properties			2,158,439	1,476,005					3,634,443	3,611,331	23,112	
Exposures towards OICR						110,629			110,629	110,629		
Overdue exposures				18,203		1,214,749	1,943,055		3,176,007	3,112,485	63,523	
"High risk" exposures							26,505		26,505	26,505		
Securitizations				28,596		14,945		390,108	433,649	433,649		
Other exposures		536				1,277,668		4,289	1,282,493	1,282,467	26	
Total		**419,537**	**2,158,439**	**1,572,412**	**3,003,422**	**13,612,427**	**1,969,632**	**424,649**	**23,160,518**	**22,229,835**	**930,683**	

Source: Reporting Base 1- Item 36526 Sub item 02-30 - Type of amount 82 ((asset backed financial guarantees) - Type of amount 83 (credit equivalent) Field 01136 (weighting factor)

TABLE 8 - RISK MITIGATION TECHNIQUES

QUALITATIVE NOTICE

Compensation policies
The Group does not apply compensation processes of credit risk exposures with offsetting counter entries on or off the balance sheet in relation to the commercial portfolio. The Group instead adopts a policy of risk reduction of the counterparty with institutional counterparties and enters into compensation and collateralisation agreements for both derivatives and repurchase agreements.

Policies and processes in the Management of Asset backed Guarantees
The Veneto Banca Group has implemented the requirements laid down in the new Prudential Supervisory Measures for the purpose of recognising the effects of risk mitigation due to the presence of asset backed guarantees to protect credit.
For the Banks operating in Italy, the Group has adopted the Standardised approach using Credit Risk Mitigation and the unabridged method.

Credit disbursement with the acquisition of asset backed guarantees is subject to specific control measures, differentiated by type of guarantee and applied at the time of disbursement and monitoring. In general, two main types of asset backed guarantees can be identified, in terms of both credit volume and numerousness of clients and they are subject to different regulations - Mortgages and Pledges (Money and Securities).

In compliance with the main organisational requirements for risk mitigation, the following are guaranteed:
- the presence of a computer system to track the phases of the guarantee's life cycle (acquisition, assessment, monitoring, revaluation, enforcement);
- independence of client default risk (internal rating) through the presence of asset backed Guarantees.

Contractual compliance with eligibility requirements for certainty in law and opposability is guaranteed and certified by the Parent Group Management Division which also supervises the efficiency of the processes/activities for guarantee enforcement and recovery.

The eligibility calculation for asset backed guarantees is determined by the system which draws on the basic information on the guarantees recorded in the computer system.
Specifically for guarantees secured by pledge, this is determined by reporting systems which also provide the calculations for capital requirements while the internal system (integrator) does the same for mortgage guarantees.

In order to limit residual risk (termination or non-existence of the protection value) Veneto Banca Group banks operating in Italy require:
- in the case of mortgage guarantees, that the acquisition of the right be accompanied by adequate insurance policies taken out against the risk of damage to the object guaranteed and a report by reliable experts independent of the chain of credit assessment.
- in cases of pledges where the pledged goods are devalued, that the original value be reconstituted (ensuring continuity of the guarantee by documents amending/integrating the original guarantee, whereas in the case when the right is terminated, it is requested that repayment be channelled through the Bank (collection).

Veneto Banca Group has identified a set of technical forms (differentiated by loan purpose/client type) for which mortgage guarantees are allowed. In the computer system, a loan proposal on one of these forms triggers a request for detailed information on the characteristics of the property object of the guarantee (identification, assessment) which must be acquired before the loan is approved.
The amount of the guarantee is booked at real current value (expert report on the property, market value of the right). The value is subsequently monitored automatically.

During the decision-making phase, for the calculation of the deliberative charges, the system considers only the part of the credit line backed by the value of the goods net of the spread (represented by the volatility of the value of the security). The presence of asset backed guarantees does not change the client default risk but it does affect the procedures and the deliberative charges since credit granting with mitigated risk is subject to different kinds of autonomies.

In the specific case of retail client mortgages, credit granting is channelled through specific disbursement processes characterised by the standardisation of the assessment/investigation process wherein assumption criteria are defined through the application of specific parameters valid for all the Banks operating in Italy.

The process has several phases:

- checks on formal consistency and on the amount with the guarantees proposed during the deliberative phase:
  - o for secured guarantees, the system automatically checks for congruity/compatibility of the securities in the guarantee file with the type of guarantee proposed in the resolution and also checks the amount against the updated market value of the securities;
  - o for mortgage guarantees, the system runs another check on the existence of the mandatory identifying requirements and the existence of the expert's assessment report;
- confirmation of the guarantee. The book entry makes the loan operational.
- clear guarantee from books.

As mentioned above, the system actively monitors the value of real guarantees based on market quotations which trigger credit risk assessment operations.

For **pledge transactions** this monitoring is done monthly for securities in the guarantee file and for money at the Bank.
For each type of pledge guarantee subject to market and exchange risk, the Veneto Banca Group allows a percentage of tollerance for fluctuations in the value of goods determined by the volatility of the value of the security ("% gap").

For real estate **mortgages** verification of their value and therefore revaluation is done annually and is based on average market values determined by the statistical methods used by sector specialists.
In all cases, if a significant drop in the value of the property is recorded or if market conditions are subject to significant variations, an estimate by an independent expert is done.
For exposures of amounts over Euro 3 million or 5% of the bank's supervisory capital, a property value assessment is done in any case by an independent expert at least every three years.

Asset backed guarantees accepted by Veneto Banca Group Banks operating in Italy
Veneto Banca Group banks operating in Italy accept various credit protection instruments which can be summarised in the following categories:

- mortgages on real estate property;
- cash pledges deposited with the Bank;
- pledges of Securities and Mutual Funds deposited with the Bank;
- cash pledges deposited with other Banks;
- pledges of Securities and Mutual Funds deposited with other Banks;
- mortgages on Movable Property;
- pledges on other securities (Insurance Policies);
- pledges on credits;
- pledges on goods;
- other forms of asset backed guarantees (Insurance, Guarantee Funds).

Up to the present the first three cases represent the majority of the guarantees assumed as protection against credit risks and ensure the application of the risk mitigation rules under the New Supervisory Measures.

QUANTITATIVE NOTICE

The following table illustrates the value of the exposure covered by asset backed and personal guarantees net of prudential spreads and broken down by reporting portfolio as identified by current supervisory legislation.

It specifically lists only the guarantees which, after complying with a series of requirements established by supervisory measures, are accepted among the risk mitigation techniques in the standard method. Exposure is net of volatility adjustments required by prudential legislation. There are no guarantees represented by derivative credits. In calculating asset backed financial guarantees, deposits received for repos agreements take on prime significance.

CREDIT AND COUNTERPARTY RISK: DISTRIBUTION OF EXPOSURE COVERED BY ASSET BACKED AND PERSONAL GUARANTEES FOR REGULATORY CLASSES OF ASSETS

Standardised method

Portfolio (regulatory class of asset)	Asset backed financial guarantees	Personal guarantees	Total
Exposure to central administrations and central banks		32,460	**32,460**
Exposure to supervised intermediaries	1,567,297	27,556	**1,594,853**
Exposure to territorial bodies		7	**7**
Exposure to not for profit bodies and public sector corporations	39,011	14	**39,025**
Exposure to multilateral development banks			
Exposure to international organisations			
Exposure to undertakings and other persons	1,609,930		**1,609,930**
Exposure to retail	342,142		**342,142**
Short term exposure to retail			
Exposure to collective investment undertakings in transferable securities (UCIT)	510,200		**510,200**
Exposure to securitisation			
Exposure backed by real estate			
Exposure in the form of covered bonds			
Past due exposure	18,921		**18,921**
Exposure belonging to high risk categories for regulatory purposes			
Other exposure			
Total	**4,087,501**	**60,037**	**4,147,538**

Source: Reporting Base 1- Item 36528 - Sub item 02-18 - Type of amount 85 (asset backed financial guarantees), 86 (personal guarantees), Field 1130 (SA Portfolio)

TABLE 9 - COUNTERPARTY RISK

QUALITATIVE NOTICE

The Group is attentive to counterparty risk monitoring considered as the possibility that the counterparty of a transaction with certain financial instruments as its object could default before settlement.
This is a particular kind of credit risk, which generates a loss if the transactions executed with a certain counterparty have a positive value at the moment of the insolvency. Unlike the credit risk generated by a loan, where the probability of loss is unilateral because only the lending bank is exposed, counterparty risk usually creates a risk of loss of a bilateral kind.

The Group follows the same lines as the regulatory measures in basing its own collection procedures on the "current value" methodology. This methodology, briefly, consists of determining current and potential exposure through standard regulatory procedures using market value as the current exposure of the instrument and the regulatory add-on as, putting it simply, potential future exposure.

From an operational point of view the Group has defined a system for monitoring the same which entails, in relation to receivable interbank deposits and reverse repurchase agreements, the definition of operating ceilings for single counterparties, determined by the Central Credit Unit on the proposal of the Group Finance Department.

In addition, a check was defined relative to over the counter (OTC) derivatives negotiated with corporate customers, with the application of add-ons to manage the risk of customer exposure, including the implementation of a process aimed at mitigating risk in regards to institutional counterparts, with the application of bilateral margin agreements (Credit Support Annex).

As far as (OTC) derivatives customer operations is concerned, examination of the loan application and analysis at the same time of the solvency of the customer has the aim of assessing the amount lendable to be allocated to the credit facility assigned to the said customer.

Whenever the customer decides to acquire an OTC interest rate or exchange rate derivative, the Risk Management Unit of the Parent Company communicates to the Central Credit Unit of the Parent Company the potential loss ("add on") which the customer may encounter. Immediately the customer's credit facility is "absorbed" by this amount that acts as a buffer with the objective of reducing, with an acceptable confidence, the daily mark-to-market fluctuations of the derivative itself.
The potential amount of loss is calculated as 4 times the ten-day VaR (Value at Risk) at 99% of confidence on the historical scenario. It is expected, consequently, that the credit facility will cover 99% of the potential losses over a period of time of approximately 6 months.

At the same time the Risk Management Unit of the Parent Company calculatesthe fair value of the derivative (mark to market) every day. The Central Finance Division checks that for the entire duration of the same there are no overruns with respect to the potential loss envisaged. If this happens (it is possible because the derivative often has a residual life of more than 6 months, the volatility and other risk factors may change significantly, etc...). The Central Finance Division informs the immediately the Risk Management and the Centrale Credit Department and, after assessing the customer's solvency margins, this Department together with the Commercial Department, decides on the actions to be taken.

On the other hand, OTC derivative operations with institutional counterparts are managed with bilateral agreements aimed at reducing credit exposure.
The C.S.A. (Credit Support Annex) is an appendix to the ISDA Master Agreement, the framework contract that regulates financial derivative instrument operations. In regards to OTC derivative operations, this agreement involves an exchange of financial guarantees, allowing for risk mitigation in the case of default and, consequently, lower use of open credit lines.
The bilateral exchange of guarantees is carried out in regards to the Net Exposure Adjusted, the value of which is calculated daily, based on the market values of the derivatives in question. Currently, the guarantee consists in a cash deposit.
The exposure is monitored in accordance with the methods established in each C.S.A. contract, calculating the market value for each open position (the Murex Collateral Management module is used). The result of this compensation process (netting) determines the net value of the exposure.
The parties in the contract establish the Threshold Amount below which the exposure is the responsibility of each counterparty. On the other hand, if the exposure is higher than the established threshold, then the Margin Call takes place. In order to avoid unnecessary handling of insignificant amounts, the parties establish a Minimum Transfer Amount.
In the case that the amount claimed is disputed, the counterparty must be informed of the objection and the dispute occurs. On the basis of the resulting checks, the party who is responsible for fulfilling the guarantees carries out the appropriate transfer.

As of 1 January 2013, in addition to the insolvency requirement connected to counterparty credit risk, an additional equity requirement is requested to cover the risk of loss due to variations in market prices on the counterparty risk expected for OTC derivatives. These losses are recorded as write-downs on credits, or credit value adjustments (CVA). The method used to calculate the CVA equity requirement varies based on whether banks adopt internal or standard models to calculate equity requirements in regards to counterpart risk and the specific interest rate risk for debt securities in the context of market risks.

The approach of the Veneto Banca group, which adopts the standardised equity requirement, is illustrated below.
The requirement K is determined by:

$$K = 2.33 \cdot \sqrt{h} \cdot \sqrt{\left(\sum_i 0.5 \cdot w_i \cdot \left(M_i \cdot EAD_i^{total} - M_i^{hedge} B_i\right) - \sum_{ind} w_{ind} \cdot M_{ind} \cdot B_{ind}\right)^2 + \sum_i 0.75 \cdot w_i^2 \cdot \left(M_i \cdot EAD_i^{total} - M_i^{hedge} B_i\right)^2}$$

where:

2.33	Setting a constant: corresponds to a 99% confidence interval in calculating the VaR.
Radq(h)	Time horizon set at 1.
Mi	Calculated as the average of the residual maturities weighted with the notional values of each contract subject to the counterpart risk requirements in existence with said counterpart. The 2006 capital agreement, in section 320, allows banks to use residual life in the absence of a model to calculate effective maturity.
wi	Establishment of the rating table predefined in the Basel document. In the case of a rating, the weight is set at 1 (equal to a BBB rating).
EADtotal	Calculated as the algebraic sum of each current value (mark to market + add-on "credit equivalent"), considering both the positive and negative values. These values are then discounted using the discount factor specified in the regulations. The exposure is discounted by applying the discount factor.
$\frac{1-e^{-0.05M_i}}{0.05M_i}$	Discount factor.
Mihedge	Calculated as the average of the residual maturities weighted with the notional values of each single name CDS acquired as hedges relative to the exposure with an individual counterpart. The 2006 capital agreement, in section 320, allows banks to use residual life in the absence of a model to calculate effective maturity.
Bi	This is the notional value of the single name CDS acquired as a hedge, discounted by the discount factor indicated above.
0.75	Constant
0.50	Constant
wind	The relative weight of Index CDS contracts acquired to hedge the total of the OTC derivatives portfolio.
Mind	The average of the residual maturities weighted with the notional values of the CDS Indexes acquired to hedge the OTC derivatives portfolio.
Bind	The notional value of the protection CDS Indexes acquired, weighted by the discount factor indicated above.

QUANTITATIVE NOTICE

FINANCIAL DERIVATIVES: POSITIVE GROSS FAIR VALUE – BREAKDOWN BY PRODUCT

Portfolios / Type of derivatives		Positive Fair value			
		Total 31/12/2012		Total 31/12/2011	
		Over the counter	Controparti Centrali	Over the counter	Central counterparties
A.	**Supervisory trading portfolio**	**232,000**	**18,768**	**285,163**	**35,702**
a)	Options	86,452	17,340	171,158	34,819
b)	Interest rate swap	103,344		70,186	
c)	Cross currency swap			2,801	
d)	Equity swap				
e)	Forward	41,093	1,424	40,674	
f)	Futures		4		883
g)	Other	1,111		344	
B.	**Hedging banking portfolio**	**150,023**		**137,661**	
a)	Options				
b)	Interest rate swap	150,023		137,661	
c)	Cross currency swap				
d)	Equity swap				
e)	Forward				
f)	Futures				
g)	Other				
C.	**Banking portfolio – other derivatives**	**2,654**		**3,240**	
a)	Options				
b)	Interest rate swap	2,654		3,240	
c)	Cross currency swap				
d)	Equity swap				
e)	Forward				
f)	Futures				
g)	Other				
	Total	**384,677**	**18,768**	**426,064**	**35,702**

OVER THE COUNTER FINANCIAL DERIVATIVES –TRADING PORTFOLIO FOR SUPERVISORY PURPOSES AND BANKING PORTFOLIO: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUE BY COUNTERPARTIES – CONTRACTS NOT PART OF OFFSETTING AGREEMENTS

Contracts not part of settino agreements		Governments and central banks	Other public institutions	Banks	Financial companies	Insurance companies	Non financial companies	Other subjects
1.	**Debt securities and interest rates**							
	- notional value			1,994,416	77,248		2,003,323	7,051
	- positive fair value			21,027	2,839		89,639	98
	- negative fair value			147,588	1		109	
	- future exposure			10,198	232		8,889	12
2.	**Equity securities and stock indexes**							
	- notional value			391,887	117,608	67,366	786,446	20,000
	- positive fair value			3,852	11,137		27,643	
	- negative fair value			21,442	1,802	12,500	5,815	
	- future exposure			11,693	1,613		25,102	
3.	**Foreign currencies and gold**							
	- notional value			4,036,081	113,162		538,076	384,571
	- positive fair value			44,849	565		5,284	8,710
	- negative fair value			30,704	2,115		3,713	4,903
	- future exposure			47,408	885		6,733	3,420
4.	**Other values**							
	- notional value			11,940				2,672
	- positive fair value			185				271
	- negative fair value			324				154
	- future exposure			983				187

OVER THE COUNTER CREDIT DERIVATIVES: POSITIVE GROSS FAIR VALUE – BREAKDOWN BY PRODUCT

Portfolio/Type of derivatives		Positive fair value	
		Total 31/12/2012	Total 31/12/2011
A.	**Supervisory trading portfolio**	**643**	**3,255**
a)	Credit default products	389	1,995
b)	Credit spread products		
c)	Total rate of return swap		
d)	Other	254	1,260
B.	**Banking portfolio**		
a)	Credit default products		
b)	Credit spread products		
c)	Total rate of return swap		
d)	Other		
	Total	**643**	**3,255**

OTC CREDIT DERIVATIVES: POSITIVE AND NEGATIVE GROSS FAIR VALUES BY COUNTERPARTY – CONTRACTS NOT PART OF SETTING AGREEMENTS

Contracts not part of setting agreements		Governments and central banks	Other public institutions	Banks	Financial companies	Insurance companies	Non financial companies	Other subjects
Regulatory trading capital								
1.	**Hedging purchased**							
	- notional value			46,500				
	- positive fair value			566				
	- negative fair value			129				
	- future exposure			3,276				
2.	**Hedging sold**							
	- notional value			23,500				
	- positive fair value			77				
	- negative fair value			209				
	- future exposure			1,175				
Banking book								
1.	**Hedging bought**							
	- notional value							
	- positive fair value							
	- negative fair value							
2.	**Hedging sold**							
	- notional value							
	- positive fair value							
	- negative fair value							

DERIVATIVE CREDIT AGREEMENTS: NOTIONAL VALUES AT THE END OF THE YEAR AND AVERAGE VALUES FOR THE YEAR

Transactional categories		Supervisory trading portfolio		Banking portfolio	
		on a single subject	on several subjects (basket)	su un singolo soggetto	on a single subject
1.	**Protective acquisition**				
a)	Credit default products	33,000			
b)	Credit spread products				
c)	Total rate of return swap				
d)	Other	13,500			
	Total 31/12/2012	**46,500**			
	Average values	**n.d.**			
	Total 31/12/2011	**53,569**	**11,000**		
2.	**Protective sales**				
a)	Credit default products	23,500			
b)	Credit spread products				
c)	Total rate of return swap				
d)	Other				
	Total 31/12/2012	**23,500**			
	Average values	**n.d.**			
	Total 31/12/2011	**29,319**	**17,000**		

COUNTERPARTY RISK: EAD AND VALUE OF ASSET BACKED GUARANTEES ALLOWED FOR RISK MITIGATION

Derivatives		EAD Value	Value asset backed guarantees
1.1	Contratti derivati	341,429	
1.2	PCT	2,572,007	3,249,106
1.3	Altre operazioni SFT e con regolamento a l/termine	54,035	
	Totale 31/12/2012	**2,967,471**	**3,249,106**

Source: Base Reporting 1 – Item 36526 – Sub item 54-56 – Type of amount 89 (with the exception of the value brought forward for PCT), e Base Reporting 1 – Item 36528 – Sub item 18 – Type of amount 85 (asset backed financial guarantee)

FINANCIAL DERIVATIVES – SUPERVISORY TRADING PORTFOLIO: NOTIONAL VALUES AT THE END OF THE YEAR AND AVERAGE VALUES FOR THE YEAR

Underlying assets/Type of derivative		Total 31/12/2012		Total 31/12/2011	
		Over the counter	Central Counterparties	Over the counter	Central Counterparties
1.	**Debt securities and interest rates**	**6,599,438**	**126,231**	**5,741,852**	**318,406**
a)	Options	767,749		739,915	
b)	Swap	5,822,037		4,998,700	2,406
c)	Forward	9,652	12,053	37	
d)	Futures		114,178	3,200	316,000
e)	Other				
2.	**Equity securities and stock indexes**	**2,204,811**	**89,179**	**1,832,905**	**102,132**
a)	Options	2,060,516	52,921	1,823,561	94,435
b)	Swap				
c)	Forward	130,984	34,510		253
d)	Futures		1,748		7,444
e)	Other	13,311		9,344	
3.	**Foreign currencies and gold**	**7,872,121**		**8,926,144**	
a)	Options	6,599,011		7,209,839	
b)	Swap	4,893		591,229	
c)	Forward	1,268,177		1,121,096	
d)	Futures				
e)	Other	40		3,980	
4.	**Goods**	**25,999**		**10,229**	
5.	**Other underlying assets**			**3,200**	
	Total	**16,702,369**	**215,410**	**16,514,330**	**420,538**
	Average values	**n.d.**		**n.d.**	

FINANCIAL DERIVATIVES – BANKING PORTFOLIO: NOTIONAL VALUES AT THE END OF THE YEAR AND AVERAGE VALUES FOR THE YEAR

Hedging derivatives

Underlying assets/type of derivatives		Total 31/12/2012		Total 31/12/2011	
		Over the counter	Central Counterparties	Over the counter	Central Counterparties
1.	**Debt securities and interest rates**	**5,849,009**		**5,893,565**	
a)	Options	4,000		4,000	
b)	Swap	5,845,009		5,889,565	
c)	Forward				
d)	Futures				
e)	Other				
2.	**Equity securities and stock indexes**				
a)	Options				
b)	Swap				
c)	Forward				
d)	Futures				
e)	Other				
3.	**Foreign currencies and gold**				
a)	Options				
b)	Swap				
c)	Forward				
d)	Futures				
e)	Other				
4.	**Goods**				
5.	**Other underlying assets**				
	Total	**5,849,009**		**5,893,565**	
	Average values	**n.d.**		**n.d.**	

Other derivatives

Underlying assets/type of derivatives		Total 31/12/2012		Total 31/12/2011	
		Over the counter	Central Counterparties	Over the counter	Central Counterparties
1.	**Debt securities and interest rates**	**406,831**		**525,327**	
a)	Options				
b)	Swap	406,831		525,327	
c)	Forward				
d)	Futures				
e)	Other				
2.	**Equity securities and stock indexes**	**20,000**		**20,000**	
a)	Options	20,000		20,000	
b)	Swap				
c)	Forward				
d)	Futures				
e)	Other				
3.	**Foreign currencies and gold**				
a)	Options				
b)	Swap				
c)	Forward				
d)	Futures				
e)	Other				
4.	**Goods**				
5.	**Other underlying assets**				
	Total	**426,831**		**545,327**	
	Average values	**n.d.**		**n.d.**	

OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUES AND FUTURE EXPOSURE ACCORDING TO COUNTERPARTY

		Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1.	**Bilateral financial derivative agreements**							
	- positive fair value			18,233			533	
	- negative fair value			379,139	14,957			
	- future exposure			28,382	18,214		1,206	1,600
	- net counterparty risk							
2.	**Bilateral credit derivative agreements**							
	- positive fair value							
	- negative fair value							
	- future exposure							
	- net counterparty risk							
3.	**“Cross product”agreements**							
	- positive fair value							
	- negative fair value							
	- future exposure							
	- net counterparty risk							

TABLE 10 - SECURITISATION TRANSACTIONS

QUALITATIVE NOTICE

In past years, the group carried out some securitisation operations whereby the Parent company and/or its subsidiaries transferred their performing and non-performing loan portfolios to a specifically instituted vehicle company.

The securitisation transactions enacted in the period between 2002 and the year closing allowed the Group substantial diversification in funding sources. Since 2008 the drop in spreads paid to the market against underwriting securities issued contributed to consolidation and development of recourse to this type of funding. hose carried out recently, with the exception of the 2011 residential operation, enabled the issue of securities which, as they were subscribed by the Parent Company, were eligible at the Central Bank and were therefore used as a source of refinancing.

The securitised assets were represented by performing loans (in general, mortgages) and the transactions were set up as traditional non-recourse transfers, pursuant to Law 130/1999. In 2009 and in 2012 the Group also completed two securitisations of non-performing loan positions with at least one mortgage-backed credit facility; in 2009 a securitisation of financial leasing contracts was finalised.

The risks connected to these transaction are mostly of a credit nature.
Periodically, and in coincidence with each quarterly/half-yearly account, analysis are done to monitor the trend of these securitisations. These reports describe the performance during the related collection period of the portfolios transferred and supply the details of all flows relating to these operations.

Finally on the same date a synthesis of the historical evolution of the assets transferred was processed.
A specific quarterly/half-yearly report summarising the events of the collection period and including information from the investor reports is brought to the attention of the corporate bodies which are kept constantly informed on risks connected with such transactions.

Securitisation activities are recorded on the originator's balance sheet in accordance with two different procedures relating to different accounting regulations on the matter.
For the transaction that took place in 2002, “Intra Mortgage Finance 1”, complete derecognition of the assets transferred was effected through the regulation which allows credit to be cancelled for transactions which took place before 1 January 2004. The risk to the Institute for such transactions related only to the cash reserve represented by subordinated loans granted to vehicle companies, the reimbursement of which was scheduled to take place only at the closure of the transaction.
Also for the 2009 securitisation regarding non-performing loans the assets transferred were completely derecognised, because the relevant underlying credit risks are not attributable to the Bank.

The Parent Company holds no Junior securities referring to the securitisation transaction 2009 non performing, while its portfolio does contain, in as much as deriving from the incorporation of Banca Popolare di Intra, held a Euro 13 million in Junior securities in its nominals portfolio issued when it carried out securitisation during the 2002 year.
All the other securitisations do not have the characteristics that would allow transferred assets to be cancelled from the balance sheet and therefore the credit risk is still included in the credit values not yet repaid.
Non-cancellation of securitised mortgages and their reclassification among the "loans to customers" occurred because of their full amount since the Group maintained all the risks and benefits whereas the exposure to variability and the timing of net financial flows of the transferred assets were not substantially modified. Specifically, given the technical aspects of the operation, the lack of derecognition was mainly due to the granting of a subordinate credit line, to the excess spread mechanism and to the drawing up of swap contracts.

The presence of subordinate loans made to the vehicle company and the underwriting of senior and junior securities (if executed) do not therefore appear in the balance sheet drawn up in accordance with IAS/IFRS principles which considers the company as the originator of the transaction and the vehicle company as a sole accounting entity
Right from the beginning of securitisation, each SPV was immunised against the rate risk with apposite swap contracts made with counterparties with the appropriate rating.
The notional amount of these swaps is connected to the residual debt of the performing mortgage loans in the portfolios of the different companies. Such derivatives are automatically redeemed at operational closure.

The securitised loans, for which the effective transfer of risks and benefis is not noted, and thus are included in the assets, contribute to the generation of the rate risk of the transferring Bank and are therefore treated according to the Veneto Banca Group Rate Risk Policy.

The financial results of the various securitisations are shown below the line in the budget statement drawn up by the SPVs.

The servicing commissions relating to the 2002 "Intra Mortgage Finance 1" and to the 2009 "BVG Credit Finance" transactions.

As the Group had not written off the profit and loss generating items, the income effect of the securitisation transactions, except relating the one completed in 2002, has been transferred to the original balance sheet items.

On behalf of Claris Finance 2005, Claris Finance 2006, Claris Finance 2007, Claris RMBS 2011, Claris SME 2011, Intra Mortgage Finance 1 and BVG Credit Finance Veneto Banca performs the service of management, administration and collection of the loans transferred.
The subsidiary BancApulia, on the other hand, provides the management, administration and collection service for loans transferred on behalf of Apulia Finance n. 2, Apulia Finance n. 4 and Apulia Mortgages Finance n. 3. In turn, the company Apulia Prontoprestito provides for the management, administration and collection of the credit sold on behalf of Apulia Finance n. 5 Cessioni until the securitisation operation was completed.
Right from the first transaction, the companies providing servicer activities set up an autonomous organizational system that enables the complete separation of collections on securitised assets. The company, therefore, remains the only counterparty of the customer, although it acts in the name and on behalf of the vehicle. This type of contract, known as "servicing", provides also for the dispute management service.
All the work of monitoring the evolution of the credit and the associated risks, is carried out with the same methods with which loans not transferred are managed.
Particular organizational monitoring was also put in place to assess exposure to the residual risk represented by Junior securities and any subordinated loans granted to the special purpose vehicle (S.P.V.).

Servicer	Company / Vehicle	Securitised assets (end of period fi gure)		Loans collected during the year		Percentage of securities redeemed (end of period fi gure)					
						Senior		Mezzanine		Junior	
		Non performing	Perform-ing	Non performing	In bonis	Attività deteriorate	Non performing	Perform-ing	Non performing	Attività deteriorate	Attività in bonis
Veneto Banca scpa	Claris Finance 2005	13,524	127,897	766	28,861		20%				
Veneto Banca scpa	Claris Finance 2006	8,586	145,451	68	27,064		23%				
Veneto Banca scpa	Claris Finance 2007	15,165	238,248	213	34,579		19%				
Veneto Banca scpa	Claris RMBS 2011	723	1,133,522								
Veneto Banca scpa	Claris SME 2011	7,040	515,142	427	196,690						
Veneto Banca scpa	Intra Mortgage Finance 1	13,545	47,617	2,097	14,662						
Veneto Banca scpa	BVG Credit Finance	159,557		11,283							
BancApulia spa	Apulia Finance n. 2 srl	4,084	35,118	646	7,750		88.05%				
BancApulia spa	Apulia Mortgages Finance n. 3 srl	8,901	64,684	1,175	13,274		82.23%				
BancApulia spa	Apulia Finance n. 4 srl	14,824	161,065	1,789	26,018		62.33%				

For securitisation transactions, the Group used various different SPVs incorporated in accordance with Italian Law no. 130/1999.
Veneto Banca, and the other subsidiary banks of the group, each for its own respective pertinence, have made available to each vehicle company a credit line in order to supply the liquidity necessary for payment of the interests on the securities and the management costs.
To guarantee the SPVs against the risks linked to the changes in rates, in view of the difference between the indexation parameters applied to the single loans and that established for the securities issued, swap operations have also been stipulated between Veneto Banca and the vehicle companies themselves, with the backing of foreign counterparts.
In order to protect the separate accounting, document management has been outsourced to companies with independent IT systems and the competencies necessary to manage the specific problems of the SPVs, as established by Italian Law no. 130 of 1999.
The following transactions were in place at the end of the financial year:

Operazioni	Anno	Amministrazione
SPV in full recognition		
Apulia Finance n. 2 srl	2003	Securitisation Services (Gruppo Finint)
Apulia Mortgages Finance n. 3 srl	2004	Securitisation Services (Gruppo Finint)
Apulia Finance n. 4 srl	2005	Securitisation Services (Gruppo Finint)
Claris Finance 2005 srl	2005	FIS (Gruppo Ernst&Young)
Claris Finance 2006 srl	2006	Securitisation Services (Gruppo Finint)
Claris Finance 2007 srl	2007	Securitisation Services (Gruppo Finint)
Claris Finance 2008 srl	2008	Securitisation Services (Gruppo Finint)
Claris Lease Finance 2009 srl	2009	Securitisation Services (Gruppo Finint)
Claris RMBS 2011 srl	2011	Securitisation Services (Gruppo Finint)
Claris SME 2011 srl	2011	Securitisation Services (Gruppo Finint)
Claris ABS 2011 srl	2011	Securitisation Services (Gruppo Finint)
Claris SME 2012 srl	2012	Securitisation Services (Gruppo Finint)
Aries SPV srl	2012	Securitisation Services (Gruppo Finint)
Società veicolo in derecognition (non controllate)		
Intra Mortgage Finance 1 srl	2002	Securitisation Services (Gruppo Finint)
BVG – Credit Finance srl	2009	Securitisation Services (Gruppo Finint)

The paragraph below shows information on securitisation transactions of the Veneto Banca Group.

Securitisation December 2002

In December 2002 Banca Popolare di Intra, now merged in Veneto Banca, concluded (effective 1 November 2002) a securitisation transaction relating to 5,784 performing landed property loans and non mortgage loans granted by it to its own clients for residual capital debt at the time of transfer equal to Euro 445,085 million of which Euro 326.8 million to private parties and Euro 118.8 million to undertakings.
The transfer was made pursuant to Law 130 of 30.April 1999 to the vehicle company, Intra Mortgage Finance 1 srl, which is 95% owned by the Stichting Lago Maggiore Foundation, a company established under Dutch law, and 5% by Veneto Banca.
For the purchase of these loans in December 2002 the vehicle company, Intra Mortgage Finance 1 srl, issued securities divided into four tranches for a total amount of Euro 458 million.

Class	Rating (S&P / Fitch / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / AAA / Aaa	413,500,000	16,053,332
B	A+ / A+ / A1	17,500,000	17,500,000
C	BBB / BBB / Baa2	14,000,000	14,000,000
D	unrated	13,000,000	13,000,000

The three *tranches* of rated securities are denominated in Euro and have quarterly coupons at variable rates and a sequential repayment plan correlated to the collections of the underlying credit portfolio.
Class A, B and C securities are listed on the Luxembourg Stock Exchange.
Class D bonds denominated in Euro do not have an official rating and their yield in addition to their face value is redetermined residually and paid only in proportion to the amount by which the transfered portfolio collections exceed the amount of expenses and payouts correlated to bonds in a higher class. At 31 December 2012 Class D securities were in the portfolio of Veneto Banca among the "assets available for sale".
The transaction was completed by a "basis swap" contract between the vehicle company and the Credit Suisse First Boston International London in order to cover the rate risk deriving from different indexing and periodicity between the interests on securitised loans and interest paid on bonds issued.

The contract provided that the counterparties settle the spread of the interest rates as shown above on a quarterly basis and calculated on the nominal amount of residual capital of the loans at the date of each period of reference, adjusted on the basis of a performance ratio (determined by the ratio between interest quotas collected and the quotas of installment interest which are expected to be collected in the quarterly period of reference.)
A similar contract with the opposite value sign was entered into by C.S.F.B. and the Banca Popolare di Intra and is currently in force with Veneto Banca, following to the merger by incorporation of Banca Popolare di Intra.

Securitisation August 2003
During the 2003 year, BancaApulia spa concluded the securitisation transaction of a portfolio of residential and commercial mortgages classified as performing for a total amount equal to Euro 170 million, which were transferred at a price which was equal to the value of the residual debt on the principal existing at the time of the transfer.
With the transfer of the portfolio, "Apulia Finance n. 2 srl", the vehicle company which acquired the portfolio issued asset backed securities for a total amount of 174,744 million, broken down as follows:

Class	Rating (S&P / Fitch)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / AAA	153,000,000	18,283,653
B	AAA / AAA	6,790,000	6,790,000
C	BBB / BBB+	9,840,000	9,840,000
D	unrated	5,114,000	5,114,000

The three *tranches* of rated securities are denominated in Euro and have quarterly coupons at variable rates and a sequential repayment plan, correlated to the collections of the underlying credit portfolio.
Class A, B and C securities are listed on the Luxembourg Stock Exchange, were placed to institutional investors.
Class D bonds denominated in Euro do not have an official rating and their yield, calculated on an as-outstanding basis, is paid only in proportion to the amount by which the transfered portfolio collections exceed the amount of expenses and payouts correlated to bonds in a higher class.
The class D bonds were underwritten, from the start, by BancApulia, while it later bought the class B and C instruments.
As of 31 December 2012, the book value of the residual receivables amounted to € 39.2 million.

Securitisation October 2004
During the 2004 year, BancaApulia spa carried out a securitisation transaction of a portfolio of credits classified as performing for a total amount equal to Euro 241 million, which were transferred at a price which was equal to the value of the residual debt on the outstanding principal as at the time of the transfer.
With the transfer of the portfolio"Apulia Mortgages Finance n. 3 srl", the vehicle company which acquired the portfolio issued asset backed securities for a total amount of 243,750 million, broken down as follows:

Class	Rating (S&P / Fitch / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / AAA / Aaa	211,400,000	37,575,230
B	AAA / AA / A1	11,000,000	11,000,000
C	BBB / BBB / Baa2	12,700,000	12,700,000
D	unrated	8,650,000	8,650,000

The three *tranches* of rated securities are denominated in Euro and have quarterly coupons at variable rates and a sequential repayment plan, correlated to the collections of the underlying credit portfolio.
I Class A, B and C securities are listed on the Luxembourg Stock Exchange, were placed to institutional investors..
Class D bonds denominated in Euro do not have an official rating and their yield, calculated on an as-outstanding basis, is paid only in proportion to the amount by which the transfered portfolio collections exceed the amount of expenses and payouts correlated to bonds in a higher class.
The class D bonds were underwritten, from the start, by BancApulia, while it later bought the class B and C instruments.
As of 31 December 2012, the book value of the residual receivables amounted to € 73.7 million.

Securitisation June 2005
During the 2005 year, Veneto Banca Holding in collaboration with its subsidiary, Banca di Bergamo, (then merged in Veneto Banca), concluded a securitisation transaction of a portfolio of performing mortgages and property loans for a total amount equal to Euro 383,184 million and Euro 92,830 million

respectively. With the transfer of the portfolio, Claris Finance 2005 srl, the vehicle company which acquired the portfolio issued asset backed securities for a total amount of Euro 476,014 million, broken down as follows:

Class	Rating (S&P / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / Aaa	442,700,000	92,105,668
B	A / A1	23,800,000	23,800,000
C1	unrated	7,659,262	7,659,262
C2	unrated	1,854,268	1,854,268

The two tranches of rated securities are denominated in Euro and have quarterly coupons at variable rates and a sequential repayment plan correlated to the collections of the underlying credit portfolio.
Class A and B securities listed on the Luxembourg Stock Exchange were placed with institutional investors.
Class C1 and C2 bonds denominated in Euro do not have an official rating and their yield in addition to their face value determined residually is paid only in proportion to the amount by which transfered portfolio collections exceed the amount of expenses and payouts correlated to bonds in a higher class.
As of 31 December 2012, the book value of the residual receivables amounted to € 140.4 million.

Securitisation July 2006
During the 2006 year, Veneto Banca carried out securitisation on mortgage loans for a total of Euro 299.8 million which were transferred at a price equal to the value of the residual capital debt existing at the time of transfer (1 July 2006).
The transaction which obtained the Standard & Poor's rating on *tranching* was finalised upon the issue of four different securities:

Class	Rating (S&P)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A1	AAA	220,000,000	78,912,512
A2	AAA	17,000,000	6,097,785
B	BBB+	60,000,000	60,000,000
C	unrated	2,850,000	2,850,000

Class A securities were directly underwritten by BEI while those in classes B, C and D were underwritten by Veneto Banca or Veneto Banca Group companies.
It was a revolving transaction that required Veneto Banca to replace the repaid capital with loans having the same characteristics every six months for the first four years of life of the transaction.
The rated securities have semi-annual coupons at variable rates and a repayment plan which, starting on the fourth year after issue, follows the residual debt of the outstanding loans.
As a guarantee of prompt payment and full reimbursement of senior and mezzanine securities, the SPV Claris Finance 2006 srl was also granted a subordinate loan of Euro 5.94 million.
As of 31 December 2012, the book value of the residual receivables amounted to € 153.7 million.

Securitisation in October 2006
In the financial year 2006, BancApulia concluded the securitisation of performing mortgages. The operation, which began in March 2005, concerned loans for a total of Euro 405 million and the securities were sold on 17 May 2005 to the "bridge" company Apulia Finance n. 3 srl, and then to the vehicle company Apulia Finance n. 4 srl, founded pursuant to law 240/99. Later, on 6 October 2006, BancApulia sold another tranche for Euro 117 million directly to Apulia Finance n. 4 srl.
To sum up, the sales carried out were:

- 16 March 2005 Euro 108.9 million to Apulia Finance n. 3 srl;15 July 2005 Euro 32.2 million to Apulia Finance n. 3 srl;
- 16 November 2005 Euro 32.3 million to Apulia Finance n. 3 srl;
- 17 February 2006 Euro 43 million to Apulia Finance n. 3 srl;
- 17 May 2006 Euro 72 million to Apulia Finance n. 3 srl;
- 6 October 2006 Euro 117 million to Apulia Finance n. 4 srl.

In exchange for the portfolio sold, Apulia Finance n. 4 srl, the SPV acquiring the portfolio, issued asset backed securities for a total of Euro 391.250 million, broken-down as follows:

Class	Rating (Fitch / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / Aaa	346,900,000	130,678,860
B	A / Aa1	11,300,000	11,300,000
C	BBB / A2	19,100,000	19,100,000
D	Unrate	13,950,000	13,950,000

BancApulia holds class B, C and D securities in its portfolio.
As of 31 December 2012, the book value of the residual receivables amounted to € 175.5 million.

Securitisation January 2007
During the 2007 year, Veneto Banca Holding in collaboration with Banca Meridiana (nowBancApulia) and Banca di Bergamo (then merged in Veneto Banca) carried out securitisation on mortgage loans for a total of Euro 517 million which were transferred at a price equal to the value of the residual capital debt existing at the time of transfer (1 January 2007).
With the transfer of the portfolio, Claris Finance 2007 srl, the vehicle company which acquired the portfolio issued asset backed securities for a total amount of Euro 517.03 million, broken down as follows:

Class	Rating (S&P / Fitch)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / AAA	488,600,000	206,615,499
B	AA / AA	6,450,000	6,450,000
C	BBB / BBB	13,200,000	13,200,000
D1	unrated	5,594,316	5,594,316
D2	unrated	1,343,022	1,343,022
D3	unrated	1,838,141	1,838,141

Class A, B and C securities are denominated in Euro, pay a quarterly coupon at a variable rate and have a sequential repayment plan correlated to portfolio collections. These bonds listed on the Dublin (Ireland) Stock Exchange were placed with institutional investors.
Class D1, D2 and D3 securities are denominated in Euro and do not have an official rating. Their yield is determined residually and is paid only in proportion to the amount by which collections on the portfolio transferred exceed the amount of expenses and payouts correlated to bonds of a higher class.

On the securitisation date	Veneto Banca spa	Banca di Bergamo	Banca Meridiana (now BancApulia)	Total
Number of loans	2,659	611	1,369	**4,639**
Number of borrowers	2,635	609	1,366	**4,610**
Residual capital debt (in thousands of Euro)	329,910	78,974	108,141	**517,025**
Average loan amount (in thousands of Euro)	124	129	79	**111**
Maximum loan amount (in thousands of Euro)	1,151	774	665	**1,151**

As of 31 December 2012, the book value of the residual receivables amounted to € 279.3 million.

Securitisation March 2009 "*leasing*"
During 2009, the subsidiary Claris Leasing spa carried out a securitisation of leasing agreements amounting to Euro 449,340 million. The transfer was made at a price which was equal to the value of the residual debt on the outstanding principal and was finalised on 9 March 2009.
"Claris Lease Finance 2009 srl", a special purpose vehicle that purchased the transferred portfolio, issued asset-backed securities for a total value of € 449,400 million, broken down as follows:

Class	Rating (S&P)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA	319,000,000	91,599,206
B	AA	53,000,000	53,000,000
C	Unrated	77,400,000	77,400,000

Class A securities are denominated in Euro and pay a half-year floating rate coupon and have a sequential repayment schedule linked to the collections from the underlying loan portfolio since October 2011. These bonds, listed on the Dublin (Ireland) Stock Exchange were underwritten by the Parent Company Veneto Banca. Notes rated "AAA" can therefore be used for repurchase agreements with the European Central Bank.
Class B securities were underwritten by the Parent Company Veneto Banca.
Class C securities, underwritten by Claris Leasing, are denominated in Euro and have no official rating. The return on these securities is calculated on an as-outstanding basis and is paid only to the extent that collections on the portfolio transferred exceed the amount of costs and expenses connected to the bonds of a higher class.

The following table summarizes the composition of the transferred portfolio:

As at securitisation date	Claris Leasing
Number of mortgage loans	2,713
Residual principal debt (amounts in Euro thousand)	449,340
Average mortgage amount (amounts in Euro thousand)	166

As of 31 December 2012, the book value of the residual receivables amounted to € 213 million.

Securitisation December 2009 “*non performing loans*”

During 2009, the subsidiaries Veneto Banca spa, Banca Popolare di Intra spa, (then merged in Veneto Banca scpa) e Banca Meridiana Spa effected a securitisation transaction of non performing loans, that had at least one mortgage-backed credit facility, a nominal total of Euro 262.8 million The transaction concerned both residential and commercial loans amounting to, respectively for the three banks, Euro 91.7 million, Euro 25.8 million and Euro 145.3 million. The transfer was finalised on 15 December 2009 , with economic and juridical effects since 30 November 2009, , and took place at a total price of Euro 195.5 million.

“BVG Credit Finance srl”, a special purpose vehicle that purchased the transferred portfolio, issued asset-backed securities for a total value of € 195.6 million, broken down as follows:

Classe	Rating	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	unrated	167,700,000	156,638,609
B	unrated	13,700,000	13,700,000
C	unrated	14,200,000	14,200,000

Class A securities, underwritten by the Parent Company Veneto Banca are denominated in Euro and pay a half-year fixed rate and have a sequential repayment schedule linked to the collections from the underlying loan portfolio starting from July 2011.

Class B and C securities have been transferred to an institutional investor. Their yield is paid only insofar as the collections from the transferred portfolio exceed the amount of expenses and disbursements related to higher class bonds The above mentioned do not have an official rating and are not listed in any regulated market.

The following table summarizes the composition of the originally transferred portfolio:

As at securitisation date	Veneto Banca spa	Banca Meridiana (ora BancApulia)	Banca Popolare di Intra	Total
Number of debtors	220	92	593	**905**
Residual principal debt (amounts in Euro thousand	91,697	25,805	145,285	**262,787**
Average debt amount (amounts in Euro thousand)	417	280	245	**290**
Debt maximum amount (amounts in Euro thousand)	9,131	3,330	14,070	**14,070**

Securitisation March 2011

During financial year 2011, Veneto Banca implemented a securitisation of residential mortgage loans for a total of € 1,343.85 million, which were transferred at a price equal to the value of the residual debt in capital line as of the time of the transfer (1 March 2011).

In exchange for the portfolio sold, Claris RBMS 2011 srl, the SPV acquiring the portfolio sold, Asset Backed securities have been issued for a total of € 1,354.388 million, broken-down as follows:

Class	Rating (Fitch / Moody’s)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A1	AAA / Aaa	175,000,000	-
A2	AAA / Aaa	385,000,000	361,380,273
A3	AAA / Aaa	591,200,000	591,200,000
B	unrated	203,188,000	203,188,000

Class A1, A2 and A3 securities are held in euros and provide for the payment of a quarterly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying portfolio. These bonds are listed on the Dublin (Ireland) stock exchange. Class A2 and A2 notes were placed with institutional investors; class A3 notes were subscribed by the parent company Veneto Banca and used

for re-financing operations.
Class B securities are held in euros and have no official rating. Their return is determined in a residual fashion and is only paid subsequent to the complete redemption of higher class notes.

As at securitisation date	Veneto Banca
Number of loans	12,354
Number of borrowers	12,353
Residual capital debt (in thousands of Euro)	1,343,850
Average loan amount (in thousands of Euro)	109
Maximum loan amount (in thousands of Euro)	1,349

As of 31 December 2012, the book value of the residual receivables amounted to € 1.135,3 milioni.

SELF-SECURITISATION OPERATIONS

In 2008, 2011 and 2012 the Group completed seven sales through special vehicle companies, proceeding to fully underwrite the notes issued against the credits sold (so-called "self-securitisation").

Securitisation June 2008
During the 2008 year, the subsidiary, Veneto Banca spa (then merged in Veneto Banca), together with Banca Popolare di Intra spa (then merged in Veneto Banca), securitised mortgage loans for a total of Euro 592.249 million. The transaction concerned both residential and commercial loans equal to Euro 439 million and Euro 153 million respectively. The transfer was made at a price equal to the value of the residual capital debt and was concluded on 10 June 2008 with financial and legal effect on 1 May 2008.
With the transfer of the portfolio, Claris Finance 2008 srl, the vehicle company which acquired the portfolio issued asset backed securities for a total amount of Euro 592.249 million, broken down as follows:

Class	Rating (S&P / Fitch)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AA- / AAA	492,350,000	183,532,184
B	BBB / BBB	44,450,000	44,450,000
C1	unrated	41,059,039	41,059,039
C2	unrated	14,389,822	14,389,822

Class A and B securities denominated in Euro pay a semi-annual coupon at a variable rate and their sequential repayment plan is correlated to the underlying portfolio collections starting from December 2009. These bonds listed on the Dublin (Ireland) Stock Exchange were underwritten by the parent company, Veneto Banca Holding. Notes with an "A" rating can therefore be used in repos transaction at the Central European Bank.
Class C1 and C2 securities underwritten respectively by Veneto Banca SpA and Banca Popolare di Intra (and therefore now in the portfolio of Veneto Banca after the merger operation) are denominated in Euro and are not rated. Their yield is determined residually and is paid only in proportion to the amount by which collections on the portfolio transferred exceed the amount of expenses and payouts correlated to bonds of a higher class.
The table below shows a summary of the composition of the portfolios transferred.

On the securitisation date	Veneto Banca spa	Banca Popolare di Intra	Total
Number of loans	2,375	1,142	**3,517**
Number of borrowers	2,352	1,044	**3,396**
Residual capital debt (in thousands of Euro)	438,916	153,333	**592,249**
Average loan amount (in thousands of Euro)	185	134	**160**
Maximum loan amount (in thousands of Euro)	1,973	1,358	**1,973**

As of 31 December 2012, the book value of the residual receivables amounted to € 303.5 milioni.

Transaction completed in July 2008
In May 2008, bancApulia concluded a self-securitisation transaction, selling a loans and receivables portfolio comprising performing mortgage loans for a total of € 378 million.

The settlement and completion of the transaction took place the following July. The counter-entry to the sale was settled with the issue of notes by Apulia Finance n. 4 srl, entirely subscribed by the originator bancApulia.
On this transaction, BancApulia did not record any gains or losses as the sale took place at par with a price of € 378 million.

Class	Rating (S&P / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AA- / Aaa	319,850,000	144,502,856
B	unrated	58,550,000	58,550,000

Class A and B securities are listed with the Stock Exchange of Luxembourg and provide for the payment of a six-monthly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying loans and receivables portfolio.
Class B bonds are in euros, have no official rating and their performance is determined in a residual manner and only paid to the extent that the collections of the portfolio sold exceed the costs and outlays relating to the superior class bond.
The transaction is completed by a swap contract between the SPV and BNP Paribas in order to cover the rate risk deriving from the different indexing and regularity of interest on securitised loans and interest paid on bond securities issued.
This contract established that counterparties shall settle, once every six months, the difference in rates as shown above, calculated on the average of the nominal value of the residual capital of loans at the start and end date of each reference period.
A similar contract, with the opposite sign, was signed between BNP and BancApulia.
The management, administration and collection service of loans and the litigation management service is entrusted to BancApulia.
As of 31 December 2012, the book value of the residual receivables amounted to € 219.2 milioni.

Transaction completed in November 2008
In November 2008, bancApulia concluded a second self-securitisation transaction.
This transaction had a warehousing period that started in 2007 with the sale of performing home mortgages to the bridge SPV "Apulia Finance n. 3 srl". In September 2008, the residual loans were transferred to the definitive SPV "Apulia Finance n. 4 srl" and the following November, the transaction was completed with issue of the notes.
More specifically:
- July 2007: BancApulia sold performing mortgages to Apulia Finance n.3 srl for an amount of € 129.9 million;
- October 2007: BancApulia sold a further portfolio of performing mortgages to Apulia Finance n.3 srl for an amount of € 77.5 million;
- January 2008: BancApulia sold a further portfolio of performing mortgages to Apulia Finance n.3 srl for an amount of € 95.5 million;
- September 2008: the residual value of securitised credits, amounting to € 256 million, was sold by the temporary vehicle Apulia Finance n.3 srl to the definitive vehicle Apulia Finance n.4;
- September 2008: BancApulia sold the last portfolio of performing mortgages to Apulia Finance n.4 srl for an amount of € 56.5 million.

Upon defining the transaction, the loans and receivables held by Apulia Finance n.4 amounted to € 310 million. The main characteristics of securitised loans are:
- loans guaranteed by an "economic" first level mortgage;
- loans in which the ratio of the amount originally loaned and the value of the property mortgaged (as stated in the related Mortgage Agreement) does not exceed 80%;
- loans whose amounts due in capital line, excluding interest accrued, do not exceed € 500,000.00.

The notes issued by the SPV have been entirely subscribed by BancApulia.

Class	Rating (S&P / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AA / Aaa	288,450,000	160,962,023
B	unrated	24,100,000	24,100,000

Class A and B securities are listed with the Stock Exchange of Luxembourg and provide for the payment of a six-monthly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying loans and receivables portfolio.
Class B bonds are in euros, have no official rating and their performance is determined in a residual manner and only paid to the extent that the collections of the portfolio sold exceed the costs and outlays relating to the superior class bond.

The transaction is completed by a swap contract between the SPV and BNP Paribas in order to cover the rate risk deriving from the different indexing and regularity of interest on securitised loans and interest paid on bond securities issued.
This contract established that counterparties shall settle, once every six months, the difference in rates as shown above, calculated on the average of the nominal value of the residual capital of loans at the start and end date of each reference period.
A similar contract, with the opposite sign, was signed between BNP and BancApulia.
The management, administration and collection service of loans and the litigation management service is entrusted to BancApulia.
As of 31 December 2012, the book value of the residual receivables amounted to € 191.9 milioni.

Securitisation January 2011
In financial year 2011, Veneto Banca implemented a securitisation of mortgage and other loans for a total of € 933.641 million. The transaction exclusively concerned commercial loans. The transfer, which took place at a price equal to the value of the residual debt in capital line, was completed on 18 February 2011 with economic and legal effects from 1 January 2011.
In exchange for the portfolio sold, Claris SME 2011 srl, the SPV acquiring the portfolio sold, Asset Backed securities have been issued for a total of € 933.642 million, broken-down as follows:

Class	Rating (Fitch / Moody's)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	AAA / Aaa	606,900,000	237,303,024
B	unrated	326,742,000	326,742,000

Class A securities are held in euros and provide for the payment of a half-yearly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying portfolio. These bonds, listed with the Dublin Stock Exchange (Ireland) have been subscribed by the parent company Veneto Banca. Class A notes can, therefore, be used for repurchase agreements at the European Central Bank.
Class B notes, again subscribed by Veneto Banca, are held in euros and are unrated. Their return is determined in a residual fashion and is only paid subsequent to the complete redemption of higher class notes.
The table below summarises the breakdown of the portfolio sold.

Class A securities are held in euros and provide for the payment of a half-yearly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying portfolio. These bonds, listed with the Dublin Stock Exchange (Ireland) have been subscribed by the parent company Veneto Banca and could have been used for repurchase agreements at the European Central Bank. These notes were also sold on the market during December 2012.
Class B notes, again subscribed by Veneto Banca, are held in euros and are unrated. Their return is determined in a residual fashion and is only paid subsequent to the complete redemption of higher class notes.
The table below summarises the breakdown of the portfolio sold.

As at securitisation date	Veneto Banca
Number of loans	6,447
Number of borrowers	5,548
Residual capital debt (in thousands of Euro)	933,641
Average loan amount (in thousands of Euro)	145
Maximum loan amount (in thousands of Euro)	2,000

As of 31 December 2012, the book value of the residual receivables amounted to € 522.1 milioni.

Securitisation February 2012
During November 2011, Veneto Banca, in collaboration with BancApulia and Carifac, implemented a securitisation of mortgage loans for a total of € 2,616.58 million, which were transferred at a price equal to the value of the residual debt in capital line as of the time of the transfer (1 November 2011).
In exchange for the portfolio sold in February 2012, Claris ABS 2011 srl, the SPV acquiring the portfolio sold, Asset Backed securities have been issued for a total of € 2,616.58 million, broken-down as follows:

Class	Rating (Moody's / DBRS)	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	Aaa / AAA	1,962,400,000	1,755,492,923
B1	unrated	432,629,000	432,629,000
B2	unrated	143,275,000	143,275,000
B3	unrated	78,274,000	78,274,000

Class A securities are held in euros and provide for the payment of a quarterly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying portfolio. These bonds, listed with the Dublin Stock Exchange (Ireland) have been subscribed by the parent company Veneto Banca. Class A notes can, therefore, be used for repurchase agreements at the European Central Bank.
Class B securities, again held in euros and unrated, have been subscribed by Veneto Banca (B1), BancApulia (B2) and Carifac (B3). Their return is determined in a residual fashion and is only paid subsequent to the complete redemption of higher class notes.
The table below summarises the breakdown of the portfolio sold.

As at securitisation date	Veneto Banca	BancApulia	Carifac	Totale
Number of loans	14,501	6,003	3,446	**23,950**
Number of borrowers	14,161	5,929	3,321	**23,411**
Residual capital debt (in thousands of Euro)	1,730,428	573,068	313,081	**2,616,577**
Average loan amount (in thousands of Euro)	119	95	91	**109**
Maximum loan amount (in thousands of Euro)	4,473	4,909	2,057	**4,909**

As of 31 December 2012, the book value of the residual receivables amounted to Euro 2.405 million.

Securitisation July 2012

During the course of 2012, Veneto Banca, in collaboration with Banca Apulia and Carifac, prepared a securitisation of mortgage and non-mortgage loans for a total of € 1,446.34 million (€ 900 million, € 433.1 million, and € 113.2 million, respectively), which were transferred at a price equal to the value of the residual debt in capital line as of the time of the transfer (1 July 2012).
In exchange for the portfolio sold, Claris SME 2012 srl, the SPV acquiring the portfolio sold, issued Asset Backed securities in August 2012 for a total of € 1,446.35 million, broken-down as follows:

Class	Rating (Moody's / DBRS)	Amount (in Euro)	Residual amount as at 31/12/2012 (in Euro)
A	Aaa / AAA	1,041,400,000	1,041,400,000
B1	unrated	252,000,000	252,000,000
B2	unrated	121,250,000	121,250,000
B3	unrated	31,700,000	31,700,000

Class A securities are held in Euro and provide for the payment of a half-yearly variable rate coupon and a repayment on a sequential basis, relating to the collections on the underlying portfolio. These bonds, listed with the Dublin Stock Exchange (Ireland) have been subscribed by the parent company Veneto Banca. Class A notes can, therefore, be used for refinancing operations with the European Central Bank.
Class B securities, also held in Euro, have not been rated and have been subscribed by Veneto Banca (B1), Banca Apulia (B2) e Carifac (B3). Their yield is determined residually and is paid only after repayment in full of notes in a higher class.
The table below summarises the breakdown of the portfolio sold.

As of the securitisation date	Veneto Banca	BancApulia	Carifac	Total
Number of loans	6,379	2,679	1,049	**10,107**
Number of borrowers	5,601	1,934	944	**8,479**
Residual debt capital line (in € thousands)	900,003	433,122	113,212	**1,446,337**
Average loan value (in € thousands)	141	162	108	**143**
Maximum loan value (in € thousands)	5,995	5,475	4,960	**5,995**

As of 31 December 2012, the book value of the residual receivables amounted to € 1,295.4 million.

Securitisation December 2012 "non performing loans"

In December 2012, Veneto Banca began the securitisation of non-performing loans, which included at least one line of credit provided with a mortgage guarantee, for a total nominal value of € 133.2 million.

The transaction concerned commercial and residential loans. The transfer took place on 11 December 2012 with economic and legal effects as from 30 November 2012 and was completed for the total price of € 112.8 million.
In exchange for the portfolio sold, Aries SPV srl, the SPV acquiring the portfolio sold, Asset Backed securities have been issued for a total of € 73.4 million, broken-down as follows:

Class	Rating	Amount (in Euro)	Residual amount as of 31/12/2012 (in Euro)
A	unrated	47,700,000	47,700,000
B	unrated	25,700,000	25,700,000

The difference between the ABS securities issued and the value of the sale represented a credit for Veneto Banca in regards to the vehicle company, as the deferred purchase price of the credits transferred.
All the securities issued were subscribed by the Parent Company Veneto Banca. The same were held in Euro and provide for the payment of a six-monthly fixed rate coupon and a repayment on a sequential basis, relating to the collections on the underlying portfolio, as from July 2013.
All said bonds have not been rated and are not listed on any regulated market.
The table below summarises the breakdown of the portfolio sold at first.

As of the securitisation date	Veneto Banca
Number of debtors	351
Gross residual debt (in € thousands)	133,182
Net residual debt (in € thousands)	112,771
Average debtor amount (in € thousands)	379
Maximum gross debtor amount (in € thousands)	4,079
Maximum net debtor amount (in € thousands)	2,763

As of 31 December 2012, the book value of the residual receivables amounted to € 111.7 million.

QUANTITATIVE INFORMATION

EXPOSURES DERIVING FROM SECURITISATION ACTIVITIES CLASSIFIED ACCORDING TO THE QUALITY OF THE UNDERLYING ASSETS

Quality of underlying asset/Exposure		Cash Exposures						Guarantees provided						Credit line					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
		Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
A.	**With own underlying assets:**	**758,900**	**973,186**	**47,400**	**136,946**	**1,375,673**	**563,501**												
a)	Non-performing	167,700	159,556				33,325												
b)	Other	591,200	813,630	47,400	136,946	1,375,673	530,176												
B.	**with third party underlying assets:**																		
a)	Non-performing																		
b)	Other																		

Exposures deriving by the main "own" securitisation activities analysed by type of securitised assets and type of exposure

Type of securitised asset / Exposure		Cash exposures						Guarantees provided						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
		Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs
A.	**Completely derecognised from accounts**	**159,557**				**13,000**													
A.1	Intra Mortgage Finance 1					13,000													
	- Mortgage loans					13,000													
A.2	BVG – Credit Finance	159,557																	
	- Non perfoming loan	159,577																	
B.	**Partially derecognised from accounts**																		
C.	**Not derecognised from accounts**	**813,630**		**136,946**		**550,502**	**4,381**												
C.1	Claris Finance 2005	51,425				4,458	215												
	- Mortgage loans	51,425				4,458	215												
C.2	Claris Finance 2006			66,098		15,996	204												
	- Mortgage loans			66,098		15,996	204												
C.3	Claris Finance 2007	115,637				87,842	602												
	- Mortgage loans	115,637				87,842	602												
C.4	Claris Finance SME 2011					356,251	713												
	- Mortgage loans					356,251	713												
C.5	Claris RMBS 2011	591,200				201,408	1,119												
	- Mortgage loans	591,200				201,408	1,119												
C.6	Apulia Finance n. 2			16,700		9,880	270												
	- Mortgage loans			16,700		9,880	270												
C.7	Apulia Mortgage Finance n. 3			23,700		18,414	538												
	- Mortgage loans			23,700		18,414	538												
C.8	Apulia Finance n. 4	55,368		30,448		31,936	721												
	- Mortgage loans	55,368		30,448		31,936	721												

Exposures deriving from the main "third party" securitisation transactions divided up according to type of asset securitised and type of exposure

Type of securitised asset / Exposure		Cash exposures						Guarantees provided						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
		Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs	Balance-sheet value	Adj. / Write-backs
A.1	Entasi ABN S.1-01/16	14,945																	
A.2	Berica 9 RE 11-57 TV	25,001																	

EXPOSURES TO SECURITISATIONS CLASSIFIED BY FINANCIAL ASSET PORTFOLIO AND TYPE

Exposure / portfolio	Financial assets – held for trading	Financial assets designated at fair value option	Financial assets available for sale	Financial assets – held to maturity	Receivables	Total 31/12/2012	Total 31/12/2011
1. Cash Exposures			**13,000**		**159,556**	**172,556**	**176,105**
- Senior					159,556	159,556	163,105
- Mezzanine							
- Junior			13,000			13,000	13,000
2. Off-Balance Sheet Exposures							
- Senior							
- Mezzanine							
- Junior							

AGGREGATE AMOUNT OF SECURITISED ASSETS UNDERLYING JUNIOR SECURITIES OR OTHER FORMS OF CREDITWORTHINESS SUPPORT

Assets / Value		Traditional securitisations	Synthetic securitisations
A.	**Own underlying assets**	**2,558,633**	
A.1	Completely derecognised from the accounts	61,162	X
1.	Non-performing	13,545	X
2.	Watch list		X
3.	Restructured loans		X
4.	Expired loans		X
5.	Other assets	47,617	X
A.2	Partially derecognised from accounts		X
1.	Non-performing		X
2.	Watch list		X
3.	Restructured loans		X
4.	Expired loans		X
5.	Other assets		X
A.3	Not derecognised	2,497,471	
1.	Non-performing	58,613	
2.	Watch list	35,851	
3.	Restructured loans		
4.	Expired loans	26,792	
5.	Other assets	2,376,215	
B.	**Third party underlying assets**		
B.1	Non-performing		
B.2	Watch list		
B.3	Restructured loans		
B.4	Expired loans		
B.5	Other assets		

TRANSFER OPERATIONS

Banking group – Assets transferred but not written off

Technical form / portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total 31/12/2012	Total 31/12/2011
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets	48,872						2,606,996						70,319			2,676,444			5,402,631	
1. Debt securities	48,038						2,557,514						70,319			144,816			2,820,687	
2 Equity securities	834						49,482			X	X	X	X	X	X	X	X	X	50,316	
3. Mut. Inv. Funds										X	X	X	X	X	X	X	X	X		
4. Loans																2,531,628			2,531,628	
B. Derivatives				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Total 31/12/2011	**48,872**						**2,606,996**						**70,319**			**2,676,444**			**5,402,631**	**X**
- of which non performing																*101,184*				*X*
Total 31/12/2010	**9,454**						**672,727**						**46,282**			**2,422,619**			**X**	**3,151,082**
- of which non performing																*91,316*			*X*	

Legenda:
A = financial assets disposed of, fully recognised (book value)
B = financial assets disposed of, partly recognised (book value)
C = financial assets disposed of, partly recognised (full value)

FINANCIAL LIABILITIES RELATING TO FINANCIAL ASSETS TRANSFERRED BUT NOT WRITTEN-OFF

Liabilities/Asset portfolio	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total 31/12/2012
1. Due to customers	**2,199**		**2,133,421**		**32,.451**	**1,240,201**	**3,701,272**
a) relating to assets recognised in their entirety	2,199		2,133,421		325,451	1,240,201	3,701,272
b) relating to assets recognised partially							
2. Due to banks			**49,925**		**203,715**	**518,782**	**772,422**
a) relating to assets recognised in their entirety			49,925		203,715	518,782	772,422
b) relating to assets recognised partially							
3. Outstanding Securities						**1,156,001**	**1,156,001**
a) relating to assets recognised in their entirety						1,156,001	1,156,001
b) relating to assets recognised partially							
Total 31/12/2012	**2,199**		**2,183,346**		**529,166**	**2,914,984**	**5,629,695**
Total 31/12/2011	**28,250**		**537,686**		**534,924**	**1,593,238**	**2,694,098**

The item "Securities in issue" include the bonds issued by the vehicle company within the sphere of the securitisation operations.

SECURITISAIONS - STANDARDISED METHOD: POSITIONS ON SECURITISATIONS

Cash Risk activities	Weighting factor	Correct value of Exposition	Weighed value of ex position
Positions on securitisations		**441,501**	**433,649**
Senior – Originator	20%	107,952	
	50%	33,610	16,095
	Look-through-altro	159,557	170,369
Senior - Investitore	50%	25,001	12,500
	100%	14,945	14,945
Mezzanine – Originator	20%	5,611	
	50%	18,755	
	100%	3,538	
Mezzanine – Investitore	1.250% - con rating		
Junior – Originator	Look-through-altro	72,412	218,240
Junior – Investitore	1.250% - con rating	120	1,500
Positions on securitisations		-	-
Total 31/12/2012		**441,501**	**433,649**

Fonte: Base Segnaletica 1 – Voce 36536

TABLE 12 OPERATIONAL RISK

QUALITATIVE NOTICE

Of the three possible methods indicated in the regulations for determining the capital requirements against operational risk, the Group chose to adopt the Basic Indicator Approach (BIA) method; on that basis, the above-mentioned requirement is calculated by applying one sole regulatory ratio to the indicator of the volume of corporate operativeness identified in the earning margin.

Specifically the capital requirement is equal to 15 percent of the average of the last three recordings of the relevant indicator referring to the year end situation.

Therefore with reference to the 2012 year, the requirement is geared to Euro 152.9 milion.

TABLE 13 - CAPITAL INSTRUMENTS EXPOSURE: INFORMATION ON POSITIONS INCLUDED IN THE BANK PORTFOLIO

QUALITATIVE NOTICE

EQUITY INVESTMENTS

The equity investments in the portfolio are held for strategic purposes (group equity investments, affiliated companies), institutional purposes (equity investments in trade associations, bodies and institutions with territorial links) instrumental to bank operations and to the development of commercial business for financial investment. There are also some equity investments not considered strategic which are being disinvested and equity in companies under liquidation.

Equity investments are entered on the balance sheet at their purchase value.
Fair value assessment procedures for the equity investments are established on a case by case basis depending on the specificity of each investment. Assessment procedures include recourse to market prices for listed companies, and for companies that are not listed, to recent transactions, to market multiples and to any opinions and/or sales agreements available that can establish the future sale price.
If there is evidence that the value of an equity investment may have suffered a reduction, an estimate is made of the recoverable value of that equity investment, taking into account the current value of future financial flows which the equity investment may generate, including the final disinvestment value of the investment.
When the recovery value is lower than the accounting value, the relative difference is entered in the profit and loss account under the item "profit (loss) on investments".

Should the reasons for the impairment cease to exist following an event occurring subsequent to the application of impairment, the value is written-back with the posting on the profit and loss account. Equity investments are cancelled when the contractual rights mature on financial flows deriving from those assets or when the equity investment is sold and all risks and benefits relating to it are transferred.

Equity investments are mainly but not exclusively classified for balance sheet purposes among the financial assets available for sale and the equity investments themselves.

FINANCIAL ASSETS AVAILABLE FOR SALE

This item includes the shareholdings not managed for trading purposes and which cannot be qualified for control, affiliation and joint control.

The initial entry of the financial asset takes place on the settlement date.
At the moment of the initial recording, the assets are entered at cost, taken as the fair value of the instrument, including costs or revenues from transactions directly ascribable to the instrument itself. If the entry takes place after reclassification of the assets held for trading, the entry value is represented by the fair value at the time of transfer.

Following the initial recording, the assets available for sale continue to be assessed at fair value with the entry in the profit and loss account of the remuneration of the instrument calculated using I.R.R. methodology while the profits and losses deriving from a variation in fair value are recorded in a specific reserve of net assets until the financial asset is cancelled or a loss in value is recorded. At the time of disinvestment or recording of a loss in value, the accumulated profit or loss is transferred to the profit and loss account.
For the assessment of situations entailing a loss due to reduction in value and the determination of the related amount, the Bank on the basis of its assessment experience uses all the information available based on previously verified facts and observable data at the assessment date.

With regard to debt securities, the data considered essentially relevant for the purposes of verifying any loss due to reduction in value are as follows:
- the existence of significant financial difficulties of the issuer, confirmed by breach of contract or failure to make interest or capital payments;
- the likelihood that bankruptcy proceedings will be instigated;
- the disappearance of an active market for financial instruments;
- the deterioration of economic conditions affecting issuer cash flows;

- the declassification of the issuer credit rating, when accompanied by other negative information on the issuer's financial position.

With reference to capital securities, the information deemed relevant for purposes of pinpointing losses for reductions in value includes verification of changes which have taken place in the technological, market, economic and legal spheres in which the issuer operates. A significant or prolonged decline in fair value of an instrument representing capital below its cost is considered objective evidence of a reduction in value.
Losses due to a reduction in value in capital securities cannot determine write-backs entered in the profit and loss account in the event that the reasons for the devaluation disappear. These write-backs therefore concern the specific reserve of net assets.

The write-backs related to debt securities are recorded in the profit and loss account, up to the impairment amount recognised therein.
With regard to debt securities classified as available for sale, the recognition of related yield based on the amortisation method is recorded in the financial statements and counterbalanced in the profit and loss account in a similar way to the effects of exchange rate variations.

Exchange variations relating to capital instruments available for sale are recorded in the specific reserve of net assets.
Capital securities for which it is not possible to reliably determine a fair value in accordance with the guidelines indicated above are maintained at cost adjusted for assessment of losses due to a reduction in value.
The existence of objective evidence of a reduction in value is verified with the closing of each balance sheet or of situations during the year.

If the reasons for the loss in value are removed as a result of an event occurring after recognition of the impairment, write-backs are performed and recorded in the profit and loss account in the case of loans or debt securities, and to shareholders' equity in the case of equity securities. The total amount written back cannot in any event exceed the amortised cost which would have applied to the instrument in the absence of previous write-downs.

Financial assets are written off when contractual rights to cash flows deriving from the assets expire or when essentially all related risks/benefits are transferred along with ownership of the financial asset.

FINANCIAL ASSETS ASSESSED AT FAIR VALUE

The portfolio of financial assets valued at fair value includes those securities for which it was decided to apply the fair value option provided for by IAS 39. Consequently they can be designated as assets at fair value with effect on the profit and loss account in the cases of:

- elimination or reduction of evaluative inconsistencies (of financial instruments correlated among themselves) for the purpose of a more reliable presentation of information on the balance sheet;
- inclusion of instruments containing incorporated derivatives which meet certain conditions in order not to break them out of the host instruments, assessing them at fair value overall;
- management of a group of financial assets, financial liabilities or both where their trend is assessed on a fair value basis in accordance with documented risk or investment strategy management and the report on the group based on the foregoing is supplied internally to managers with strategic responsabilities.

Initial entry takes place on the settlement date if settled with regular market practice timing (regular way), otherwise on the trade date. When financial assets are entered on the settlement date, profit and loss recorded between the trade date and the settlement date are entered in the profit and loss account.
Financial assets assessed at fair value are entered initially at fair value which generally corresponds to what was paid. Related transaction costs or revenues are entered directly in the profit and loss account.

After initial entry, the assets are aligned at their related fair value.
The fair value of investments listed in active markets is determined by referring to market quotations (bid prices) recorded on the date of reference of the balance sheet. For the investments for which there is no quotation on an active market available, fair value is determined using estimation methods and evaluative models which take into account all the risk factors correlated to the instruments and which are based on data which, if available, can be found in the market. These techniques can consider prices recorded for similar transactions recently concluded at market conditions, the calculations of discounted cash flows, models for determining option prices and other techniques commonly used by market operators.
Profit and loss realised on transfers or repayments and the profit and loss not realised deriving from the variation in fair value compared to the purchase cost, determined on the basis of the average daily weighed cost are entered in the profit and loss account for the period in which they emerge under the

item "Net result of value of financial assets and liabilities assessed at fair value" (item 110 of the profit and loss account).

Financial assets are cancelled when the right to receive cash flows from the financial assets is terminated or when all risks and benefits connected to holding that certain asset are substantially transferred.

QUANTITATIVE NOTICE

TYPE, BALANCE SHEET VALUE, MARKET VALUE AND FAIR VALUE OF EXPOSURE OF CAPITAL INSTRUMENTS; PROFIT AND LOSS FROM TRANSFERS AND CAPITAL GAINS / CAPITAL LOSSES

Type of exposure	Balance sheet value	Fair value	Market value (listed)	Profit/transfer losses	Plus/(Minus)		
					Recorded in BS and not in PL	di cui in patrimonio di base	di cui in patrimonio supplementare
Equity investments	**22,871**	**22,871**	**X**	**(66)**			
Of which:				*(66)*			
-Level 1							
-Level 2			*X*				
-Level 3	*22,871*	*22,871*	*X*				
Capital securities available for sale	**557,465**	**557,465**	**X**	**1,778**	**(20,289)**	**(23,759)**	
of which:				*1,778*	*(20,289)*	*(23,759)*	
-Level 1	*134,071*	*134,071*	*134.071*				
-Level 2			*X*				
-Level 3	*423,394*	*423,394*	*X*				
UCIT stakes available for sale	**188,863**	**188,863**	**X**	**23**	**(7,965)**	**(7,965)**	
Of which:				*23*	*(7,965)*	*(7,965)*	
-Level 1	*7,753*	*7,753*	*7.753*				
-Level 2	*102,690*	*102,690*	*X*				
-Level 3	*78,420*	*78,420*	*X*				
Total	**769,199**	**769,199**	**X**	**1,735**	**(28,254)**	**(31,724)**	
Of which:				*1,735*	*(28,254)*	*(31,724)*	
-Level 1	*141,824*	*141,824*	*141.824*				
-Level 2	*102,690*	*102,690*	*X*				
-Level 3	*524,685*	*524,685*	*X*				

Legenda:
- Level 1: prices (without adjustments) quoted in an active market – according to the definition given by IAS 39 – for the assets and liabilities being valued;
- Level 2: inputs other than prices quoted as per the previous point, which are observable directly (prices) or indirectly (derived from prices) on the market;
- Level 3: inputs that are not based on observable market data.

TABLE 14 - INTEREST RATE RISK ON POSITIONS INCLUDED IN THE BANK PORTFOLIO

QUALITATIVE NOTICE

The Veneto Banca Group has a dynamic approach to managing interest rate risk, the objectives of which are to ensure correct risk management by:

1) preserving the stability of the interest margin and minimising the negative impact of changes in interest rates (current earnings approach), focusing mainly on the short term. The stability of the interest margin is mainly influenced by the Repricing Risk, Yield Curve Risk, Basis Risk and Optionality Risk;
2) immunising the economic value, which is the sum of the present value of future cash flows generated by both sides of the balance sheet, thereby providing a medium/long term outlook which is mainly tied to the repricing risk;
3) ensure that the interest risk assumed or to be assumed is correctly identified, measured, controlled and managed according to official, shared methods and procedures, while maintaing the quality of the measurement systems and management processes in lines with the best practices on the market.

Since 2003 the Bank has employed a process aimed at quantifying and managing cash flows in an integrated manner, and has used a specific Asset and Liability Management (ALM) computer programme to monitor said risks, created by Prometeia.
The methodologies applied make it possible to monitor the following types of risk:

- variations in interest margin determined by the temporal shifts in maturities and in the timing of repricing of the interest rate of the assets and liabilities of the institute. Such mismatching in the presence of market shock determines a variation in the expected interest margin that can be quantified using the Maturity Gap technique in the short term perspective of reference, or the current financial year. The yardstick for this variation is the sudden shock of ±100 basis points on the curve;
- variations in the financial value of the Group due to the shock of market rates. To assess such impact in the long term, the techniques of Sensitivity Analysis are used. The yardstick for this variation is the sudden shock of ±100 basis points on the curve.

The Companies of the Group currently monitored with these techniques are comprised of two commercial banks BancApulia, Banca Intermobiliare di Investimenti e Gestioni, Banca IPIBI, Carifac and the subsidiaries Claris Leasing, Veneto Ireland Financial Services, Apulia Prontoprestito e Claris Cinque.
For the foreign companies of the Group (Banca Italo-Romena, B.C. Eximbank s.a., Veneto Banka d.d. and Veneto Banka sh.a.), monitoring takes place according to a simplified method on the basis of templates sent once a month to the parent company.

Greater understanding of the dynamics underlying accounts in the portfolio and their constant monitoring led to the introduction of specific positioning policies over the year, based on forecast trends in market rates.

The Parent Company's Board of Directors has set specific limits within which the Group must operate. The Group's Risk committee is therefore in charge of periodically examining the companies' risk situations and providing the Group Finance Division with guidelines for contracting or expanding positions.
The Board of Directors has also decided upon the management policy for interest rate risk and the application of hedge accounting principles.

As regards price risk the main sources are equity securities, units of mutual funds, securities classified as financial assets available for sale and those classified as financial assets designated at fair value. This portfolio also includes securities which, before application of the international accounting standards, were classified among equity investments.

The methods of measurement and control of price risk are not limited only to changes depending on fluctuations of the market variables but intrinsically include specific factors because the internal VaR model uses the historical simulation method. The parameters and assumptions for the VaR calculation are the same as those described in the section on market risk.

The price risk is calculated as prescribed by the prudential supervisory regulations for banks issued by the Bank of Italy currently in force.
The monitoring and management of this risk are part of the operational management of market risk and to this end the Value at Risk is calculated at the end of the day at 99% confidence in a time horizon of 10 days with the historical method.

In determination of this value implicit in the construction are the price changes dependent on fluctuations of market variables (the risk factors taken into consideration), on the specific factors of the issuers and counterparties (specific risk factors) and on the dependency existing between them ("correlation").

B. Fair value hedges
Hedging is carried out at an integrated level for the entire Group by the Parent Company's Finance Division in order to protect changes in fair value of deposits and loans caused by market movement of the interest rate curve. The following types of derivatives are employed: interest rate swaps (IRSs), cross currency swaps (CCSs), and interest rate options (IROs). Hedges performed for subsidiaries are in turn replicated on the market so that the hedge meets the valid requirements to be entered to the hedge accounting form and be considered IAS compliant at the level of the consolidated financial statements.

C. Cash flow hedges
Hedging is carried out in order to protect changes in fair value of deposits and loans caused by market movement of the interest rate curve.
This type of hedging is not normally carried out by the companies of the Group; however, the BIM Group, before the entry in the Veneto Banca Group, had an interest rate swap derivative to hedge specific cash flows relative to lease positions of one of its subsidiaries.

QUANTITATIVE NOTICE

The sensitivity of the interest margin is monitored on a monthly basis by quantifying the impact on the yearly forecasted margin of an instantaneous and parallel change of market curves of ±100 basis points, with a twelve month horizon. According to the regulation on the Policy for rate risk this change should not exceed the -7% threshold.

The second feature, connected to the sensitivity of the economic value of shareholders' equity, is, on the contrary, monitored by using a precise mapping of future cash flows of all assets and liabilities entries, which allows the quantification of the current economic value as at the date of the analysis and of the value expected based on the new interest rate scenario (full valuation method). The above mentioned regulation on the Policy for rate risk establish that the changes in the economic value of the capital should not exceed, against a change of ± 100 basis points, 7% of the supervisory capital.
All the risk measurements calculated include also the sensitivity of short-term on demand loans to clients, the features of which, in term of re-pricing and economic value, were analysed using an econometric model developed thanks to the availability of a wide historical series.

The Group Companies currently monitored with these techniques are, in addition to the Parent Company Veneto Banca, the commercial banks – BancApulia, Banca Intermobiliare di Investimenti e Gestioni (BIM) and Carifac – and the subsidiaries Claris Leasing, Veneto Ireland Financial Services, Claris Cinque e Apulia Prontoprestito. The assets of these companies make up altogether more than 95.4% of the assets of the Group and account for 91.4% of net income.

As regards, instead, the foreign companies Banca Italo-Romena, B.C. Eximbank d.d. (Moldova), Veneto Banka d.d. (Croatia), Veneto Banca sh.a. (Albania) and BIM Suisse, the monitoring is carried out using simplified maturity gap schemes. These companies represent 4% the monitoring is carried out using simplified maturity gap schemes. These companies represent 8.5% of net income.

The companies not monitored (Claris Factor, Claren Immobiliare, Immobiliare Italo-Romena) represent together only 0,5% of the assets.

At 31 December 2012, with reference to the the sum of the said companies' portfolios, on net interest income we observe:

- for a shock of –100 bp in the interest rate curve, a positive impact of 0.86% on net interest income, quantifiable, before the tax effect, as a gain of Euro 5.8 million;
- for a shock of +100 bp in the interest rate curve, a negative impact of 1.71%, quantifiable, before the tax effect, as a loss of Euro 11.6 million.

As regards, instead, the effects on the economic value of the financial items, the analysis carried out found that in the case of a parallel decline of interest rates of 100 bp this value would increase by Euro 104.8 million, equal to 4.19% of the regulatory capital. On the contrary, in the case of an increase of 100 bp, a reduction of Euro 111.3 million is estimated, corresponding to negative change of -4.45% of the regulatory capital.

The VaR relative to the bank book is monitored daily, both in terms of the bond and share components.

Risks relative to the bond component can be traced to:

- rate risk;
- issuer credit risk;
- instrument liquidity risk.

As far as price risk is concerned, this can be traced to the share portfolio, which mainly consists of positions classified as "Available for Sale," whose 10 day VaR at 99% calculated with the method of the historical simulation, amounted to a total of Euro 25,644,582.00 at 31 December 2012.

RISK RATIOS BY SHIFT (±100bp)

SHIFT (+/-)	Effect on future interest margin[10]	Effect on shareholders' equity[11]
EUR +100bp	-1.87%	-4.45%
USD +100bp	-0.08%	0.00%
Altro +100bp	0.25%	-0.01%
Total +100bp	**-1.70%**	**-4.46%**
EUR -100bp	0.86%	4.19%
USD -100bp	0.07%	0.00%
Altro -100bp	-0.07%	0.00%
Total -100bp	**0.86%**	**4.19%**

[10] Future interest margin" means the difference between future receivable interest on interest-bearing assets (excluding debt securities in the supervisory trading portfolio) and future interest expense on liabilities for payment calculated on the hypothesis of the development of volumes formulated by the Group.
[11] "Shareholders' equity" means the difference between current value of interest-bearing assets (excluding debt securities in the supervisory trading portfolio) and that of the liabilities for payment.

TABLE 15 – REMUNERATION AND INCENTIVE SYSTEMS AND PRACTICES

Qualitative information

In accordance with the Bank of Italy provisions on "Remuneration and incentive systems and practices in banks and banking groups" (published in the Official Gazette dated 7 April 2011, hereinafter the "Provisions"), to the suggestions most recently put forward by said Supervisory Authority in its communication of 12 March 2012, the Veneto Banca Group has proposed new remuneration and incentive systems and practices. Changes as a result of complying with the Provisions have been appropriately highlighted.

Consistent with the Provisions, when defining the proposed remuneration and incentive systems and practices, certain organisational and business aspects, which characterise the Veneto Banca Group, were considered.

On the whole, the Group's business model is focused more on the Retail segment and thus the predominant risk component is one of credit.

The distinctive nature of a co-operative bank, tending towards creating and cementing relationships in the territory and generally sustaining value for shareholders, stakeholders and employees, does not encourage excessive risk taking but leads the Veneto Banca Group to, principally, short-term exposure to risk and avoids the risks typical of investment banks.

Consolidated assets at 31 December 2012 reached almost 42 billion euro and place the Group inside of the range of "large intermediaries" banks and banking groups (consolidated assets > 40 billions Euro) for which the above mentioned regulations are applied.

1. REGULATION

On 7 April 2011 the Bank of Italy published the new "Remuneration and incentive systems and practices in banks and banking groups" in the Official Gazette, giving rise to the implementation of principles and standards agreed upon at the international level inserted within the context of measures aimed at guaranteeing the stability and proper operation of the banking and financial system.

ISVAP (now IVASS) also dictated principles relative to decision-making processes, structures and disclosure obligations relative to remuneration policies of insurance companies, with its regulation no. 39 of 9 June 2011.

Consob, with its resolution 18049 of 23 December 2011, regulated the implementation of the provisions contained in article 123 of the Consolidated Law on Finance, which envisages that listed issuers must prepare and disclose to the public a report on remuneration.

The regulation is aimed to guard all stakeholders, avoiding the disbursement of incentives through potentially distorted mechanics (characterised by short-term targets, not risk corrected) that could lead to misdemeanours or that could have an impact on capital and liquidity requirements, necessary for the virtuous functioning of the company.

In order to provide for a whole compliance to said provisions, the here presented and described group remuneration and incentive system states:

- **Identification of "identified Group personnel"**, through a self-assessment made through the constant monitoring of the Group organisational structure (par. 4);
- **The correlation between variable remuneration and result targets,** that have to consider the risks assumed and the needed capital/liquidity resources for a fair business management (in this area, risks and results at a Group as a whole, at single business unit and when possible at individual level are considered;
- **The emphasizing of fair relations with customers, the containment of reputational and compliance risk as regards law, regulatory and self-discipline provisions,** especially referred to incentive systems of staff and internal/external networks (par. 5.2);
- The provision of **deferral bonus mechanics,** for leading figures, **and the use of financial instruments**, the ways and measures of which will be in compliance with law provisions (par. 5.2.2.);

2. EMPLOYEE REMUNERATION POLICIES

2.1. Underlying principles

The principles underlying the remuneration policies of the Veneto Banca Group are:

- aligning the behaviour of management and employees with the medium/long-term interests of stakeholders;
- meritocracy, in order to ensure a strong connection between the performance given and the quality of managerial action as a whole;
- fairness, in order to stimulate virtuous behaviour and harmonise remuneration treatment through:
    - correlating retribution of individuals with the organisational importance of the role held;
    - differentiating remuneration targets and the impact of the variable component in regards to total remuneration;
- external competitiveness of total annual remuneration with respect to the levels expressed by our main competitors;
- sustainability, in order to limit the expenses deriving from the application of the policy to values that are compatible with the objectives of the strategic plan.
- ethics and respect for the rules.

2.2. Governance

Governance model

The *Governance* model of the Veneto Banca Group aims to ensure appropriate control of remuneration practices for all Group employees, ensuring that decisions are made independently, in a timely manner, and at the appropriate level. It is divided into two levels:

1. corporate: relative to the responsibilities of the corporate bodies in regards to the definition of the Group's remuneration policies;
2. company: relative to the process of forming the Company's internal remuneration policies.

2.2.1. Corporate Governance

Corporate governance of remuneration policies guarantees that they are based on clear and prudent rules that favour compliance with the regulations, avoiding the creation of conflicts of interest and ensuring transparency through appropriate disclosures.

Pursuant to the articles of association:

- the Shareholders' Meeting establishes the fees set for the year for the members of the Board of Directors, as well as the amount of the attendance tokens (article 34);
- the Shareholders' Meeting approves the remuneration policies and the compensation plan based on financial instruments in favour of the Board of Directors and the employees of the Group (article 28);
- the Board of Directors determines the remuneration of the Chairman, the Deputy Chairman, the Managing Director and the most important employees (article 38);
- the Remuneration Committee has proposal and consulting responsibilities in regards to the compensation of corporate representatives, the most important employees and for the auditing functions.

2.2.2. Company Governance

The process to form the remuneration policies of the Veneto Banca Group, in accordance with the approval process described above, envisages the involvement of various subjects. In particular:

- *Human Resources Department*: directs and governs the process to prepare the remuneration and incentive policy;
- *Risk Management Department*: verifies that the policy is aligned with the policy for sane and prudent risk management in reference to the performance system;
- *Compliance Department*: evaluates whether the remuneration policies are in line with the regulatory framework;
- *Internal Audit Department:* verifies proper application with respect to the policy and provisions and provides evidence of any corrective actions taken;
- *Appointed Executive:* ensures the truthfulness and correctness of accounting documents which support the balancing of economic/financial performance.

3. IDENTIFICATION OF THE MOST IMPORTANT PERSONNEL

For the identification of this scope, the Human Resources management realised a three steps self-assessment, according to Provisions and supported by other specialist functions plus a primary consultant firm:

3.1. Risk profile analyses

In order to identify the identified staff of the Group, the first step was the identification of main risk categories where the Group is more exposed and the subsequent identification of the subsidiaries showing a significant contribution to assumed and potential risks.

With respect to these parameters, the discriminating principal has been determined to be credit risk, as it is large prevalent. For the individual companies, a "materiality threshold" has been determined, equal to 3% of total credit risk taken on by the Group as a whole.

3.2 Job position analyses and delegation system

Afterwards, job positions of the over described subsidiaries were analysed, basing on:

- Significance and complexity of roles;
- Assigned responsibility;
- The level of autonomy and delegation on risks taking.

On the basis of this analysis, the category of the most important personnel is considered to be all those roles able to directly impact (without either explicit or implicit constraints, deriving from the whole of internal regulations and the hierarchical and control chains) the Company's risk profile in terms of credit.

3.3. Analisi degli aspetti retributivi

Finally, in accordance with requirements defined in par. 3.2. point v) of the Provisions, the impact on the bank risk profile was analysed, for those subjects showing a total remuneration at least equal to those of categories included in point ii) and iv) of said law, and the subsequent identification of other eventual risk takers.

Group	Veneto Banca Group Identification	N. posizioni
i) Directors with executive responsibilities	• General Managers of Group companies	4
ii) General Managers and managers of the main business lines, and other top members	• Joint General Managers and Central Directors of Veneto Banca • General Managers of the Italian banks of the Group	14
iii) Managers of internal audit departments	• Central Human Resources Director • Central Internal Audit Director • Central Administration Director • Chief Risk Officer • Compliance Director • Risk Management Director	6
iv) Other subjects who - individually or collectively - can take on risks, with total remuneration in excess of Euro 200,000	• Corporate Finance Director	1
v) Subjects whose remuneration is of an amount equal to that of other Risk Takers	/	-
vi) Other subjects		-
TOTAL		**25**

4. PAY MIX

The attention to a balanced composition between fixed and variable remuneration components is always present in the company remuneration policy; in this way, the expectations of a guaranteed, attractive and stable job are adequately balanced with the need of promoting merit or particular commitment on a company target, with positive effects on the medium term.

Fixed remuneration: The fixed component continues to be the fundamental part of remuneration, compensating for the content of the role held, the extent of the responsibilities and the experience required for each position.The Group supervises the general remuneration market trends in order to consider, in remuneration policies, also the aspects related to external fairness and to talent retention.

Variable remuneration: The variable remuneration is a fundamental instrument in order to recognize the success of the job made, in particular when these results are over the expected standards and bring the company to reach excellent and durable results.

Taking in consideration the impact of behaviours on bonus system, the proposed model has been prepared in order to oversee in the same time the corporate values, the achievement of *business* objectives over the long-term and prudent risk management, as well as respect for the customer's primary interests.

According to regulations, it provides for:

- The adoption of **mechanisms to align "ex ante" risk** :
  - a) presence of an Entry Gate;
  - b) bonus pool calculation, assessing the sustainability as regards expected results;
  - c) presence of individual targets report, with quali-quantitative parameters (structured, ad hoc, in profit, capital and liquidity targets), among which metrics revised for the risk is always present;
- the adoption, for some staff categories, and in the specific case for the more relevant staff, of **mechanisms to align "ex post" risk**:
  - a) postponement of a part of the incentive when the preset threshold is crossed, subordinated to penalty systems;
  - b) presence of repayment clauses when fraudulent behaviours occur.

Fringe Benefits: the remuneration package of Veneto Banca Group employees is completed by certain benefits, which constitute an integral part of the same. These mainly consist of social security, insurance and health plans. The assignment of company cars is envisaged solely for the highest level roles. Finally, during 2012 experiments began regarding the director level in terms of offering flexibility in the benefits package.

5. THE BOARD OF DIRECTORS (CHAIRMAN AND DEPUTY CHAIRMAN)

The Board of Directors, following the proposal of the Remuneration Committee and having heard the opinion of the Board of Statutory Auditors, intends to set the fees for the Chairman and the Deputy Chairman in the context of the following parameters:

- Chairman: from 1 to 6 times the base fees of the director, which can be raised to a maximum of 8 times in the case of absorption of fees for other roles at the group level;
- Deputy Chairman: from 1 to 4.5 times the base fees of the director, which can be raised to a maximum of 6 times in the case of absorption of fees for other roles at the group level;

Finally, for directors that participate in any Committees internal to the Board of Directors, an attendance token of Euro 250.00 shall be defined by the Board for each meeting, with the possibility of accumulation in the case of more than one meeting on the same day.

6. VARIABLE REMUNERATION, RISK AND PERFORMANCE (EX ANTE RISK ADJUSTMENT)

The correlation between remuneration, risk and performance is achieved through a system which:

- envisages a *pay mix* which allows the variable fees to be reduced significantly, down to zero, in the case that certain negative conditions occur;
- establishes parameters between the variable remuneration and performance indicators measured net of risks over a multi-year horizon (*known as ex ante risk adjustment*); the variable component will be determine on the basis of Group, business units/geographic areas,

and individual indicators;
- subordinates the assignment of the variable component to constant verification of the conditions of solidity and profitability, adjusted for risk;
- envisages discretionary evaluation of individual results that cannot be forecast through a formalised system.

In particular, the variable remuneration system is activated by the achievement of the Entry gate thresholds, that are defined at a Group level. In effect, the identification with consolidated results supports the sense of belonging to the Group and the development of a common values culture, oriented to a sound and prudent risk management.

The metrics identified to that end are:
- Consolidated net profit
- Core Tier 1
- Liquidity Coverage Ratio (LCR)

When crossed the access threshold, that ensures the sustainability at income, liquidity and capital level of the remuneration system, the disbursement of the bonus is governed by the bonus pool modulation, depending on the profit gap on the budget.

The bonus pool is determined on the basis of a percentage of the market median of the fixed remuneration (Abi-Hay remuneration research). The percentage to be applied to a single position is related to the organisational level held and to the reference market.

Year by year the Board of Director, upon proposal of the Personnel Management Committee and having heard the Remuneration Committee, will evaluate the sustainability of the whole Bonus Pool compared with the historical income data and perspective data.

6.1. *Ex post* risk adjustment systems

6.1.1. The remuneration structure for Risk Takers - deferral of the premium (ex-post risk adjustment)

The provisions require that a significant part of the variable remuneration is deferred and is also paid through financial instruments, in order to connect the incentives to the creation of value over the long term and verify the continuity of corporate results. These specify a minimum remuneration percentage to be deferred for each category, and the percentage of remuneration to be paid up-front.
For the General Manager of Veneto Banca - the head Risk Taker - the deferred bonus percentage is equal to 60%. This percentage falls to 40% for the other groups of Risk Takers. The deferral time horizon is three years for all, with pro-rata disbursement on an annual basis.
The percentage assigned through financial instruments (Veneto Banca shares) is - for the role of General Manager - equal to 50% of the variable remuneration, both for the up-front and deferred parts. For the other Risk Takers, the percentage in financial instruments is equal to 100% of the deferred premium part.
To the above-mentioned *equity* component of remuneration are applied, subsequent to the maturation of rights, forms to maintain and conserve the shares to ensure retention for an additional period of time (known as the *holding period*). This lasts two years for up-front disbursements and twelve months for deferred disbursements.
On the basis of the principle of proportionality, once the annual bonus pool has been determined, the Board of Directors - through the Personnel Management Committee and having heard the opinion of the Remuneration Committee - defines a minimum threshold (as a percentage of gross annual remuneration) below which – *given the minimal nature of the amounts with respect to possible risk appetite* - the Bonus will in any case be disbursed in cash and up-front.
Finally, each year the equity and economic requirements that represent the criteria for disbursement of the deferred portions are determined, evaluating the general economic trend and taking into account any regulatory changes. The disbursement mechanism must envisage the possibility that the sums subject to deferral can be reduced down to zero in the case in which the access conditions are not achieved (*malus mechanism*).

6.1.2. The variable remuneration structure for control roles

In line with that envisaged in the provisions, for directors of audit functions a different incentives plan is envisaged, with the aim of preserving autonomy and independence and avoiding possible conflicts of interest.
In that sense, for these roles the entry gate mechanism and adjustment of the premium as a function of the group's economic results will not be applied.

6.1.3. Remaining Group employees

In regards to the remainder of Group employees, a modulation of the general principles indicated in section 5 (variable remuneration) is applied to this category, which takes into consideration the specific characteristics of the reference market and the powers of attorney and organisational responsibilities assigned to network personnel (typically connected to medium/short-term commercial objectives).
The proposed model envisages that the network remuneration structure must always respect compliance with the provisions, taking into account said peculiarities, in particular in reference to the correctness and transparency of relationships with customers. In addition, in the case of sizeable amounts, the introduction of a restitution clause is envisaged in the case that fraudulent or negligent behaviour is ascertained and/or deferral of the variable component.

6.1.4. Claw back clause

The company activates claw back mechanisms, that is the restitution of premiums already paid, as required under the regulations, in the context of initiatives envisaged in the face of fraudulent or grossly negligent behaviour, while also taking into account the legal, social security and tax aspects in question.

6.2. Qualitative/quantitative performance evaluation in assigning annual bonuses (balanced form)

The individual results will be defined on the ground of the weighted evaluations obtained in the single targets shown in a report, that has to include:

- company targets, both individual and related to the function;
- quantitative and qualitative targets.

Consistent with the Group's desire to ensure and verify the performance sustainability on the medium-long term, the targets inserted in the report will be weighted in order to consider the results referred to the following four different areas:

1. **Income and Financial results area and risk management area**: These areas grant the support of the value creation, an adequate liquidity profile and a prudent risk management (a risk adjusted metric is always present);
2. **Planning area**: targets related to strategically relevant projects, that ensure the link between the year results and a medium-long term perspective;
3. **Values area**: it comes from the evaluation of the coherence with Group values and leadership models. This area ensures the medium-long term perspective of professionals and management aptitudes, consistent with Group strategic priorities;
4. **Customer services area,** in order to link the bonus also to internal and external customer satisfaction, to effectiveness of the bank reply and to the supplied quality in internal and external services, according to laws on customer services.

To each target a weight is assigned, that fixes the percentage incidence in determination the effective bonus. This mechanism is defined in assigning targets, and can significantly modify the priority assigned to one of the areas, ensuring the coherence with plan and budget targets.
In order to stimulate not only the achievement of targets, but also an excellent performance, the report provides for a higher score if assigned targets are crossed, and a subsequent payment of a higher bonus than the theoretical bonus. Equally, in order to incentive a balanced work, a minimum score is required for the payment of the bonus, both for the single target and for the report on the whole.
In compliance with recent regulations, economic and financial targets are not provided for heads of internal audit departments and the related area is replaced with function targets. These targets are consistent with the assigned tasks and independent of the results achieved by the other corporate functions which are subjected to their control.

Finally, the so calculated bonus can be modified according to the trend of the reference scenario and/or to extraordinary targets which have been assigned during the year. This evaluation - which is the responsibility of the Board of Directors - can lead to, again in the context of the maximum limits identified, an adjustment that increases or decreases said premium.

7. REMUNERATION POLICIES OF SUBSIDIARIES

This document is effective for all corporate components of the Veneto Banca Group. Specifically, non-listed companies in the Group shall submit this document to their Shareholders' Meetings for assembly, also in regards to the section relative to ex post disclosure. On the other hand, Banca Intermobiliare di Investimenti e Gestioni (BIM) - as a listed company - must prepare its own policy document, which must be in line with that defined in this document.

8. OTHER INSTRUCTIONS

Disbursement ceilings: in order to mitigate so-called *"Risk Appetite"* for Group employees and collaborators the following ceilings for disbursement of bonuses have been set (the ceiling should be understood to be cumulative, with respect to more than one disbursement during the course of the year in question):

- Veneto Banca Managing Director: up to 100%;
- Managing Director/General Manager of other Group's companies: up to 100%;
- Identified personnel: up to 100%;
- Heads of internal audit departments: up to 60%;
- Other staff: up to 100%.

In regards to financial promoters, in order to safeguard the specific nature of this category of professionals, connected to the agency nature of the contract, and with an eye to "attracting and retaining" the best talent on the market, it is proposed that the impact of the variable component (known as non-recurring incentive) does not in any case exceed 3 times the value of the fixed component (when present[12]).

Guaranteed bonuses: these can be considered only for roles of particular importance, solely at hiring and during the first year of employment in the company, as envisaged in the regulations.

Retirement and severance policies must be in line with corporate strategy, objectives and values and the long-term interests of the bank.

Employees are not allowed to use hedging or insurance strategies in regards to remuneration or for other aspects which could alter or affect the effects of alignment with corporate risk inherent in the remuneration mechanisms.

QUANTITATIVE DISCLOSURE

Below, the Shareholders' Meeting is provided with a qualitative/quantitative disclosure regarding the application of the remuneration policies for employees in the year 2012.

Initially, it should be highlighted that the Central Compliance and Internal Audit Department verified that the remuneration policies approved by the Shareholders' Meeting last April are substantially in line with the entirety of external regulations (Bank of Italy, Consob, IVASS), including the suggestions put forward by the Bank of Italy in its communication of March 2012.

The aspect of the greatest operational importance within the application of the 2012 remuneration policy was the application of the incentive system for relevant personnel (known as Risk Takers). The maturation of the premium due on the basis of said system is subordinated to the exceeding of certain sustainability parameters defined annual at the time the remuneration policy is issued.

The objectives defined as Entry Gate last year within the balanced form for the most important employees were as follows:

- Core Tier 1: greater than the regulatory threshold for 2012[13] Tier 1: lower than the threshold defined for the 2012 entry gate
- Net profits: less than the threshold defined for the 2012 entry gate

According to said presuppositions, the Remuneration Committee and the Personnel Management Committee determined that no bonuses could be issued to the most important employees for the year 2012. This also involved the bonuses envisaged for the auditing departments which - while not having a disbursement constraint connected to financial economic results - suffered a significant reduction in their variable remuneration.

[12] Typically, agency contracts, as the manage production through a system of commissions, do not have guaranteed fixed components except in special cases and possible lump sum amounts for expense reimbursement.
[13] Target Core tier 1 raised to 8% Bank of Italy of 25 February 2013.

The deferred portions

Part of the variable remuneration for the most important employees (4 positions in the whole of the Group) was deferred over time and subordinated to the achievement of given performance conditions to connect the incentives to the creation of medium-term value. Of this, a portion will be disbursed in Veneto Banca shares. According to that established in the remuneration policies currently in effect:

- The deferral period is set at three years;
- The deferral portions are differentiated (60%-50%) based in the impact on risks;
- The deferral was implemented partially in cash and partially in shares;
- The effective disbursement of the deferred bonus was subordinated to additional performance conditions defined annually by the Board of Directors based on a proposal from the Personnel Management Committee and having heard the opinion of the Remuneration Committee.

In the light of the results indicated above, the Remuneration Committee determined that the deferred portions of the premium relative to 2011 could not be disbursed (for a total of € 329,440 in cash and 4,969 Veneto Banca shares).

Remember that in order to avoid the adoption of behaviours intended to elude the regulations, the decrease or elimination of bonuses shall not be rendered ineffective through inappropriate increases in the fixed or variable components. In addition, a prohibition has been introduced on using hedging or personal insurance strategies in regards to remuneration or other aspects that could alter or affect alignment with corporate risk inherent in the remuneration mechanisms.

7. Application of remuneration policy for the year 2011: aggregate quantitative information on remunerations, divided among the various categories of identified personnel

Referring then to the information on the implementation of remuneration and incentive policies for financial year 2012, the disbursement of the variable quota remains subject to approval by the Shareholders' Meeting on current remuneration and incentive policies and to subsequent qualitative evaluations, which the Board of Directors will do when resolving on the payment.

The remuneration structures for Financial Promoters - governed by Agency contracts - essentially consist of recurring incentives (commissions), which in 2012 amounted to Euro 19,232,318, and non-recurring incentives (incentives), which came to Euro 6,076,746.

Remuneration of Members of the Group's Boards of Directors

Article 34 of the Articles of Association envisages that the ordinary shareholders' meeting determine the fees due to directors ("base" fees), as well as the attendance tokens to be granted to the same for participation at meetings of the Board and the Executive Committee (if relevant), establishing the date of efficacy and the duration.

The shareholders' meeting of April 2012 hence defined the following fees to be paid for the years 2012 and subsequently, until otherwise determined:

- Euro 110,000.00 fixed per year, to be paid to each director in office;
- Euro 250.00 for attendance tokens to be paid to each director for each meeting of the Board of Directors at which they participated;

all to be paid in deferred half-yearly payments.

Remuneration of Group Risk Takers

Finally, according to point "g" of the provisions, here below are shown the aggregate information regarding the possible application of the above mentioned Policies for financial year 2012 and the related theoretical Pool Bonus and its hypothetic distribution by managerial category and, in particular, by identified personnel. The mentioned Bonus will be paid during the current financial year.

The internal control departments (in particular Risk Management and Compliance), which have been consulted in advance, have examined the equity levels required by supervisory authorities and the further risk levels concerning the allocated capital and Group's liquid assets, expressing itself in compliance to evaluation made by the Remuneration Committee and the Personnel Management Committee.

The Internal Audit department examined the application of remuneration policies referred to 2011- and disbursed in 2012 - and their correct functioning in determining the theoretical Pool Bonus and its potential distribution among the different categories of the above mentioned identified personnel, and the analysis did not show any critical situation or anomalies. Similarly, a check on the remuneration policies in reference to 2012 was carried out - to be paid in 2013 - determining substantial respect for the provisions issued by the Bank of Italy and general elimination of the 2012 bonuses proposed and the deferred components of the premium relative to 2011 to be paid during the current year. Also in reference to those responsible for the audit functions, a 20% decrease in their variable remuneration was recorded. Hence, no critical issues or anomalies were found.

Fixed and variable remuneration (par.7.g.i - ii)

Risk Takers category	No of involved persons	Fixed remuneration	% theoretical variable remuneration on Global remuneration	% variable Remuneration Defferred on Theoretical bonus	% Variable deferred Remuneration in Financial instruments (theoretical base bonus)	Variable remuneration Payment hipotesys (ref. 2012 year)	up front amount
3.1.Managing Director*	4	€ 2,151,522	51%	60%	50%	-	-
3.2.General Manager	-	-	-	-	-	-	-
3.2.Heads of main business lines, functions, territorial areas and those who directly Report to corporate bodies	14	€ 3,319,753	23%	50%	25%		
3.3. Manager and higher level staff of control functions	6	€ 1,208,332	18%	50%	25%	€ 120,000	€ 120,000
3.4. other persons that individually or jointly assume risks in a significant measure	1	€ 185,423	13%	50%	25%	-	-
3.5. Staff or collaborators with high remuneration not included in the above categories	-	-	-	-	-	-	-

* In category 3.1. Directors of Veneto Banca Scpa, Gruppo Bim, Banca IPIBI and Veneto Banca Ireland Financial Services are included

Deferral plan (par.7.g.iii and iv) — 2013 bonus

Risk Takers category	2014 deferred tranche - (cash + Shares disbursement)	Tranche 2014 assigned (post malus)	Tranche 2015 - Deferred (cash + shares disbursement)	Tranche 2015 Assigned (post malus)	Tranche 2016 - Deferred (cash + shares disbursement)	Tranche 2016 assigned (post malus)
3.1. Managing Director	€ -	€ -	€ -	€ -	€ -	€ -
3.2. General Manager	€ -	€ -	€ -	€ -	€ -	€ -
3.2.Heads of main business lines, functions, territorial areas and those who directly report to corporate bodies	€ -	€ -	€ -	€ -	€ -	€ -
3.3. Manager and higher level staff of control functions	€ -	€ -	€ -	€ -	€ -	€ -
3.4.other persons that individually or jointly assume risks in a significant measure	€ -	€ -	€ -	€ -	€ -	€ -
3.5.Staff or collaborators with high remuneration not included in the above categories	€ -	€ -	€ -	€ -	€ -	€ -

Severance payments and other compensations (par.7.g.v e vi)

Risk Takers category	Amounts of payments For initial and severance Payments recognized during the financial year	Number of recepients	Amounts of severance payments Recognized during the Financial year	Number of recepients	Higher amount assigned to a Sole risk taker
3.1. Managing Director*	-	-			-
					80,000
3.3 Heads of main business lines, functions, territorial areas and those who directly report to corporate bodies	80,000	1	-	-	80,000
					-
3.4. Other persons that individually or jointly Assume risks in a significant measure	-	-	-	-	-
					-

STATEMENT OF THE MANAGER IN CHARGE OF DRAFTING THE CORPORATE ACCOUNTING DOCUMENTS

The undersigned, Stefano Bertolo, in his capacity as Manager in charge of drafting the corporate accounting documents of Veneto Banca scpa states in accordance with article 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998 that the accounting disclosures in this document correspond to the documentary results in the registers and accounting entries.

Stefano Bertolo
Manager in charge of drafting the
corporate accounting documents