

# ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 18\19 DECEMBER 2015

COMMUNICATIONS TO THE PUBLIC PURSUANT TO  
ART. 116 (1) and ART. 114 (5) OF LEGISLATIVE  
DECREE No. 58/98, WITH REGARD TO THE  
RESOLUTION PROPOSALS CONCERNING POINTS 1)  
AND 2) OF THE EXTRAORDINARY PART AND 1) OF  
THE ORDINARY PART



Joint stock co-operative company

Headquarters in Piazza G.B. Dall'Armi, 1 - Montebelluna (TV)

Registered in the Treviso Companies Register with No. 00208740266

Share Capital and Reserve at 31.12.2014 € 2,632,070,574.81

Member of the Interbank Deposit Protection Fund

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Dear Shareholders,

with this report, your Bank's Board of Directors intends to comply with the request, made by CONSOB with its Memo Prot. No. 0094128/15 of 11 December 2015, to provide the public with information and news, specified below, concerning the resolution proposals that will be submitted to the Shareholders' meeting on 18\19 December 2015 as regards:

- A) The proposed transformation of "Veneto Banca società cooperativa per azioni" into "Veneto Banca società per azioni" as referred to in point 1) on the agenda for the extraordinary part;
- B) the proposal to grant the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, the powers to increase the share capital of up to € 1 billion as referred to in point 2) on the agenda of the extraordinary part; and
- C) the proposed request for admission to trading of the ordinary shares of Veneto Banca on the MTA (electronic stock market), organised and managed by Borsa Italiana S.p.A. as referred to in point 1) on the agenda of the ordinary part.

The information covered by this report must be considered an integral part of the overall information provided to the shareholders of the Bank and to the public, and available on the website of the same [www.venetobanca.it](http://www.venetobanca.it), in the section dedicated to the Shareholders' Meetings and contained, in particular, in the following documents:

- a) the reports of the Board of Directors to shareholders on individual agenda items, and the explanatory report of the Board of Directors pursuant to Art. 2437 (1) (b) and Art. 2437-ter (5) of the Italian Civil Code, on the liquidation value of the shares to exercise the right of withdrawal and on the limitation of the right to repayment for shares to outgoing shareholders pursuant to Art. 28 (2-ter) of Legislative Decree 385/93;
- b) the opinions of the Board of Statutory Auditors and of the Independent Auditors on the liquidation value of the shares for which the right of withdrawal has been exercised, under Art. 2437-ter (2) of the Italian Civil Code;
- c) the reports on the estimated liquidation value of the shares supplied to the Board of Directors, on 17 November 2015, by KPMG Advisory S.p.A. and Partners S.p.A.;
- d) the interim report as at 30 September 2015 of the Veneto Banca Group, approved by the Board of Directors on 12 November 2015, including the report of the independent auditors, who gave their specific consent for the publication thereof.

**A) INFORMATION AND NEWS CONCERNING THE PROPOSED TRANSFORMATION OF "VENETO BANCA SOCIETÀ COOPERATIVA PER AZIONI" INTO "VENETO BANCA SOCIETÀ PER AZIONI" AS REFERRED TO IN POINT 1) ON THE AGENDA FOR THE EXTRAORDINARY PART;**

**1) Decision making process followed by the Bank for the purpose of determining the liquidation value of the shares involved in withdrawal**

It is important above all to remember Art. 1 of Law Decree dated 24 January 2015, coordinated with conversion Law No. 33 of 24 March 2015, published in the Official Journal (No. 70) on 25 March 2015, which permits only those banks whose assets do not exceed the threshold of Euro 8 billion to maintain the model of industrial cooperative bank (the so-called Reform of industrial cooperative banks).

The main objective pursued by the reform of the industrial cooperative banks is the raising of the controls on the sound and prudential management of banks and the strengthening of their capital in order to better protect the position of customers and, in particular, of account holders, whose interests are thought to be deserving of greater protection than holders of risk capital.

That overall system of reform includes the requirement for banks that exceed the threshold of assets mentioned therein, to proceed with their transformation into joint stock companies by December 2016.

On 7 July 2015 Veneto Banca's Board of Directors acknowledged that the 8 billion Euro threshold had been exceeded determining the impossibility for the bank to continue with its regular activities in the form of a cooperative company. Consequently it proposed a Capital Plan which provided for a first share capital increase of the Bank while still in the form of a cooperative in order to reach the minimum capital requirements required by the ECB, and its subsequent transformation into a joint stock company and the listing of the Bank's shares on the stock market with completion of the strengthening of capital; having gathered the instructions from the Supervisory Authority, a decision was taken to modify the project as explained below.

On 21 July 2015, in the interest of the sound and prudential management of the Bank and to ensure the continuation of its characteristic business, the Board of Directors of the Bank approved and disclosed to the market and to the Authorities the initiation of a comprehensive work plan that provides for the transformation of the Bank into a joint stock company, a capital increase of Euro 1 billion and the contextual listing of the Bank's shares on the MTA (electronic stock market) organised and managed by Borsa Italiana S.p.A. (the "Project");

Under the Project, the Board of Directors of the Bank convened a Shareholders' meeting for 18 December 2015 (first call) and for 19 December 2015 (second call) in order to submit to the shareholders, among other things, the project for the Transformation into a joint stock company and the adoption of new bylaws (the "Transformation").

The approval of the resolution for the Transformation of the Bank into a joint stock company will lead to the right of withdrawal for those shareholders who do not take part in approving the resolution of the Shareholders' Meeting.

Within the scope of the overall implementation of the Project, and in particular that of the Transformation, the Bank considered it appropriate to appoint legal advisers, expert assessors and a financial adviser who could assist it in the analysis, definition and implementation of the Transformation and the other phases of the Project. In particular, the external entities involved in the operation of Transformation are:

- Rothschild S.p.A. as financial adviser;

- Chiomenti Studio Legale, as acting law firm of Veneto Banca;
- Gianni, Origoni, Grippo, Cappelli & Partners, acting as law firm of Veneto Banca in relation to the resolution for the transformation and the amendments to be made to the by-laws as a result of the implementation of the Project;
- PricewaterhouseCoopers S.p.A., as independent auditors of the Bank;
- Partners S.p.A. ("**Partners**") and KPMG Advisory S.p.A. ("**KPMG**") as experts (jointly the "**Experts**") supporting the Board of Directors for the purpose of determining the liquidation value of the shares of the Bank as a result of the exercise of the right of withdrawal granted to shareholders who are absent and against the Transformation.

The work on the Transformation project and on determining the liquidation value of the shares of the shareholders exercising the right of withdrawal following the Transformation, involved the aforesaid consultants and the members of the Board of Directors of the Bank, both collectively and singularly, with numerous preliminary technical meetings sharing ideas, in some cases even with the Supervisory Authorities (ECB, Bank of Italy, Consob, the Italian Stock Exchange), for the adoption of the necessary resolutions after having examined, discussed and approved the legal and economic steps in the Project and the Transformation.

From 1 September to 2 December there were 10 Board meetings and 4 technical meetings devoted to the characteristics of the evaluation process of the liquidation value of the shares subject to withdrawal.

In particular, on 17 November last, there was a meeting of the Board of Directors of the Bank during which, after examining the Experts' reports and considering their conclusions, a decision was taken on the range of the liquidation value of Veneto Banca shares for exercising the right of withdrawal, and the documentation was passed to the Board of Statutory Auditors and the Independent Auditors to enable them to carry out their activities for the preparation of opinions on the liquidation value of the shares for which the right of withdrawal is exercised, under Art. 2437-ter (2) of the Italian Civil Code.

Later, on 2 December 2015, the Bank's Board of Directors, after acquiring and examining the reports of the Board of Statutory Auditors and the Independent Auditors under Art. 2437-ter (2) of the Italian Civil Code, unanimously passed a resolution definitively determining the liquidation value of the Veneto Banca shares for exercising the right of withdrawal, and as regards the limitations on the right to repayment. On that occasion, having regard to the provisions of Art. 2391 of the Italian Civil Code, the Directors who held Veneto Banca shares (8 Directors) previously stated they had some personal interest as shareholders of Veneto Banca, although they were of the opinion that no conflict of interest existed that might require their abstention under Art. 53 (4) of Legislative Decree 385/93. The Independent Directors Committee, called to express their prior opinion on related-party transactions in a meeting on the same day, issued its prior favourable opinion with regard to the decisions to be taken by the Board of Directors with respect to determining the liquidation value and limitation of the right to repayment of the shares. The Board of Directors then proceeded to vote on determining the liquidation value.

## **2) The underlying reasons for the decision not to use the "Policy on determining the price of treasury shares" adopted by the Bank on 9 February 2010 and subsequently amended on 9 October 2012.**

Industrial cooperative banks have by their nature a variable share capital. This feature allows industrial cooperative banks to carry out actions for strengthening their capital through

ordinary share capital increases, the so-called "by opening the book" increases, that provide for the issue of new shares on the basis of requests for the subscription of shares from third parties in order to broaden the shareholder base, in the dual perspective of expanding the number of people taking advantage of the mutual benefit and increasing the market potential of the enterprise. In this case, the referred-to legislation states that a new shareholder must – for obvious reasons of equalisation – pay the nominal value of shares and also the share premium determined by the Shareholders' Meeting following a proposal by the Board of Directors.

With a resolution dated 9 February 2010, subsequently amended on 9 October 2012, the Board of Directors provided itself with some guidelines to follow for the purpose of determining the share premium of the shares pursuant to Art. 6.1 of the Bylaws, in a document called "Policy on determining the price of treasury shares" ("Policy").

That document identified a number of valuation methods that the Board of Directors referred to for the purpose of determining the share premium of the shares, to be submitted for approval on an annual basis to the Shareholders' Meeting in accordance with the combined provisions of Art. 2528 (2) of the Italian Civil Code and Art. 6.1 of the Bylaws.

In that regard, it must be pointed out that the Board of Directors, already in April of this year, in the light of the reform in cooperative world and the legal examinations that had been conducted, had highlighted the reasons why it was no longer applicable to use the Policy for the purpose of determining the share premium of the shares referred to in Art. 6 of the Bylaw, due to the loss of the prerequisites for an issue of new shares "by opening the book". Therefore, the Board of Directors had indicated to the shareholders that this kind of determination of the share premium (and consequently the guidelines used for this purpose) submitted to the approval of the shareholders and approved in the Shareholders' Meeting on 18 April 2015, was no longer able to reflect a correct valuation of the Bank in the light of the changed reference context. In particular, the explanatory report prepared on the occasion of the Shareholders' Meeting on 18 April 2015, in the part which proposed the value of the share premium for shares in 2015, explicitly stated that it only had a value "*as an indication intended to explain to shareholders the effects of the losses reported in the 2014 Financial Statement on the share premium of shares, in a context of continuity and the absence of the new legislation requiring the entire cooperative banking system to adopt a new structure. In the current market, it is not an expression of the effective value of the Bank for any purpose, given that the procedure for determining the share premium has equalizing purposes within the ordinary admission of new shareholders to the shareholder structure and does not take into account (and it could not take into account even in an abstract manner) the impact of the reform, of the loss of the mutual character of the corporate organisation of your Bank and the consequences to the value of the Bank of its possible new status as a joint stock company.*"

The Board of Directors, therefore, with the help of the consultants, conducted a thorough examination of the evaluation methods contained in the Policy, in order to ascertain whether they could be considered as still relevant in the reference context and, above all, if they represent a valid and appropriate tool to achieve a valuation of the Bank in order to determine the "current value" of the economic share capital thereof, and therefore for determining a "fair price" for withdrawal.

In that regard, having noted:

- the information from the legal advisers who indicated that the liquidation value should be estimated in the context of Art. 2437 of the Italian Civil Code,
- that it was essential to consider the negative trend of the company performance within a framework of sound and prudential management of the Bank, taking into:
- due account the orientation criteria retrievable from the external reference context and
- the new regulatory framework being developed, with particular reference to the instructions from the ECB concerning asset ratios that the Bank would have to comply with, leading to the need for the same Bank to recapitalise itself with Euro 1 billion through a capital increase and the simultaneous listing of the shares on the stock exchange in order to bridge the current capital deficit, and the need imposed by the law for its transformation into a joint stock company;

the Board of Directors, taking into account the reports provided by the Experts, decided to apply the provisions of law on the basis of methods recognised by the majority of scholars and most widely used in professional contexts, taking into account the guidelines of the Policy insofar as they followed the prevailing market practice having regard to the extraordinary and discontinuous elements that characterize the current reference context, and in particular:

- a) the change in the legal and economic reference context, with respect to the application of the methods adopted by the aforesaid policy, which assume the continuity of the corporate status, with an eye on the future forced abandonment of the "industrial cooperative" model;
- b) the programme established by the Board of Directors that includes the transformation into a joint stock company and also the listing of the shares on the stock exchange as a necessary and functional step in raising capital in order to ensure compliance with the supervisory ratios assigned to Veneto Banca, which resulted in the need to consider methods of evaluation normally used by companies with listed shares.

In this context, the Board of Directors agreed with the evaluation methods outlined by the Experts which take as their reference points the qualitative and quantitative items that are typical in operations, organisation, the sales network, customers, the capital structure, the risk profile and the sustainable profitability of the companies being analysed.

In this case, the Experts identified the following evaluation methods:

- *Dividend Discount Model (DDM)* in the *Excess Capital* version;
- *Residual Income Method (Mixed Capital/Income)*;
- *Market Multiples Method*, using comparable listed companies.

### **3) The criteria adopted by the Board of Directors in its precise definition of the liquidation value of the shares involved in withdrawal, within the value ranges indicated in the above mentioned Experts' opinions.**

In determining the value of withdrawal, the Board of Directors made use of two leading advisory companies such as KPMG and Partners. Both Experts identified two analytical methods as the evaluation methods - the Dividend Discount Model and the Residual Income Method (Mixed Capital/Income) - and one empirical method such as the Market Multiples Method, attributing the same importance to each of them.

The various proposed methods have, by their very nature, different peculiarities and collectively they evaluate income, equity and market aspects in line with the dictates of Art. 2437-ter of the Italian Civil Code and article 6.1 of the Bylaws.

Each of the Experts indicated a range of value for each method and a final overlapping range between the analytical and empirical methods.

The Board of Directors, in agreement with the Experts' approach, gave equal importance to the three methods and with the aim of minimising the range within which the liquidation value would be defined, it then identified a range, corresponding to the overlap between the values indicated by the two Experts, of between Euro 6.2 and Euro 7.6 per share. Since they come within the final range of estimates provided by both Experts, any liquidation value within that range is considered reasonable, fair, congruous and consistent with the application of the methods.

The Board of Directors, in addition, took account of the cost to Veneto Banca of the bailout of the four banks under special administration (maximum cost of Euro 0.26 per share, a cost revealed subsequent to the Experts' reports) and, by exercising its discretion, it identified the value of withdrawal as Euro 7.3 per share. This value is within the aforesaid range of values which, as stated, is believed to be reasonable and consistent with the methodological approach adopted by the Experts.

- 4) **The assessments made by the Directors as regards the limitations and difficulties encountered by the Experts in the performance of their duties and also mentioned in the opinions expressed by the Board of Statutory Auditors and the Independent Auditors.**
- 5) **The progress in and the estimated time for the completion of the examination and adjustments to the analysis of the Bank regarding the above-mentioned findings highlighted by the ECB, whose results, as represented in the interim report as at 30 September 2015, could have some effects on the end of year financial statements.**
- 6) **The evaluations related to the potential effects arising from the results of the ongoing inspection by Consob, also taking into account that, as represented in the interim report as at 30 September 2015, one cannot exclude the possibility that the findings that might be reached by Consob may have an economic impact on the end of year financial statements.**

With regard to the potential risks associated with the anomalies and findings arising from the ECB inspections and the associated risks of litigation with customers that could generate liabilities, currently reckoned to be possible and for which no specific provisions were allocated in the interim report as at 30 September 2015, the Board of Directors - since it is not yet in possession of the final inspection report concerning the investigations conducted by the ECB in the period from 4 May to 23 October 2015 - cannot rule out the possibility that such findings may have an impact on the financial statements for the current financial year. The Directors believe, however, that the potential negative effects have been included among the items already evaluated since they were disclosed to the Bank verbally during the actual inspection. Therefore, the Board of Directors conservatively based its corporate assessments and estimates on these items and their findings were reflected in the interim situation as of 30 September 2015.

The Board of Directors believes that it can express similar views with reference to the possible risks of litigation with shareholders. As regards those that have already resulted in legal cases, they were taken into due account in the estimate of provisions in the interim report at 30 September 2015. As regards all the other cases, which are currently limited to claims mainly concentrated on the failure to sell Veneto Banca shares due to the almost total



lack of liquidity of the shares, a number of internal safety devices and working groups have been set up, also with external consultants, to monitor and manage the development of the claims and any legal disputes and their development, all with a view to evaluate and set aside the applicable provisions, in line with internal policies also in consideration of the coming closure of the financial statements for the year ending on 31 December 2015.

Conversely, with reference to the limits inherent in the forecast data and reflected in the reports of the Experts for the purpose of estimating a range in the liquidation value of Veneto Banca, and also in the opinion of the Board of Statutory Auditors with regard to the contents of the SREP of the ECB dated 20 November 2015, it is believed that the assumptions and elements used in the preparation of the 2015-2020 Business Plan, though highlighting important trends and objectives, may be considered reasonable and achievable and also consistent with the opinions expressed by other important players.

There is no doubt that many of the forecast factors are not controllable - or at least not fully controllable - by the Directors, such as the trend of the GDP, inflation, reference interest rates, and extraordinary transactions and this may involve risks during execution or uncertainties in implementation that cannot unfortunately be governed. However, in their assessments, the Experts factored these elements of risk and mitigated them by using an appropriate additional risk coefficient in the overall estimate of the cost of equity (ke), which was then used in the chosen evaluation method.

As regards the assessments related to the potential effects arising from the results of the ongoing inspections by Consob, for which, as indicated in the interim report at 30 September 2015, one cannot rule out the possibility that the assessments that Consob may come to may also have an economic effect on the end-of-year financial statements, there still exists as of today the objective difficulty in making an evaluation, since the aforementioned inspection is not yet complete. However, given the type of inspection, one can rightly be of the opinion at present that the main impacts on the Bank may be more of an organisational and procedural nature rather than of an economic nature.

For more information, one should refer to Section B below.



**B) INFORMATION AND NEWS CONCERNING THE PROPOSAL TO GRANT THE BOARD OF DIRECTORS, PURSUANT TO ART. 2443 OF THE ITALIAN CIVIL CODE, THE RIGHT TO INCREASE THE SHARE CAPITAL BY UP TO EURO 1 BILLION AND THE PROPOSED REQUEST FOR THE ADMISSION TO TRADING OF THE ORDINARY SHARES OF VENETO BANCA ON THE MTA (ELECTRONIC STOCK MARKET), ORGANISED AND MANAGED BY BORSA ITALIANA S.P.A.**

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**1) Assessments made by the Directors in relation to the concerns raised by the Board of Statutory Auditors**

In recalling the reasons leading to the determination of such a proposal for the right to increase the share capital in order to comply with the capitalisation requirements in support of the achievement of the obligatory requirements and the development actions in the new Business Plan, it should be noted that the Board of Directors also discussed other matters concerning the combined provisions indicated in the definitive 2015 *SREP Decision* – received on 25 November 2015, which fixed a minimum requirement of the *Common Equity Tier 1 ratio* at 10.25% as from 30 June 2016 – and the ideas for the Business Plan and the *Risk Appetite Framework* (hereinafter RAF) which, conversely, hypothesized a higher minimum CET1 ratio of 10.5%, starting in 2016. In light of this, the increased buffer of +25 bps constituted an additional capital cushion to cope with any possible risks which might become apparent further to those already quantified in the Business Plan and the RAF. Furthermore, the initiative was already in progress, which was concluded successfully, regarding the issue of Tier 2 financial instruments, amounting to about Euro 200 million, entirely subscribed by institutional counterparties, a circumstance that – though neutral in terms of the CET1 ratio – would raise the Total Capital Ratio of the Group compared to the information in the Business Plan and in the RAF.

The Group's Central Departments for Risks, upon approval of the Business Plan, then followed by the approval of the Risk Appetite Framework, highlighted the elements of risk typically associated with the execution of a Business Plan by any company, including banking companies. In particular, in consideration of the fact that the available capital provisions covering risks took account of the phenomenon of expunction of capital – estimated to be about Euro 320 million – and of the other economic and financial hypotheses with direct and indirect effects on the capital ratios, the CET1 ratio identified in the Business Plan was 11.50% in 2016 (after the increase in share capital and inclusive of the forecast asset disposal). In this context, the Central Departments for Risks pointed out that the failure to execute the sale of BIM would have resulted in a reduction to about 10.90% - still above the minimum regulatory SREP hypothesized at the time at 10.50% - and then there would still be about 40 bps to cover the uncertainties related to the possible litigation in 2016, to the possible difference between the final quantification of the expunction of financed capital and the presumed estimate and to the execution of actions in the Plan during the reference year. The Directors, acknowledging the above, a) considered, nevertheless, the fact that the final SREP Decision had been fixed at 10.25% and not at 10.50% as had been hypothesized in the RAF and in the Business Plan, thereby increasing the available buffer; b) that the phenomenon of the expunctions could be definitively established when, by the date of approval of the financial statements for 2015, the ongoing analyses had allowed the definitive determination of the quantum attributable to the amount actually to be expunged and c) that, anyway, already about Euro 286 million had been “deducted” from the CET1 in

the interim report as of 30 September 2015, while the residual amount that contributed towards the amount assumed during the ECB inspection - equal to about Euro 51 million - were nevertheless considered (statistical) projections, of which the Business Plan and the RAF had already considered more than 50% as a reduction of the CET1. As regards litigation issues, the Board of Directors also agreed with there being a potential risk, but also that it was impossible to quantify it or to reduce the CET1 due to such litigation in view of the fact that the currently existing evidence was solely attributable to claims whose determination in terms of losses was not quantifiable because the cases were still in the "claim" stage and because the majority of the cases concerned the failure by the Bank to sell shares despite the requests made by the customers. In addition, the Board noted that, in any event, within the framework of the Pillar II expressed in the RAF, they had taken account of a possible risk absorption from the litigations partly assessing them within the framework of reputational risk.

In connection, then, with the fact that the economic and financial projections of the Business Plan of this Bank take account of the effects, also in terms of benefits for the regulatory capital ratios, of actions that cannot be fully controlled by the Directors, in particular with regard to the proposed sale of the controlling stake in Banca Intermobiliare di Investimenti e Gestioni S.p.A., the Board of Directors took into account the possibility of a risk of non-execution, considering it highly unlikely, however, given the expressions of interest received, one of which had given rise to the granting of a period of exclusivity in negotiations subsequently interrupted but not due to factors attributable to the outcome of the ongoing due diligence, so much so that the counterparty's interest in the operation was further renewed. However, the Board considered that, even in the absence of the sale of BIM, whose impact is mentioned above, this buffer was sufficient for any partial executions of the shares included in the Business Plan for the year 2016.

- 2) **The proposed timing for the implementation of the capital increase and listing operations. Consequences in case of failure.**
- 3) **The effects on the implementation of the capital plan of the possible rejection of the proposed listing**
- 4) **Any additional conditions laid down in the pre-guarantee agreement with Banca Imi**

The need to proceed with the strengthening of the Bank's capital, aimed at compliance with the regulatory capital ratios, dictates that the share capital increase and listing operations are carried out promptly.

The timing, agreed with the ECB, involves the implementation of these operations, in line with the needs of CONSOB and the Borsa Italiana, by the end of April 2016.

With the aim of minimizing the risks regarding the execution of the share capital increase of Euro 1 billion, Veneto Banca has worked out a draft for the operation that provides for the establishment of a consortium of guarantee that ensures the subscription of any non-exercised rights of the Share Capital Increase following the period of offering to shareholders (the "**Offer as an Option**") and the placement with institutional investors ("**Institutional Placement**").

On 4 November 2015, the Bank signed a pre-guarantee agreement with Banca IMI (the "**Pre-Guarantee Agreement**"), lasting until 30 June 2016, according to which Banca IMI, acting as *Global Coordinator* and *Bookrunner* of the Share Capital Increase, undertook to

conclude with Veneto Banca, before the launch of the Offer as an Option and the Institutional Placement ("**Global Offer**"), a guarantee agreement (the "**Guarantee Agreement**") concerning the commitment of Banca IMI to subscribe any Veneto Banca shares that may remain unsubscribed at the outcome of the Global Offer, for an overall maximum total of Euro 1 billion. The Pre-Guarantee Agreement also specified the right of Banca IMI to share the Pre-Guarantee commitment with other financial institutions ("**Consortium**").

The Pre-Guarantee Agreement commitment assumed by Banca IMI is in any case subject to the occurrence and/or to the non failure, by the date of conclusion of the Guarantee Agreement, of various conditions substantially attributable to the fact that:

- the data of the individual financial statements and the consolidated financial statements of Veneto Banca as at 31 December 2015, and also the regulatory financial position on the same date, do not show, compared to the half-yearly report at 30 June 2015 and the report as at 30 September 2015 (a) any serious financial deficits, with particular reference to computability of the assets in own funds, and/or (b) any substantial changes in levels of capitalization, in terms of CET1 ratio compared with those required and already disclosed to the ECB, or that the ECB itself does not require changes to the maximum amount of the Share Capital Increase, that is specified as Euro 1 billion;
- the proposed transformation into a joint stock company, the proposed delegated powers for a share capital increase and for the admission to listing and the implementation of the said listing at the agreed conditions have been approved by the Shareholders' Meeting and have become effective;
- appropriate measures to minimize the impact on the economic, equity and financial situation of the Bank have been adopted by Veneto Banca – as well as on its prospects of return on equity – as a result of the exercising of the right of withdrawal by shareholders following the approval of the transformation into a joint stock company;
- Borsa Italiana has issued its measure allowing admittance of the ordinary shares of Veneto Banca to listing on the MTA (electronic stock market), with effect only subject to the subscription of the Share Capital Increase;
- the executive procedures for the Share Capital Increase, its timing and the final terms for the issue of new shares have been established by Veneto Banca together with Banca IMI (the latter in conjunction with the other banks in the Consortium), it being understood that (i) the final price and its option ratio will be determined within the range previously identified in the outcome of the pre-marketing activities, based on the quality and quantity of orders received by institutional investors under the *bookbuilding* in the Institutional Placement and the level of demand received under the Offer as an Option and any further retail public offer ("Public Offering"), (ii) the final price will be unique for all components of the Global Offer (Offer as an Option, any Public Offering and Institutional Placement), and (iii) in the event that the guarantee of the Guarantee Consortium is activated, the final price will be equal to the minimum of the preliminary identified range;
- all competent Authorities have issued their relevant necessary approvals and permissions in time for the launch of the Offer as an Option, including the approval of the Prospectus relating to the share capital increase, which must contain a description of the Business Plan which includes the Share Capital Increase, and that by the same date the Offer as an Option will be launched under Art. 2441 (2) of the Italian Civil Code, unless otherwise agreed by Veneto Banca and Banca IMI;
- Banca IMI has been able to form a Guarantee Consortium which includes leading national and/or international financial institutions;
- the Guarantee Agreement is agreed and signed between Veneto Banca and Banca

IMI, by the day before the launch of the Global Offer, including, inter alia, the usual declarations and warranties of the Bank for the type of transaction.

The Guarantee Agreement will also contain specific conditions of the commitment of the guarantors regarding (i) the agreement by the same guarantors (through Banca IMI) and Veneto Banca on determining the final price of the share capital increase and the final option ratio; (ii) the launch of the listing of the Veneto Banca shares on the MTA; (iii) the fulfilment by Veneto Banca of the commitments that will be specified in the Guarantee Agreement. The parties undertake to negotiate the content of the Guarantee Agreement in good faith, including the aforementioned clauses and, among other things, a clause for revoking the guarantee commitment linked to the publication of a supplement to the Prospectus, pursuant to Art. 94 (7) and Art. 113 of Legislative Decree No. 58 of 24 February 1998, in the event that the contents of the supplement may have, in the opinion of Banca IMI, a harmful effect on the Global Offer.

In the event that:

- (a) the conditions of the Pre-guarantee Agreement are not implemented;
- (b) the share capital increase is not fully subscribed following the Global Offer and the Global Coordinator (on behalf of the guarantors) exercises the right to withdraw from the Guarantee Agreement or nevertheless the commitments contained therein are not fulfilled and hence the share capital increase is performed only for the portion subscribed following the Offer as an Option to the shareholders;

Veneto Banca may no longer be able to fulfil its commitments under the Capital Plan to cover the shortfall in capital necessary to restore the capital ratios to regulatory levels.

In such circumstances the Veneto Banca may find itself in a situation of crisis or breakdown, resulting in the submission of the Veneto Bank Group to measures by the competent authorities, including the exercise of powers provided for under Legislative Decree No. 385/93 (Consolidated Law on Banking), as amended by Legislative Decree No. 181/2015, used in the application of the tools for the resolution of banks under Directive 2014/59/EU.

In this respect, the ECB, in a letter dated 9 December 2015, addressed to the Board of Directors of the Bank, which in line with the ECB's instructions will be read out in full during the meeting on 18-19 December 2015, noted the reduction in capital ratios attributable to financial losses accumulated over the past three years (about Euro 1.9 billion in the period between December 2012 and September 2015) and, with reference to the three elements in the Project which involves transforming the Bank into a joint stock company, the share capital increase of up to one billion and the stock market listing of Veneto Banca shares (the so-called "Serenissima" project), insisted that "... *the joint approval of all three elements of the "Serenissima" project by the Shareholders' Meeting and their timely implementation are considered of the utmost importance by the ECB in order to restore compliance with the capital requirements in the manner represented by the Board of Directors. Veneto Banca is at a crossroads: if any of the items in the "Serenissima" project failed to be approved and the Bank failed to comply with the above capital requirements, it would become necessary to take appropriate measures, including the exercise of the powers provided for in Consolidated Law on Banking (Legislative Decree 385/1993) as amended by Legislative Decree No. 181/2015 implementing the Directive on the recovery and resolution of banks (2014/59/EU Directive)*".

## 5) The timing for the renewal of the corporate bodies of Veneto Banca

Article 39 of the new Bylaws, being proposed to the Shareholders' Meeting on 18-19 December 2015, specifies that the period of office of all the Directors in office at the time that the new bylaws are adopted will be aligned with the date of approval of the financial statements for the year ending on 31 December 2015. It follows that the Shareholders' Meeting of Veneto Banca convened to approve the financial statements for the year ending 31 December 2015 will be asked to renew the Board of Directors in full.

Article 40.1 of the new Bylaws, being proposed to the Shareholders' Meeting on 18-19 December 2015, specifies that the rules governing the balance in genders covered by Art. 28.1 et seq. will only apply to the new Board of Statutory Auditors appointed to replace the Board of Statutory Auditors in office at the time of adopting the new bylaws, without prejudice to its immediate application where provided for by laws or regulations which the Bank may become subject to in this transitional period.

In particular, in the event of listing, the Bank will be obliged to have, pursuant to Art. 28.1 of the new Bylaws and Art. 148, (1-bis) of Legislative Decree No. 58/98 (Consolidated Finance Law), a Board of Statutory Auditors where the less represented gender must have at least one third of the regular members of the Board of Statutory Auditors. Consequently, this will need to be complied with by convening the Shareholders' Meeting to express its opinion on the subject.