BANCA POPOLARE DI VICENZA

Positive outcome of the Comprehensive Assessment exercise, which includes the Asset Quality Review and the Stress Test, run by ECB together with EBA and Bank of Italy, also thanks to the capital measures already achieved:

- **the Asset Quality Review has been passed with a surplus of 340 Euro million after the main capital strengthening measures;**
- **"technical" gap associated to the Stress Test has been fulfilled with a capital excess of 30 Euro million thanks to the capital measures launched in 2013 and 2014 for a total amount of 1.2 Euro billion, including the conversion of the 253 Euro million soft mandatory bond issued in 2013 for which an irrevocable Board of Directors resolution has already been taken .**

The important measures of capital strengthening launched in 2013 and 2014 (equal to 1.2 Euro billion) have allowed and will allow granting credit support to small and medium enterprises in the Group's areas where the Group itself is rooted, as well as facing with particular confidence the Comprehensive Assessment exercise and being compliant with the new regulatory standards envisaged by the European Banking Supervision.

From 2007 to June 2014 the average annual growth of Group loans has been equal to 5.8% compared to 1.3% of the Italian banking system. In the last four years additional new loans for 11.5 Euro billion have been granted to households and companies. This policy aiming at sustaining the economy of the areas where the Group is rooted, which BPVi proudly wants to keep on pursuing, has implied a higher pressure in the Comprehensive Assessment exercise, but has, on the other hand, contributed to foster the first recovery signs in the Bank's historical territories.

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Vicenza, 25 October 2014 - The outcome of the Comprehensive Assessment exercise, which includes the Asset Quality Review and the Stress Test, run by ECB together with EBA and Bank of Italy, has been positive for Banca Popolare di Vicenza. Despite the severity of the exercise no further capital need, after the capital measures already launched, has emerged for the Bank.

The Chairman of Banca Popolare di Vicenza, Mr. Gianni Zonin, to this regard declared:
"*I wish to thank our Members that, confirming their trust in the Bank, have allowed us to face with confidence a severe and complex test and to fully enter in the main European banks' club which will be under the ECB's Supervision and that will guarantee standards of excellence. This result makes us particularly proud, confirming the Bank's soundness, which in the past years has increasingly strengthened.*
From now onwards new challenges will come on, in an increasingly enlarged market, in which Banca Popolare di Vicenza wants to play a leading role, to ensure increasing satisfaction to its Members, its customers and its employees".

The General Manager of Banca Popolare di Vicenza, Mr. Samuele Sorato, to this regard declared:
"*The strategy pursued in the past years of sustaining small and medium enterprises as well as households has allowed a significant growth of our customer base, together with important improvements in the Bank's capital and liquidity profiles, thanks, also, to Bank of Italy's careful and positive Supervisory action. This growth strategy proved to be winning and therefore we believe it's essential to keep on pursuing it for the benefit of our companies, our territories and our Country. The actions that will be taken will need to be in line with the new rules introduced by the European Supervision, which will allow us to achieve important improvements in internal processes and*

methodologies, pursuing the upgrade of quality standards, and to increasingly strengthen the Bank's structure, improving future profitability indices".

This positive result is even more valuable if it's taken into account that Banca Popolare di Vicenza from the beginning of the economic crisis has chosen to keep on supporting small and medium enterprises and households in its territories with new loans for about 11.5 Euro billion in the last four years. More in detail, from 2007 to June 2014 loans have increased by about 5.8% on a yearly basis compared to an average growth for the Italian banking system of 1.3%.

The strategy outlined by the Board of Directors has allowed the Group to increase market shares, to acquire new customers and members, as well as to improve the Bank's soundness, while sustaining economic recovery in the various territories where the Bank operates.
The higher focus on a customer segment like that of small and medium enterprises, which is more exposed to the negative economic trend, implied for Banca Popolare di Vicenza a higher pressure in the Comprehensive Assessment exercise.

However, thanks to the lasting trust demonstrated by our Members, whose number increased from about 73,000 at the end of 2012 to the current 110,000, in the past two years capital increases for a total amount higher than 1.2 Euro billion, including the 253 Euro million convertible bond (*soft mandatory*), have been underwritten, bringing net shareholders' equity from 3,321 Euro million at the end of 2012 to 4,312 Euro million at June 2014[1]. Banca Popolare di Vicenza's CET 1 ratio as of June 2014, including the capital increase of 607.8 Euro million settled in August, would be therefore equal to 10.67%, well above regulatory limits. Further ongoing capital measures, in particular the "ordinary" capital increase aiming at expanding the membership base up to 300 Euro million (of which about 50 Euro million already subscribed), will guarantee to the Bank, also in the next future, an adequate capital profile.

The Euro Area banking system Comprehensive Assessment exercise, launched by the ECB at the end of 2013, was concluded with today's publishing of the Asset Quality Review and Stress Test results.

Results of the Comprehensive Assessment

Results disclosed by the ECB						**Excess/ Shortfall after the AQR, including main capital strengthening measures**	Results including other capital strengthening measures	
Excess/ Shortfall after the AQR	Excess/ Shortfall after the ST baseline	Excess/ Shortfall after the ST adverse	Min Excess/ Max Shortfall	Main capital strengthening measures	Excess/ Shortfall, including main capital strengthening measures		Other capital strengthening measures	**Final Excess/ Shortfall, including all capital strengthening measures**
A	B	C	D = min(A,B,C)	E	F = D+E	**G = A+E**	H	**I = D+E+H**
Excess capital/ shortfall with respect to the 8% CET 1 ratio threshold at 31/12/2013 (row B8 of the ECB template).	Excess capital/ shortfall with respect to the 8% CET 1 ratio threshold at 31/12/2013 (row B9 of the ECB template).	Excess capital/ shortfall with respect to the 5.5% CET 1 ratio threshold at 31/12/2013 (row B10 of the ECB template).	Minimum excess capital or maximum shortfall at 31/12/2013 (row B11 of the ECB template).	Main capital strengthening measures completed between January and September 2014 (sum of rows C1-C6 of the ECB template).(1)			Other capital strengthening measures - in addition to those reported in column E - performed in 2014.(2)	
-119	-158	-682	-682	459	-223	**340**	253	**30**

(1) The main capital strengthening measures performed in the period between 1 January and 30 September 2014, equal to 459 Euro million, include the following:
  a. 645.4 Euro million of capital increases completed in the period between 1 January and 30 September 2014;
  b. 8.9 Euro million linked to the revaluation of the shareholding held in Bank of Italy, net of taxes;

[1] Pro-forma figure that includes the capital increase of 607.8 Euro million settled on past August.

c. -194.9 Euro million of buybacks/cancellations of own shares.

(2) Other capital strengthening measures for which a resolution has already been taken in 2014 by the Board of Directors, in addition to those reported in the preceding point, refer to the Convertible Bond 2013-2018 with “soft mandatory” clause (Convertible Bond 2013-2018 of nominal 253 Euro million with the right of early redemption by the Bank in shares).

The Asset Quality Review involved the analysis of banking books with the application of extremely conservative evaluation criteria. The overall impact of the Asset Quality Review is due only for 126 Euro million to specific provisions that have by large been included in the current year’s profit and loss. The remaining amount of the Asset Quality Review exercise is due to the application of statistical criteria; whether to proceed to related impairments will be evaluated on the basis of the economic trend and in coherence with accounting standards in force.

The Stress Test has, on the other hand, been carried on through a simulation of a three year (2014-2016) development of the Bank’s balance sheet in two different scenarios, envisaging a business as usual situation (*baseline scenario*) and a particularly severe scenario (*adverse scenario*). The exercise is purely hypothetical assuming a scenario very different from the current Country’s economic situation and has been carried on applying parameters which are much more severe than those adopted in the past in similar tests.

Final results of the exercise are the outcome of the join-up of the Asset Quality Review and of the Stress Test; they identify potential capital shortfall in terms of ratio between primary capital of class 1 and risk weighted assets (CET1 ratio) compared to predefined minimum thresholds, without considering, on the other hand, capital measures launched after 31 December 2013.

Applying those criteria and taking into account capital measures completed before 30 September 2014, the Asset Quality Review shows a capital excess of 340 Euro million. From the Stress Test exercise a “technical” capital shortfall of 223 Euro million turns up, which is more than offset by the conversion of the 253 Euro million soft mandatory convertible bond for which an irrevocable resolution has already been taken by the Board of Directors.

As reported in the template published by the Bank of Italy, the Asset Quality Review and the Stress Test outcomes, together with the capital measures realized in 2014, determine a CET1 excess of about 30 Euro million for Banca Popolare di Vicenza.

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