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Gruppo Banca Popolare di Vicenza

PRESS RELEASE

Farbanca approves the 2014 Half-Yearly Financial Report

- **Net income - Euro 1,529 thousand**
- **Shareholders' equity - Euro 57.0 million**
- **Loans - Euro 464 million**
- **New mortgages - Euro 40 million**
- **Direct deposits - Euro 320 million**
- **Impaired loans accounting for 2.72% of net loans**

The Board of Directors of Farbanca S.p.A., an institution specialised in bank services for the Pharmacy segment of Banca Popolare di Vicenza Group, has approved the Half-Yearly Financial Report as at 30 June 2014, prepared in compliance with the IAS/IFRS international accounting standards.

The **shareholding structure** of Farbanca as at 30 June is composed of Banca Popolare di Vicenza with 66.85% of the share capital (unchanged compared with the end of 2013), while the remaining part is divided among about 500 shareholders, most of them belonging to the Pharmacy sector; the share capital amounts to Euro 35.3 million whereas the **shareholders' equity** (net of the income for the year) amounts to Euro 57.0 million (+2.6% compared with December 2013). As at 30 June 2014, Own Equity amounts to Euro 57.5 million and the adequacy ratio CET1 ratio is 16.08%¹ (18.58% at the end of 2013).

As for the volume of activities carried out in the half-year, as at 30 June 2014 the net **loans** to customers amount to Euro 464 million, a 0.7% decline reported at the end of the six months.

The **Short term loans** sector shows a decline in the first six months of the year amounting to Euro 25.5 million (-23.2%), due to different reasons including faster repayment flows from the Local Health Authorities (ASL) used by our customers and the cancellation on 30 June 2014 - following the repayment of a tranche of the related securities - of assets amounting to Euro 19.9 million previously stated as counteritems of loans sold within the scope of a securitisation transaction called "Piazza Venezia MBS".

The **medium/long term loans** sector, which accounts for 82% of the loans, shows in the first six months of the period a 6.3% increase, from Euro 356.9 million, as at the end of 2013, to Euro 379.2 million in June 2014, corresponding to new disbursements of Euro 40 million (Euro 24 million in June 2013): the support of Pharmacies purchase/sale transactions, that has always characterised the Bank, is reconfirmed.

The Bank's **total deposits** shows a 3.5% decline, in the first six months, from Euro 363.6 million to Euro 351.0 million; in particular, direct deposits declined from Euro 334.4 million to Euro 319.8 million (-4.4%).

¹ Estimated data. The official data shall be subject to a supervisory report within the required deadline. It should be noted that the data as at 31 December 2013 refers to the Core Tier 1 ratio calculated under the previous Basel 2 rules for prudential supervision.



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More specifically, the aggregate of **Current accounts and unrestricted deposits** and **time deposits** – which are exclusively composed of direct deposits from customers – grew in the first six months by Euro 18.7 million (+17.7%); in twelve months, they show an overall growth of Euro 12.9 million (+11.6%).

Own **Bonds** amount to Euro 187.1 million showing a Euro 41.5 million decline in the first six months (-18.1%); the main component of this item – the bonds issued by the bank and subscribed by the Parent Company, Banca Popolare di Vicenza – amount to nominal Euro 180 million; in the first six months of the period, this item declined by a nominal Euro 40 million.

Indirect funding grew in the first six months by 6.7%, from Euro 30.7 million to Euro 31.2 million.

As for the economic data, the results of the first six months of activities of the Bank show an **interest income** amounting to Euro 4,766 thousand, up by 10.5% compared with Euro 4,315 thousand as at 30 June 2013.

Net fee and commission income amounts to Euro 1,121 thousand versus Euro 1,162 thousand in 2013 (-3.5%).

Net profit from the property portfolios is negative by Euro 58 thousand (Euro -1 thousand as at 30 June 2013).

The **Other operating charges/income** amount to Euro 96 thousand, versus Euro 192 thousand of the previous year.

Overall, due to the above described dynamics, **operating income** stands at Euro 5,925 thousand versus Euro 5,668 thousand in 2013, a 4.5% growth.

Administrative costs stand at Euro 2,514 thousand, down by 1.2% in the first six months of 2013.

In particular:

- **Payroll costs** amount to Euro 1,302 thousand versus Euro 1,295 thousand of 30 June 2013 (+0.5%);
- **Other administrative costs** stand at Euro 1,212 thousand versus Euro 1,249 thousand as at 30 June 2013 (-3%).

Depreciation/amortisation of property, plant and equipment and intangible assets stand at Euro 43 thousand versus Euro 72 thousand as at 30 June 2013 (-40.3%).

Operating costs, standing at Euro 2,557 million, is down by 2.3% compared to 30 June 2013.

Consequently, **Net profit from operating income amounts** to Euro 3,368 thousand, up from Euro 3,052 thousand as at 30 June 2013 (+10.4%). The cost/income² stands at 43.2%, compared with 46.2% as at 30 June 2013.

Net impairment adjustments, standing at Euro 1,005 thousand, refer, by Euro 1,001 thousand, to **adjustments to loans**, down from Euro 2,186 thousand in 2013 and for the remaining amount to the allocations carried out during the period in order to fulfil the commitments toward the Interbank Deposit Protection Fund (F.I.T.D.).

² This indicator is calculated by dividing “operating costs” (income statement item 200 after net allocations to provisions for risks and charges and including the “commission for draw-downs outside credit lines”) by the net interest and other banking income (income statement item 120 net of the “commission for draw-downs outside credit lines”).



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Net provisions for risks and charges are in positive territory, standing at Euro 151 thousand, due to a decreased provision for customer complaints.

Net income for the period before income taxes stands at Euro 2,514 thousand, up compared with Euro 863 thousand of the same period of 2013.

Corporate income taxes amount to Euro 985 thousand compared with Euro 505 thousand in 2013, with an overall tax rate at 39.2% (58.5% in 2013).

Net income for the year stands at Euro 1,529 thousand, up compared with Euro 358 thousand as at 30 June 2013.

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From the Directors' report, more specifically with reference to the outlook for the second half of 2014, it is evident that the Bank's activities shall benefit from the consolidation of the commercial structure and the expansion of relationships within the territory; but we mostly hope that it will benefit from the capacity of our customers to monitor every day the liquidity and profitability deriving from corporate management.

Given the performance of the first few months of the year, the undoubtedly complex economic and social context as well as the time frame of sector developments, the economic objective of the Bank is to maintain the average profitability of the last few years; however, it cannot be excluded that situations of loan impairments that are not foreseeable at this time, may affect Farbanca results.

The Half-Yearly Financial Report, as at 30 June 2014, is subject to a limited audit by PricewaterhouseCoopers SpA in order to determine the net income for the period and consequently the equity capital.

Annexes:

Attached to the Report, are the Balance Sheet and the Reclassified Income Statement as at 30 June 2014, compared respectively with those of 31 December 2013 and as at 30 June 2013, as well as the main data and indicators of the Bank.

For additional information, visit Farbanca web site: www.farbanca.it

Bologna, 5 August 2014



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FINANCIAL POSITION (in thousands of euro)

ASSETS	30/06/2014	31/12/2013	Change	
			absolute	%
Cash and cash equivalents:	41	62	(21)	-33,9%
Loans and advances to banks	9.652	10.962	(1.310)	-12,0%
Loans and advances to customers	463.999	467.202	(3.203)	-0,7%
Equity investments	41	41	-	0,0%
Property, plant and equipment	92	97	(5)	-5,2%
Intangible assets	13	17	(4)	-23,5%
Tax assets	2.034	1.931	103	5,3%
a) current	195	140	55	39,3%
b) pre-paid	1.839	1.790	49	2,7%
<i>of which - pursuant to Italian Law 214/2011</i>	<i>1.680</i>	<i>1.565</i>	<i>115</i>	<i>7,3%</i>
Other assets	14.010	14.414	(404)	-2,8%
Total assets	489.882	494.726	(4.844)	-1,0%

LIABILITIES AND EQUITY	30/06/2014	31/12/2013	Change	
			absolute	%
Due to banks	108.778	94.099	14.679	15,6%
Due to customers	132.668	105.783	26.885	25,4%
Debt securities in issue	187.136	228.616	(41.480)	-18,1%
Tax liabilities	541	1.668	(1.127)	-67,6%
a) current	541	1.668	(1.127)	-67,6%
Other liabilities	1.691	3.345	(1.654)	-49,4%
Provision for severance indemnities	174	166	8	4,8%
Provisions for risks and charges:	313	464	(151)	-32,5%
b) other provisions	313	464	(151)	-32,5%
Valuation reserves	(28)	(26)	(2)	7,7%
Reserves	8.556	7.087	1.469	20,7%
Share premiums	13.216	13.216	0	0,0%
Share capital	35.308	35.308	0	0,0%
Profit (Loss) for the period (+/-)	1.529	5.000	(3.471)	-69,4%
TOTAL LIABILITIES	489.882	494.726	(4.844)	-1,0%



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RECLASSIFIED INCOME STATEMENT (in thousands of euro)	30/06/2014	30/06/2013	Change	
			absolute	%
Net interest income	4.766	4.315	451	10,5%
Net fee and commission income	1.121	1.162	(41)	-3,5%
Net profit from the property portfolios	(58)	(1)	(57)	n.s.
Other operating charges/income:	96	192	(96)	-50,0%
Operating income	5.925	5.668	257	4,5%
Administrative costs:	(2.514)	(2.544)	30	-1,2%
- payroll	(1.302)	(1.295)	(7)	0,5%
- other administrative costs	(1.212)	(1.249)	37	-3,0%
Property, plant and equipment and intangible assets	(43)	(72)	29	-40,3%
Operating costs	(2.557)	(2.616)	59	-2,3%
Net profit from operating activities	3.368	3.052	316	10,4%
Net impairment adjustments	(1.005)	(2.189)	1.184	-54,1%
- of which on receivables	(1.001)	(2.186)	1.185	-54,2%
Net provisions for risks and charges	151	-	151	n.s.
Net income for the period before income tax	2.514	863	1.651	191,3%
Income tax	(985)	(505)	(480)	95,0%
Net income	1.529	358	1.171	327,1%

Legend:

Net interest income: Income statement item 30.

Net fee and commission income: Income statement item 60.

Net profit from the property portfolios: Income Statement items 80 and 100.

Other operating charges/income: income statement item 190, excluding "recovery of stamp duty and other indirect taxes" (Euro +147 thousand as at 30 June 2014, Euro +126 thousand as at 30 June 2013) and "depreciation for expenses on third party property improvement" (Euro -24 thousand as at 30 June 2014, Euro -52 thousand at 30 June 2013).

Operating income: "Net financial income" + "Net fee and commission income" + "Net profit from the property portfolios" + "Other net income/charges" as defined above.

Administrative costs: "Payroll costs" + "Other administrative costs" as defined below.

Payroll costs: Income Statement item 150 a).

Other administrative costs: Income statement item 150 b) net of income for "recovery of stamp duty and indirect taxes" (Euro +147 thousand as at 30 June 2014, Euro +126 thousand as at 30 June 2013).

Depreciation: income statement items 170 and 180 and including "depreciation for expenses on third party property improvement" (Euro -24 thousand as at 30 June 2014, Euro -52 thousand as at 30 June 2013).

Operating costs: "Administrative costs" + "Depreciation" as defined above.

Net profit from operating activities: "Operating income" + "Operating costs" as defined above.

Net impairment adjustments: Income statement item 130 "of which on loans and advances" refers to income statement item 130 a).

Net provisions for risks and charges: Income Statement item 160.

Net income for the period before income taxes: "Net profit from operating income" + "Net impairment adjustments" + "Net provisions for risks and charges" as defined above.

Taxes: Income statement item 260.



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Financial and prudential data (in thousands of euro)	30/06/2014	31/12/2013	30/06/2013	Half year change		Annual change	
				absolute	%	absolute	%
Banking business	814.959	830.806	886.474	(15.847)	-1,9%	(71.515)	-8,1%
- of which Direct deposits	319.804	334.399	402.192	(14.595)	-4,4%	(82.388)	-20,5%
- of which Indirect funding	31.156	29.205	30.735	1.951	6,7%	421	1,4%
- of which Loans to customers	463.999	467.202	453.547	(3.203)	-0,7%	10.452	2,3%
Net interbank position	(99.126)	(83.137)	(29.530)	(15.989)	19,2%	(69.596)	235,7%
Financial assets	0	0	11	0	0,0%	(11)	n.s.
Property, plant and equipment and intangible assets	105	114	83	(9)	-7,9%	22	26,5%
Total assets	489.882	494.726	504.568	(4.844)	-1,0%	(14.686)	-2,9%
Shareholders' equity (including net income for the period)	58.581	60.584	55.941	(2.003)	-3,3%	2.640	4,7%
Primary Capital of Class 1 ⁽¹⁾	57.509	57.037	55.640	472	0,8%	1.869	3,4%
Own equity ⁽¹⁾	57.509	57.037	55.640	472	0,8%	1.869	3,4%
Weighted risk assets ⁽¹⁾	357.740	306.935	306.169	50.805	16,6%	51.571	16,8%
CET 1 ratio/Core Tier 1 ⁽¹⁾	16,08%	18,58%	18,17%	-2,50 p.p.	n.s.	-2,09 p.p.	n.s.
Tier 1 ratio ⁽¹⁾	16,08%	18,58%	18,17%	-2,50 p.p.	n.s.	-2,09 p.p.	n.s.
Total Capital Ratio ⁽¹⁾	16,08%	18,58%	18,17%	-2,50 p.p.	n.s.	-2,09 p.p.	n.s.

⁽¹⁾ The figures on Own Equity and adequacy prudential ratios, as at 30 June 2014, presented above, might differ marginally from those that will be reported to the Supervisory Authorities within the required deadline. It should be noted that the data, as at 31 December 2013 and as at 30 June 2013, refers to the Assets and Ratios figures calculated in accordance with the previous Basel 2 rules for prudential supervision.

Reclassified economic data ⁽²⁾ (in thousands of euro)	30/06/2014	30/06/2013	31/12/2013	Half year change		Annual change	
				absolute	%	absolute	%
Operating income	5.925	5.668	14.208	257	4,5%	n.s.	n.s.
Operating costs	(2.557)	(2.616)	(5.192)	59	-2,3%	n.s.	n.s.
Net profit from operating activities	3.368	3.052	9.016	316	10,4%	n.s.	n.s.
Net impairment adjustments	(1.005)	(2.189)	(3.391)	1.184	-54,1%	n.s.	n.s.
Net income for the period before income tax	2.514	863	5.563	1.651	191,3%	n.s.	n.s.
Net income	1.529	358	5.000	1.171	327,1%	n.s.	n.s.

⁽²⁾ For a reconciliation between reclassified economic data and the items of the Income Statement, as set forth in Circular 262 of the Bank of Italy, explicit reference should be made to the "legend" that is provided at the end of the Reclassified Income Statement.



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Other information and indicators	30/06/2014	31/12/2013	30/06/2013	Half year change		Annual change	
				absolute	%	absolute	%
Number of employees	33	31	32	2	6,5%	1	3,1%
Average number of employees ⁽³⁾	32	32	30	0	0,0%	2	6,7%
Number of bank branches	1	1	1	0	0,0%	0	0,0%
Number of administrative offices	7	6	5	1	16,7%	2	40,0%
Loans to customers / direct deposits	145,1%	139,7%	112,8%	5,37 p.p.	n.s.	32,32 p.p.	n.s.
Total assets / Shareholders' equity (leverage)	8.4 x	8.2 x	9 x	-0,20 p.p.	n.s.	-1,00 p.p.	n.s.
Cost/Income ⁽⁴⁾	43,16%	35,14%	46,2%	8,02 p.p.	n.s.	-3,00 p.p.	n.s.
Net impaired loans / net loans	2,72%	2,82%	2,01%	-0,10 p.p.	n.s.	0,71 p.p.	n.s.
Net non-performing loans/net loans	0,52%	0,41%	0,38%	0,11 p.p.	n.s.	0,14 p.p.	n.s.
Percentage of coverage on all impaired loans	42,45%	38,95%	44,68%	3,50 p.p.	n.s.	-2,23 p.p.	n.s.
Percentage of non-performing loans	70,51%	73,66%	69,68%	-3,15 p.p.	n.s.	0,83 p.p.	n.s.
Percentage of coverage on performing loans	0,45%	0,45%	0,45%	0,00 p.p.	n.s.	0,00 p.p.	n.s.
Cost of credit on an annual basis ⁽⁵⁾	0,42%	0,70%	0,94%	-0,28 p.p.	n.s.	-0,52 p.p.	n.s.

⁽³⁾ The average number of employees is calculated in accordance with the indications contained in the Bank of Italy Circular n. 262 dated 22 December 2005, as amended.

⁽⁴⁾ The indicator is calculated by dividing "operating costs" (income statement item 200, after "net allocations to provisions for risks and charges" - Income Statement item 160 - and including the "commission for draw-downs outside credit lines") by net interest and other banking income (income statement item 120 net of the "commission for draw-downs outside credit lines").

⁽⁵⁾ The indicator is calculated by annualising the ratio between "Net impairment adjustments on loans and advances" and gross customer loans, excluding guarantee margins and repurchase agreements because neither one is impaired.

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