GRUPPO VENETO BANCA

Montebelluna, 09 February 2016

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VENETO BANCA, THE BOD HAS EXAMINED THE "PRELIMINARY DRAFT" 2015 FINANCIAL STATEMENTS AND HAS APPROVED THE UPDATE OF THE BUSINESS PLAN

- **AFTER THE POSITIVE RESULTS OF THE SHAREHOLDERS' MEETING ON 19 DECEMBER 2015 AND THE CONSEQUENT TRANSFORMATION TO A JOINT STOCK COMPANY, VENETO BANCA IS CONTINUING ITS PATH TOWARDS LISTING ON THE STOCK MARKET, MAKING PUBLIC THE PRELIMINARY DRAFT OF THE GROUP'S 2015 CONSOLIDATED FINANCIAL STATEMENTS**

- **THE BUSINESS PLAN, WITH THE FIRST STAGE ALREADY IN PROGRESS, WAS UPDATED APPROVING THE 2016-2020 BUSINESS PLAN TO INCLUDE FURTHER EVENTS OCCURRED AT THE END OF 2015 AND THE INFORMATION FROM THE START OF 2016, KEEPING THE UNDERLYING TARGETS AND STRATEGIES ESSENTIALLY UNCHANGED**

- **WITH AN EYE TO THE FORESEEN LISTING, VENETO BANCA HAS ADOPTED A RIGOROUS, DECISIVE AND COMPLETE REVIEW OF ITS FINANCIAL STATEMENT ITEMS, IN ORDER TO ESTABLISH A SOLID FOUNDATION FOR THE FULL RELAUNCHING OF THE GROUP: ALL GOODWILL HAS BEEN ELIMINATED, COVERAGE OF IMPAIRED LOANS HAS BEEN INCREASED BY ALMOST 400 BASIS POINTS, SIGNIFICANT ADJUSTMENTS HAVE BEEN CARRIED OUT ON THE GROUP'S FINANCIAL AND PROPERTY PORTFOLIO**

- **THE GROUP'S OPERATING PROFITABILITY IS UP**

- **OPERATING INCOME AND THE RESULT OF OPERATIONS ARE BOTH UP YEAR ON YEAR, BY EURO 947 MILLION AND 261 MILLION RESPECTIVELY, DESPITE EXTRAORDINARY OPERATING EXPENSE COMPONENTS (INCLUDING CONTRIBUTIONS TO THE RESOLUTION FUND AND THE DEPOSIT GUARANTEE FUND)**

- **NET LOSS OF EURO 882 MILLION REFLECTING THE FULL ELIMINATION OF GOODWILL (EURO 418 MILLION), ADJUSTMENTS ON LOANS FOR EURO 754 MILLION, CORRESPONDING TO A COST OF CREDIT EQUAL TO 332 BASIS POINTS), ALLOCATIONS MADE TO THE PROVISION FOR RISKS AND CHARGES (EURO 88 MILLION) AND GOODWILL IMPAIRMENT ATTRIBUTABLE TO THE SUBSIDIARY BIM FOR EURO 83 MILLION**

- **NET LOANS TO CUSTOMER AT EURO 22.7 BILLION (-3% ON SEPTEMBER 2015)**

- **FURTHER INCREASE OF THE COVERAGE OF THE IMPAIRED PORTFOLIO HAS RISEN WHICH CLIMBED – INCLUDING SETTLEMENTS – TO 37.8% (35.3% EXCLUDING SETTLEMENTS) FOR THE NON-PERFORMING PORTFOLIO AND TO 56.4% (52.8% EXCLUDING SETTLEMENTS) FOR BAD LOANS**

- **DIRECT DEPOSITS AT 22.5 BILLION (-5.5% ON SEPTEMBER 2015)**

- **INDIRECT DEPOSITS AT 16.3 BILLION (STABLE ON SEPTEMBER 2015)**

- **TANGIBLE EQUITY AT OVER EURO 1.9 BILLION**

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- **CAPITAL RATIOS (PHASED IN) UP OVER SEPTEMBER:**
  CET 1 RATIO AT 7.23% (7.12% ON SEPTEMBER 2015)
  TOTAL CAPITAL RATIO AT 9.06% (8.13% ON SEPTEMBER 2015)

Veneto Banca's "new course"

On 19 December 2015, the Shareholders' Meeting approved Veneto Banca's transformation into a joint stock company, a capital increase up to Euro 1 billion and concomitant listing on the stock market, all by an extremely wide majority, with over 97% of votes in favour for each of the three resolutions.

Positively taking this decisive step, followed by limited exercising of the right to withdrawal by Shareholders, (1.62% of the share capital), provided Veneto Banca with additional faith and new energy to continue along the path it has already begun to restore, reinforce and relaunch.

Therefore, the Board of Directors, which met today under the chairmanship of Pierluigi Bolla, examined the main preliminary figures for financial year 2015, as well as the update to the Business Plan.
Approval of the definitive figures for 2015 will occur at the meeting on 19 February 2016.

Main aggregates at 31 December 2015 (preliminary figures)

MAIN ECONOMIC FIGURES (reclassified schedules)

Ordinary management was positive with the **result of operations** at Euro **261 million** (+9.8% over 2014), thanks to resilient revenues and despite the presence of non-recurring expense components.
In particular:
Operating income came to Euro **947 million** (+10.7% on 2014), with net interest income at Euro 505 million (-1.4% on 2014), mainly due to the performance of loans (down by 4.7% year on year) and of market rates, which have now been negative for several months. The contribution to interest income from the financial portfolio remained modest (around 10% of the interest income). Net fee and commission income came to Euro 273 million (-5.2% on 2014), mainly due to the drop in volumes which had a negative impact on the contribution of traditional core business. The result of trading and measurement of financial assets rose to Euro 179 million (Euro 56 million in 2014), including capital gains of Euro 155 million originating from the sale of the equity investment in ICBPI and despite write-downs totalling Euro 82 million on AFS securities.
Operating expenses amounted to Euro 685 million (617 million in 2014). Specifically, personnel expenses came to Euro 341 million (down by 7% with respect to the Euro 367 million seen in 2014, thanks to optimisation actions carried out during the year), other administrative expenses amounted to Euro 275 million (up by 33.8% with respect to the Euro 205 million in 2014), and adjustments on property, plant and equipment and intangible fixed assets of Euro 70 million (Euro 45 million in 2014). There were many non-recurring components in the total for expenses. The item other administrative expenses includes around Euro 44 million in contributions to the European Resolution Fund and the Deposit Guarantee Fund (respectively Euro 13 and Euro 31 million, following the saving of 4 Italian banks at the end of 2015) and over Euro 20 million in costs connected to extraordinary events (listing on the stock market, early closure of branches, Extraordinary Shareholders' Meeting in December 2015). The item value adjustments on property, plant and equipment and intangible fixed assets includes around Euro 27 million in write-downs on certain property assets. Net of all of these extraordinary components, total costs at the end of 2015 were substantially in line with the 2014 figure.
The **normalised cost-income ratio**, net of extraordinary components, comes to around 70%.

Adjustments on loans amounted to Euro 754 million, corresponding to 332 basis points of cost of credit following a careful and rigorous review of the entire loan portfolio.
Coverage of all impaired loans rose to 35.3% (37.8% including settled positions) **up by 370 basis points on December 2014**, and coverage of bad loans rose to 52.8% (56.4% including settled positions), an increase of 500 basis points on December 2014.
The impaired portfolio is 76% guaranteed by real and personal guarantees. Adding up cash and fair value coverage of guarantees, total coverage rises to well over 100% of the value of the impaired loan book.
Among other items of the income statement, **allocations** to provisions for risks and charges for around Euro 88 million, the Group's **goodwill entirely eliminated** for around Euro 418 million, and the impairment of **goodwill** attributable to BIM for around Euro 83 million, included on the item profit (loss) from disposal groups, are shown.
Therefore, **net income** is negative at Euro 882 million.

MAIN EQUITY FIGURES

Total deposits – consisting of direct deposits, administered deposits and asset management – came to Euro 38.8 billion (-4.2% year on year and -3.9% on September 2015).

Positive performance of **asset management and administered deposits** (Euro 16.3 billion +2.6% year on year and stable with respect to September 2015).

Decrease in **direct deposits** (Euro 22.5 billion, -8.6% year on year and -5.9% with respect to September 2015), mainly referred to the bond segment.

Net loans came to Euro 22.7 billion (-4.7% year on year and -3% with respect to September 2015). The general downward trend for loans can be attributed both to the adoption of more prudential policies with certain subjects and to the demand for credit that is still not particularly lively.

The loan to direct deposit ratio is 101%.

At the end of 2015, total **net impaired loans** came to Euro 4.9 billion (including the subsidiary BIM) accounting for 20.4% of the stock of net loans.

Net bad loans, came out at Euro 1.6 billion, accounting for 6.9% of total net loans.

The financial portfolio (with over 80% consisting of Italian government securities) amounted to Euro 4.1 billion.

Total assets come to Euro 33.3 billion.

Tangible equity amounted to over Euro 1.9 billion.

Capital ratios are up on September 2015:
CET 1 ratio (phased in and prior to the capital increase) at 7.23%.
Total capital ratio (phased in and prior to the capital increase) at 9.06%.
Fully loaded, CET1 is at 6.82% and Total Capital at 8.56%.

Moreover, these ratios are net of prudential deductions totalling Euro 297 million, attributable to possible financial-support operations connected to the purchase or subscription of Bank shares or originating from share repurchase option agreements, generally subscribed on the occasion of corporate acquisitions carried out in the past.

Risk weighted assets (RWA) amount to Euro 23,1 billion, indicating a 69% ratio between RWA and total assets.

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The Business Plan 2016-2020

In addition, the Veneto Banca Board of Directors approved the update to the Business Plan 2016-2020 ("the Plan"), which supports a larger project that foresees listing on the stock market and a simultaneous capital increase up to Euro 1 billion after the recent transformation to a joint stock company. The updating of the Plan was carried out in order to respond to certain events which occurred at the end of 2015 and the start of 2016 (specifically the issuing of Euro 200 million in subordinated 9.5% Tier 2 bonds due 1 December 2025 on the institutional market at the end of November 2015) which, nonetheless, do not significantly change the targets and leave the strategies of the 2015-2020 Plan substantially untouched.

The fundamental objective of the Plan was confirmed, that is the definition of a path that will allow the Group to play a leading role in the economic, social and cultural recovery of the areas in which it works, while once again generating value for its shareholders.

Listing and the simultaneous capital increase are necessary and fundamental requirements to strengthen the Group's capital, which represents the foundation of the Plan and constitutes an essential condition for its execution. The Plan can also work with alternative strategic options that the market may offer.

The Plan guidelines continue to be those previously noted, that is an increase in revenues, structural improvement of credit risk, the increased efficiency in the operational structure, equity strengthening (disposal of the controlling stake in BIM and of other possible minority stakes), the maximisation of funding sources and compliance with the new European SSM framework.
The achievement of these goals will take place through an in-depth reorganisation of the distribution network (Hub&Spoke model), rationalisation of branches and personnel, notable investments in IT and multi-channels, careful review of the loan distribution and management processes (with the creation of an ad hoc unit to manage the impaired portfolio).

These are the main objectives (calculated on the basis of reclassified schedules):

- Net profit of around Euro 160 million in 2018 and over Euro 235 million in 2020
- ROTE of 5.5% in 2018 and 7.7% in 2020
- Cost/Income at 53% in 2018 and at 47% in 2020
- Cost of credit at 95 basis points in 2018 and at 77 basis points in 2020;
- CET1 ratio (fully loaded and after share capital increase) at 13.0% in 2018 and at 14.9% in 2020
- LCR at 105% in 2018 and in 2020
- CAGR 15-20 loans: +0.4%
- CAGR 15-20 total deposits:+ 2.8%

* * * * *

The draft separate and consolidated financial statements as at 31 December 2015 will be submitted for the approval of the Board of Directors at the meeting planned for 19 February 2016.
The present communication and the statements contained herein regarding the preliminary accounting results have not been independently audited.
This press release contains the preliminary results for the period ending 31 December 2015, which are based on forecasts and estimates which reflect the current data available to the Board and the Management of Veneto Banca.
The actual results may therefore differ from those envisaged or implicit in the preliminary data reported herein, and prepared on forecasts and estimates available to Veneto Banca as of today.

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*Mr Stefano Bertolo, Manager charged with preparing the Company's Financial Reports of Veneto Banca S.p.A., declares, in accordance with Art. 154-*bis*, paragraph 2, of Italian Legislative Decree 58 of 24 February 1998, that the accounting disclosure contained in this document corresponds to documentary evidence, and to the accounting books and records.*

The Manager charged with preparing
the Company's financial reports
(Stefano Bertolo)

* * * * *

The present press release, prepared under the terms of Art. 114 of Italian Legislative Decree No. 58 of 24 February 1998, is available on the website www.venetobanca.it and is also published on the authorised storage mechanism "1Info" at the address www.1info.it.

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CONSOLIDATED BALANCE SHEET

(in € thousands)

Assets		**31/12/2015**	**31/12/2014**
10.	Cash and cash equivalents	273,902	277,906
20.	Financial assets held for trading	164,691	162,163
30.	Financial assets at fair value	3	21,332
40.	Financial assets available for sale	3,924,999	4,191,754
60.	Loans to banks	1,294,885	1,479,902
70.	Loans to customers	22,703,162	23,831,788
80.	Hedging derivatives	63,310	103,910
90.	Value adjustment of financial assets subject to macrohedging (+/-)	951	2,971
100.	Equity investments	22,113	10,668
110.	Technical reserves held by reinsurers	18,601	-
120.	Property, plant and equipment	436,150	290,289
130.	Intangible assets	101,221	523,013
	of which:		
	- goodwill		*417,660*
140.	Tax assets	928,043	898,850
	a) current	*150,778*	*112,241*
	b) deferred	*777,265*	*786,609*
	- of which referred to Law 214/2011	*609,843*	*736,407*
150.	Non-current assets and disposal groups held for sale	2,965,626	3,792,011
160.	Other assets	451,689	580,148
Total assets		**33,349,346**	**36,166,705**

Liabilities and shareholders' equity		**31/12/2015**	**31/12/2014**
10.	Due to banks	4,855,051	3,735,417
20.	Due to customers	16,237,487	14,982,192
30.	Securities issued	6,245,419	9,624,926
40.	Financial liabilities held for trading	219,470	350,074
50.	Financial liabilities at fair value	23,761	27,440
60.	Hedging derivatives	243,660	275,879
80.	Tax liabilities	33,497	27,819
	a) current	*4,913*	*4,116*
	b) deferred	*28,584*	*23,703*
90.	Liabilities associated with assets held for sale	2,251,284	3,305,308
100.	Other liabilities	687,788	780,332
110.	Employee termination indemnities	46,578	51,254
120.	Provisions for risks and charges:	148,320	75,581
	a) pensions and similar obligations	*385*	*406*
	b) other provisions	*147,935*	*75,175*
130.	Technical reserves	203,664	-
140.	Valuation reserves	140,319	19,198
170.	Reserves	511,497	566,549
180.	Share premium reserve	1,963,234	2,882,163
190.	Share capital	373,461	373,461
200.	Treasury shares	(98,678)	(98,687)
210.	Minority interests	145,436	156,235
220.	Profit (Loss) for the period	(881,902)	(968,436)
Total liabilities and shareholders' equity		**33,349,346**	**36,166,705**

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CONSOLIDATED INCOME STATEMENT

(in € thousands)

Items		31/12/2015	31/12/2014 (*)
10.	Interest and similar income	918,461	1,023,935
20.	Interest and similar expense	(411,703)	(501,138)
30.	**Net interest income**	**506,758**	**522,797**
40.	Fee and commission income	302,307	299,986
50.	Fee and commission expense	(52,068)	(50,614)
60.	**Net fee and commission income**	**250,239**	**249,372**
70.	Dividends and similar income	4,736	7,182
80.	Net gains (losses) on trading activities	19,409	10,925
90.	Net gains (losses) on hedging activities	(4,606)	2,330
100.	Profits (losses) from disposal or repurchase of:	240,684	45,818
	a) receivables	*2,041*	*(11,674)*
	b) financial assets available for sale	*226,188*	*54,958*
	d) financial liabilities	*12,455*	*2,534*
110.	Net gains (losses) on financial assets and liabilities at fair value	3,046	2,685
120.	**Operating income**	**1,020,266**	**841,109**
130.	Net write-downs/reversals of:	(845,767)	(733,653)
	a) receivables	*(754,439)*	*(716,878)*
	b) financial assets available for sale	*(82,394)*	*(14,303)*
	d) other financial activities	*(8,934)*	*(2,472)*
140.	**Net income from financial activities**	**174,499**	**107,456**
150	Net insurance premiums	7,706	8,245
160	Other net insurance income (expense)	(11,176)	(11,204)
170.	**Net income from banking and insurance activities**	**171,029**	**104,497**
180.	Administrative expenses:	(661,625)	(628,771)
	a) personnel expenses	*(341,280)*	*(368,982)*
	b) other administrative expenses	*(320,345)*	*(259,789)*
190.	Net provisions for risks and charges	(88,026)	(37,516)
200.	Net write-downs/reversals of property, plant and equipment	(49,329)	(29,823)
210.	Net write-downs/reversals of intangible assets	(16,263)	(10,893)
220.	Other operating expenses (income)	56,169	71,952
230.	**Operating expenses**	**(759,074)**	**(635,051)**
240.	Profit (loss) on equity investments	8,305	(3,000)
260.	Goodwill impairment	(417,660)	(670,655)
270.	Profit (Loss) on disposal of investments	5	251
280.	**Profit (loss) from continuing operations before tax**	**(997,395)**	**(1,203,957)**
290.	Taxes on income for the period from continuing operations	190,861	226,084
300.	**Profit (Loss) from continuing operations after tax**	**(806,534)**	**(977,874)**
310.	Profit (loss) from disposal groups after tax	(100,656)	(6,429)
320.	**Profit (Loss) for the period**	**(907,190)**	**(984,303)**
330.	Profit (Loss) for the period attributable to minority interests	(25,288)	(15,867)
340.	**Profit (loss) for the period attributable to the Parent Company**	**(881,902)**	**(968,436)**

(*) The data have been adjusted in accordance with the provisions of IFRS 5.

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RECLASSIFIED INCOME STATEMENT

(in € thousands)

	Dec-15	Dec-14	abs. change	% change
Net interest income	505,102	512,484	-7.382	-1.4%
Net fee and commission income	273,460	288,395	-14.935	-5.2%
Dividends	4,736	7,182	-2.446	-34.1%
Gains/losses on trading activities and measurement of financial assets	178,704	56,477	122.227	216.4%
Other operating income (expense)	-15,300	-9,571	-5.729	59.9%
Operating income	**946,702**	**854,967**	**91.735**	**10.7%**
Personnel expenses	-341,280	-366,973	25.693	-7.0%
Other administrative expenses	-274,554	-205,128	-69.426	33.8%
Write-downs of property, plant and equipment, and intangible assets	-69,555	-44,928	-24.627	54.8%
Operating expenses	**-685,389**	**-617,029**	**-68.360**	**11.1%**
Operating profit/loss (EBIT)	**261,313**	**237,938**	**23.375**	**9.8%**
Write-downs of loans	-754,439	-716,878	-37.561	5.2%
Write-downs of other assets	-6,893	-14,146	7.253	-51.3%
Net provisions for risks and charges	-88,026	-37,297	-50.729	136.0%
Profit (Loss) on equity investments	8,305	-890	9.195	n.s.
Goodwill impairment	-417,660	-670,655	252.995	-37.7%
Profit (loss) on disposal of investments	5	251	-246	-98.0%
Profit (loss) from continuing operations before tax	**-997,395**	**-1,201,677**	**204.282**	**-17.0%**
Income taxes on continuing operations	190,861	226,247	-35.386	-15.6%
Profit (loss) from disposal groups after tax	-100,656	-8,873	-91.783	n,s,
Profit (loss) attributable to minority interests	-25,288	-15,867	-9.421	59.4%
Net profit (loss) for the period	**-881,902**	**-968,436**	**86.534**	**-8.9%**