Press Release
Montebelluna, 25 March 2014

**Veneto Banca strengthens its equity by offering a capital increase in option to its shareholders up to a maximum of Euro 500 million, and the conversion of the convertible bond loan of Euro 350 million during the current half year, in accordance with the methods provided in the regulations of the loan.**

**The Board of Directors has unanimously approved the 2013 draft statutory and consolidated financial statements and the guidelines of the 2014 - 2016/2018 Business Plan.**

**The Shareholders' Meeting is convened for Friday 25 and Saturday 26 April, respectively for the first and second calls.**

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- **Veneto Banca strengthens its equity by furthering the raising of capital considered necessary for its development, by increasing capital in option to its shareholders up to a maximum of Euro 500 million, and deciding to convert the convertible bond loan of Euro 350 million during the current half year, in accordance with the methods provided in the regulations of the loan.**

- **The activities directed at enhancing BIM, through the transfer of the controlling interest.**

- **Substantial stability of loans.**
  Loans at Euro 26.4 billion (-1.7% against -3.2% of the system)

- **Significant growth in indirect savings.**
  Euro 26.4 billion (+8.2%)

- **Improvement in hedging.**
  The overall loan coverage ratio improved, up from 4.35% at the end of 2012 to 5.71% at 31 December 2013. Taking into account the write-offs of individual positions, the coverage ratio rose to 7.40%.
  The coverage ratio of the non-performing loans improved. Taking into account the write-offs of the individual positions, the coverage percentage in fact rose to 53.35%.

- **Strict allocation policy on impaired loans.**
  Total write-downs of Euro 507 millions, of which 354 million on impaired loans, compared to 474 million at the end of 2012. The loan loss ratio is 1.64%.

- **Positive core business.**
  Earnings margin at Euro 1.1 billion, in line with 2012 which had the best results in the Bank's core business, confirming the Group's ability to produce revenue.

- **Positive trend in net commissions: +10.5%.**

- **Reduction in administrative costs: -2.3%.**

- **Shareholders' Equity.**
  Consolidated Group shareholders' equity at Euro 2.96 billion (+4% compared to 2012 year end).
  CET 1 objective at 9.5% by 30 June 2014.
  13,319 new shareholders in 2013. Ownership structure of 75,708 shareholders at the end of the financial year, an increase of 21.34%.

- **Negative net income of Euro 96.1 million,**
  in implementation of a strict allocation policy.

**The guidelines of the 2014 - 2016/2018 Business Plan approved**

1. **Consolidation of the Group**, excluding growth via external or internal lines.

2. **Improvement of network performance** through the development of integrated multi-channels, focus on core business, and the rationalisation and reorganisation of the under-performing branches.

3. **Recovering efficiency through actions aimed at organisational and corporate simplification** and strict cost containment.

4. **Stable profitability and sustainable development in the medium/long term through** rationalisation, optimisation of capital allocation, strict supervision of credit risk, consolidation of the liquidity position, and careful control of the relative risk.

**Montebelluna, 25 March 2014** – The Board of Directors of Veneto Banca S.C.p.A., in a meeting chaired by Flavio Trinca, examined and approved:

- the 2013 draft consolidated statutory financial statements;
- a capital increase in option to shareholders, up to a maximum of 500 million;
- conversion of the 350 million convertible bond loan;
- the guidelines of the 2014 - 2016/2018 Business Plan.

Managing Director Vincenzo Consoli made the following comments: "In view of the European Single Supervisory System becoming effective, we believe that strengthening equity is an absolute priority, also to maintain a stand-alone perspective. For this reason, we felt it appropriate, using the mandate granted to us by the 2013 Shareholders' General Meeting, to combine a capital increase up to Euro 500 million with the total conversion of the Euro 350 million convertible bond loan, which will have an impact on equity of 1.37 b.p. Our objective is to reach a CET 1 of 9.5% by the end of June; with the increase in capital, we will end at far greater values, reaching 11%. As regards the financial year that has just ended, despite the difficult context, in 2013 Veneto Banca confirmed its ability to generate operating profit on a structural and sustainable basis. The stability in the earnings margin, in line with 2012, a year which recorded the best results in the Bank's core business, and the excellent trend in net commissions, which grew more than 10% on an annual basis, confirm this. We are also pleased to observe the stability of gross loans, which prove the Group's ability to respect its regional vocation even, in an extremely difficult context such as that experienced during the last two years. Furthermore, in the light the Asset Quality Review (AQR) ongoing at the European level, we considered it appropriate to proceed with a marked strengthening of the financial statement oversight against credit risks, consistent with the instruction from the Supervisory Authority, alongside the ongoing developments in the European Banking System, and the Italian one in particular. This decision lays the foundations for tackling, with reasonable trust, the demanding extraordinary review being carried out by the ECB, which will end with the stress test. The strict allocation policy, combined with the implementation of the equity-strengthening measures and the 2014 - 2016/2018 Business Plan to be approved shortly, will allow us to resume momentum and obtain the results that satisfy shareholders again within a short period of time".

**Financial aggregates**

At the close of 2013, the Group's **gross business volume** came to Euro 79.1 billion, down 1% compared to the totals at the end of 2012.

Net of adjustments, the stock of consolidated loans reached Euro 26.4 billion, down 1.7% compared to the figure at the end of 2012, proof of the Group's ability to confirm its regional vocation in the various areas of reference. We remind you that, in 2013, the Italian banking system saw loans to the economy decline by 3.2%.

At the end of 2013, the total overall adjustments exceeded the threshold of Euro 507 million, compared to 476 million recorded at the end of 2012.
This level of allocation is the main cause of the persistence of the strongly negative economic trend, which worsened the income and financial situation of households and businesses.

In this context, the Veneto Banca Group reinforced its supervision of credit risk, implementing a broad and in-depth analysis of the loans portfolio and the adequacy of hedges, adopting the instructions issued by the Bank of Italy during the two inspections conducted at the Parent Company.
The first of these referred to the adequacy of the coverage of the impaired portfolio, while in the second a significant part of the entire loan portfolio was reviewed.

**Net non-performing loans** came to Euro 1.5 billion, an incidence of 5.68% on the loan portfolio. Of these, about 1.3 billion are attributable to Italian banks and the remaining 165 million to foreign banks.
The **overall loan coverage ratio** improved, up from 4.35% at the end of 2012 to 5.71% at 31 December 2013.
The **coverage ratio of non-performing loans** also improved significantly, at 44.53% up from 43.38% at the end of the last financial year. This percentage increases to 53.36% when including the write-offs on individual positions in the calculation.

**Direct deposits** come to Euro 26.3 billion, down 8.1% compared to the end of 2012.
This is almost entirely determined by institutional entries and a reduction in the Cassa di Compensazione e Garanzia [Italian central counterparty].

**Indirect deposits** come to 26.4 billion with growth of 8.2% year on year. The strong recovery in asset management, which, at the end of December 2013, showed +11.7%, had an effect on the overall total.

**Shareholders' equity and equity ratios**

Consolidated **net equity** pertaining to the Group came to Euro 2.96 billion, an increase of 4.5% compared to the 2012 year end, also due to the increase in shareholders' equity of around 76 million, thanks both to old and new shareholders.
During the year, the Veneto Banca ownership structure went from 62,389 to 75,708 members, with growth of 21.3%.

As regards the **solvency ratio**, the **Core Tier 1 ratio** stands at 7% compared to 7.3% at 31 December 2012, while the **total capital ratio** comes to 9.2% compared to 9.8% in the previous financial year.
With the conversion of the convertible bond loan, the ratios will reach 8.4% and 10.2% respectively.

**The liquidity position**

Starting in the second half of 2013, the Parent Company repaid part of the 4 billion obtained from the ECB as part of the three-year LTROs (Long-Term Refinancing Operation) implemented by the European Central Bank in December 2011 and at the end of February 2012.
500 million was repaid in 2013 and another 400 million at the beginning of 2014.

At the beginning of January, a bond was launched on the international markets thanks to which Euro 500 million was collected from one hundred or so institutional investors, 25% foreign, against orders of more than Euro 651 million.

## Economic results

**The interest margin** came to Euro 553.5 million, a drop of 9.7% compared to the 612.9 million at the end of 2012. The minimum level reached by the market rates weighed on the dynamics of the sector, which, on an annual average, marked a reduction of between 20 b.p. of the Euribor at one month and about 50 b.p. of the rate at six months.

The **net commissions** were distinctly positive going from 364.2 million at the end of 2012 to 402.3 million and the end of 2013, an increase of 10.5%.

**The earnings margin** came to Euro 1.1 billion, essentially consolidating the excellent performance of 2012 and confirming the Veneto Banca Group's ability to generate income with its core business.

**Administrative costs** decreased by 2.3% on an annual basis, confirming the effectiveness of the structural limitation of costs undertaken by the Group in recent years.
On the other hand, personnel costs increased by 4.8%, discounting, on the one hand, the impact of the allocations to the redundancy fund and, on the other hand, the lack of certain extraordinary components which contributed to significantly lowering the cost of labour in 2012.

As a reflection of the dynamics described above, the operating profit came to 378 million, a decrease of 6.1% compared to 2012, which can be considered as the "best ever" from the point of view of the operating profit achieved by the Group.

The good operational and commercial performance was totally absorbed by the exceptional level of the allocations on loans, by virtue of which the Group had a **net loss** of Euro 96.1 million.

## The guidelines of the 2014 - 2016/2018 Business Plan

The Business Plan will be based on four guidelines:

1. **Consolidating the Group; no growth is anticipated for external lines.**

2. **Improving the performance of the network through:**
   developing integrated multi-channels;
   focusing on the core business;
   rationalising and reorganising the under-performing branches.

3. **Recovering efficiency through:**
   organisational and corporate simplification;
   strict cost containment.

4. **Positive profitability and sustainable development in the medium/long term through:**
   rationalising, optimising the allocation of the capital;
   strict monitoring of credit risk;
   consolidating the liquidity position and carefully controlling the relative risk.

## The outlook for the current financial year

In the last part of 2013, in Italy, the persistent decrease in economic activity seems to have stopped, but the recovery is slow and conditioned by the persistent factors of political and economic uncertainty.
Also starting during the last months of the year, financial market conditions improved and the trust of foreign investors returned. The weak financial situation of businesses and households will weigh on domestic

demand and will continue to limit the possibilities of loan recovery. The profitability outlook for the Italian banking system, expected to improve gradually during the current year, remains conditioned by trends in the quality of credit and the uncertainties relative to the outcome of the Asset Quality Review and the stress tests that the ECB and EBA will conduct in the second half of 2014.
For the current year, the Veneto Banca Group considers its primary objectives to be: equity reinforcement, satisfactory coverage of impaired loans, and improved organisational structure efficiency.
The year's operations will also be characterised by the activities connected to the Asset Quality Review and the stress tests, the outcome of which will only be made known during the fourth quarter.

The draft financial statement, the consolidated financial statement of Veneto Banca relative to 31 December 2013 will be made available to shareholders and the market at the registered offices and on the internet site **www.venetobanca.it** in accordance with the legal terms.

| **CONSOLIDATED EQUITY AND STRUCTURAL RESULTS** | **Dec-13** | **% change** |
|---|---|---|
| DATA IN BILLIONS OF EURO | | |
| Loans to customers | 26.4 | -1.7% |
| Direct deposits | 26.3 | -8.1% |
| Indirect deposits | 26.4 | 8.2% |
| Total shareholders' equity | 3.2 | 2.5% |
| DATA IN UNITS | | |
| Number of bank branches | 587 | 0.2% |
| Average no. of employees | 6,208 | -0.5% |
| Number of customers (in thousands) | 758 | 3.8% |
| Number Shareholders | 75,708 | 21.3% |

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*Mr Stefano Bertolo, Manager responsible for drawing up Veneto Banca S.C.p.A company accounting documents, declares, in accordance with Art. 154-bis, paragraph 2, of Italian Legislative Decree 58 of 24 February 1998, that the accounting disclosure contained in the present document corresponds to the documentary evidence, and to the accounting books and records.*

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