



**FarBanca**

Gruppo Banca Popolare di Vicenza

## **PRESS RELEASE**

**Farbanca: Draft Financial statements for the year ended as at 31 December 2013 approved by the Board of Directors, with net profit of Euro 5 million (+99.4%)**

- **Loans to customers - Euro 467.2 million**
- **New long-term disbursements to pharmacies of Euro 42.0 million**
- **Direct deposits - Euro 334.4 million**
- **Net interest income - Euro 9.0 million**
- **Net fee and commission income - Euro 2.2 million**
- **Net profit - Euro 5.0 million**
- **Shareholders' equity - Euro 60.6 million**
- **Cost/income ratio - 35%**
- **Proposed dividend of Euro 1 per share**

The Board of Directors of Farbanca SpA, the institution belonging to the Banca Popolare di Vicenza Group and specialising in banking services for Pharmacies, approved the draft Financial statements for the year ended as at 31 December 2013.

Cash **loans** to customers, amounting to Euro 467.2 million as at 31 December 2013, recorded a decrease of 1.9% due to the combined effect of the growth in medium/long-term loans (Euro 42 million in new loans disbursed) and a decrease in short-term loans, the latter due to customers' preference for medium/long-term forms of debt and faster repayment flows from our customers' Local Health Authorities.

As at 31 December 2013, **net non-performing loans** amounted to Euro 1.9 million, accounting for 0.41% of loans to customers. The coverage of these stood at 73.66%.

**Direct deposits from customers** remained almost constant given that the decrease of Euro 9.6 million in **current accounts and unrestricted and time deposits** is attributable (roughly Euro 10.0 million) to the transfer to the Parent Company Banca Popolare di Vicenza of the business unit comprising the former Banca di Credito dei Farmacisti branches,

**Direct institutional deposits** recorded a decrease of Euro 65.5 million in terms of the bonds item, due to the intercompany repurchase of bonds made following the obtainment of loans connected with a significant securitisation transaction.

**Share capital** as at 31 December 2013 stood at Euro 35,308 thousand. As at 31 December 2013, the Members' Register not only included the Parent Company Banca



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Popolare di Vicenza (holding 66.81% of share capital), but more than 500 Shareholders, predominantly pharmacists.

The management income statement highlights that, despite the low market interest rates and, in particular, lower volumes of loans and deposits, in the year just ended, **net interest income remained essentially stable at over Euro 9 million** (down 0.9% compared to 2012).

**Net fee and commission income amounted to Euro 2.2 million**, down 5.7% compared to 2012;

**Net profit from the property portfolios** totalled Euro 2.7 million (Euro 53 thousand in 2012), thanks to the sale of Government bonds purchased in the second half; the property portfolio recorded a zero balance at the end of the year.

If we include other net income/charges of Euro 0.3 million, **operating income** totalled Euro 14.2 million, compared to Euro 12.0 million in 2012, marking an increase of 18.4%.

**Operating costs**, standing at Euro 5.2 million, **fell by 19.5%** compared to the previous year (Euro 6.5 million).

Consequently, **net income from operating activities** amounted to Euro 9.0 million, up compared to Euro 5.6 million as at 31 December 2012. The cost/income ratio improved to 35% from 52% as at 31 December 2012.

**Value adjustments for impairment of loans and other financial transactions** came to Euro 3.4 million, marking significant growth compared to Euro 1.0 million in 2012; net allocations to provisions for risks and charges amounted to Euro 62 thousand.

**Gross profit** therefore totalled Euro 5.6 million, up 23.3% compared to Euro 4.5 million in 2012.

Net of corporate income tax, amounting to Euro 0.6 million, due mainly to the recognition, by the Italian Inland Revenue, of the tax deductibility of the loss generated by the incorporated company BCF in the pre-merger period, **net profit for the year** amounted to Euro 5.0 million, an increase of 99.4% compared to Euro 2.5 million in 2012.

The result for the year allows the Board to propose the distribution of a **dividend of Euro 1 per share** (Euro 0.55 in the previous year).

\* \* \* \*

As highlighted in the customary “**Letter to shareholders**” from the Chairman Giorgio Colutta, “this year too saw Our Bank operate in the Pharmacy market, maintaining its objective as a Bank for Pharmacists, supporting the profession, and obtaining the results that we present here with satisfaction.



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The national and international trends in 2013 still did not allow a recovery in the real economy. In fact, in some ways, in a difficult context, some already problematic situations have intensified and pharmacies are also witnessing an increase in applications for bankruptcy proceedings. On our part, we can confirm that we've maintained the quality of our loan portfolio above the Italian banking system average, despite the fact, as you can see by glancing through the financial statements, that we have had to tackle some challenging situations, by making the proper allocations."

Therefore, having observed, however, that "fresh enthusiasm is sweeping the industry and the desire to invest and grow has been kick-started", Chairman Colutta added that "as a Bank of Pharmacists and for Pharmacists, we all want to continue to show our commitment to the Health sector in observance of our company objectives, which I had the opportunity to reiterate in my letter to shareholders in May 2013, in a market which is recording growth and development, albeit in the knowledge that the role of the Pharmacist and of the Pharmacy is undergoing a profound transformation".

After having reaffirmed that as "Farbanca is a Bank characterised by the flexibility and typical speed of operation of small Institutions, but with a Major Group behind it, namely Banca Popolare di Vicenza, which guarantees our strength and professional expertise", Chairman Colutta finished up by saying:

"In the near future, Farbanca will be even more committed to ensuring the efficiency, assistance and specialisation which, we hope, will allow the growth of Pharmacies and our Bank".

\* \* \* \*

The ordinary Shareholders' Meeting, to which the 2013 draft Financial statements will be presented, will also be required to resolve on the replacement of an outgoing director, and the approval of remuneration policies in accordance with the provisions governing remuneration and incentive policies and practices in banks and banking groups. The meeting is called at the company's registered office in Bologna, Via Irnerio no. 43/B, in first call on 9 April 2014, at 6.00, and in second call, on **10 April 2014, at 14.00.**

A copy of the 2013 draft Financial statements will be made available to the public according to the times established by law, at the company's registered office and on the website [www.farbanca.it](http://www.farbanca.it).

Bologna, 27 February 2014

#### Attachments

The main management figures and indicators are attached, as well as the Statement of Financial Position and Income Statement.



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## STATEMENT OF FINANCIAL POSITION (in thousands of euro)

ASSETS	31/12/2013	31/12/2012	Change	
			absolute	%
Cash and cash equivalents	62	337	(275)	-81.6%
Financial assets available for sale	-	11	(11)	-100.0%
Loans and advances to banks	10,962	6,600	4,362	66.1%
Loans and advances to customers	467,202	476,127	(8,925)	-1.9%
Equity investments	41	41	-	0.0%
Property, plant and equipment	97	118	(21)	-17.8%
Intangible assets	17	4	13	325.0%
Tax assets	1,931	906	1,025	113.1%
a) current	140	-	140	n.s.
b) deferred	1,790	906	884	97.6%
<i>of which: - pursuant to Law 214/2011</i>	1,565	697	868	124.5%
Other assets	14,414	14,642	(228)	-1.6%
<b>Total assets</b>	<b>494,726</b>	<b>498,786</b>	<b>(4,060)</b>	<b>-0.8%</b>
<b>LIABILITIES</b>				
	31/12/2013	31/12/2012	Change	
			absolute	%
Due to banks	94,099	28,515	65,584	230.0%
Due to customers	105,783	115,348	(9,565)	-8.3%
Debt securities in issue	228,616	294,173	(65,557)	-22.3%
Tax liabilities:	1,668	703	965	137.3%
a) current	1,668	703	965	137.3%
Other liabilities	3,345	1,737	1,608	92.6%
Provision for severance indemnities	166	260	(94)	-36.2%
Provisions for risks and charges:	464	541	(77)	-14.2%
b) other provisions	464	541	(77)	-14.2%
Valuation reserves	(26)	(43)	17	-39.5%
Reserves	7,087	6,520	567	8.7%
Share premiums	13,216	13,216	0	0.0%
Share capital	35,308	35,308	0	0.0%
Profit (Loss) for the year (+/-)	5,000	2,508	2,492	99.4%
<b>Total liabilities</b>	<b>494,726</b>	<b>498,786</b>	<b>(4,060)</b>	<b>-0.8%</b>



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Management income statement (amounts in thousands of euro)	31/12/2013	31/12/2012	Change	
			absolute	%
<b>Net interest income</b>	<b>9,002</b>	<b>9,081</b>	(79)	-0.9%
Net fee and commission income	2,241	2,376	(135)	-5.7%
Net profit from the property portfolios	2,657	53	2,604	4913.2%
Other net income/charges	308	495	(187)	-37.8%
<b>Operating income</b>	<b>14,208</b>	<b>12,005</b>	<b>2,203</b>	<b>18.4%</b>
Administrative costs:	(5,048)	(6,247)	1,199	-19.2%
- payroll costs	(2,598)	(3,020)	422	-14.0%
- other administrative costs	(2,450)	(3,227)	777	-24.1%
Depreciation/amortisation of property, plant and equipment and intangible assets	(144)	(205)	61	-29.8%
<b>Operating costs</b>	<b>(5,192)</b>	<b>(6,452)</b>	<b>1,260</b>	<b>-19.5%</b>
<b>Net profit from operating activities</b>	<b>9,016</b>	<b>5,553</b>	<b>3,463</b>	<b>62.4%</b>
Net impairment adjustments	(3,391)	(1,043)	(2,348)	225.1%
- of which on loans and advances	(3,363)	(1,027)	(2,336)	227.5%
Net provisions for risks and charges	(62)	2	(64)	-3200.0%
<b>Gross profit</b>	<b>5,563</b>	<b>4,512</b>	<b>1,051</b>	<b>23.3%</b>
Income tax	(563)	(2,004)	1,441	-71.9%
- of which non recurring tax benefits	-	697	(697)	n.s.
<b>Net profit</b>	<b>5,000</b>	<b>2,508</b>	<b>2,492</b>	<b>99.4%</b>

## Key:

**Net interest income:** Income statement item 30.

**Net fee and commission income:** Income statement item 60, excluding the "commission for draw downs outside credit lines" (not present as at 31 December 2013, up Euro 305 thousand as at 31 December 2012).

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

**Other net income/charges:** Income statement item 190, excluding "recovery of stamp duty and other indirect taxes" (up Euro 200 thousand at 31 December 2013, up Euro 220 thousand at 31 December 2012) and "depreciation for expenses on third party property improvement" (down Euro 104 thousand at 31 December 2013, down Euro 105 thousand at 31 December 2012), but including the "unauthorised overdraft fees" (not present as at 31 December 2013, up Euro 305 thousand as at 31 December 2012).

**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" (up Euro 200 thousand as at 31 December 2013, up Euro 220 thousand as at 31 December 2012).

**Depreciation:** Income statement items 170 and 180 and including "depreciation for expenses on third party property improvement" (down Euro 104 thousand as at 31 December 2013, down Euro 105 thousand as at 31 December 2012).

**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.

**Gross profit:** "Net profit from operating activities" + "Net impairment adjustments" + "Net provisions for risks and charges" as defined above.

**Taxes:** Income statement item 260.



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Equity and regulatory figures (amounts in thousands of euro)	31/12/2013	31/12/2012	Change	
			absolute	%
Banking business	830,806	920,339	(89,533)	-9.7%
- of which direct deposits	334,399	409,521	(75,122)	-18.3%
- of which indirect deposits	29,205	34,691	(5,486)	-15.8%
- of which loans to customers	467,202	476,127	(8,925)	-1.9%
Net interbank position	(83,137)	-21,915	(61,222)	279.4%
Property, plant and equipment and intangible assets	114	122	(8)	-6.6%
Total Assets	494,726	498,786	(4,060)	-0.8%
Shareholders' equity (including profit for the period)	60,584	57,509	3,075	5.3%
Tier 1 capital <sup>(1)</sup>	57,037	55,606	1,431	2.6%
Regulatory capital <sup>(1)</sup>	57,037	55,606	1,431	2.6%
Risk-weighted assets <sup>(1)</sup>	303,952	321,707	(17,755)	-5.5%
Core Tier 1 <sup>(1)</sup>	18.77%	17.28%	1.49 p.p.	n.s.
Tier 1 <sup>(1)</sup>	18.77%	17.28%	1.49 p.p.	n.s.
Total Capital Ratio <sup>(1)</sup>	18.77%	17.28%	1.49 p.p.	n.s.

<sup>(1)</sup> The figures on Regulatory Capital and Capital adequacy ratios as at 31 December 2013 presented above might differ marginally from those that will be reported to the Supervisory Authorities within the required regulatory deadline.

Reclassified income statement figures <sup>(2)</sup> (amounts in thousands of euro)	31/12/2013	31/12/2012	Change	
			absolute	%
Net interest income	9,002	9,081	(79)	-0.9%
Operating income	14,208	12,005	2,203	18.4%
Operating costs	(5,192)	(6,452)	1,260	-19.5%
Net income from operating activities	9,016	5,553	3,463	62.4%
Net impairment adjustments	(3,391)	-1,043	(2,348)	225.1%
Gross profit	5,563	4,512	1,051	23.3%
Net profit	5,000	2,508	2,492	99.4%

<sup>(2)</sup> For a reconciliation between the reclassified income statement figures and the items in the Income Statement envisaged under Circular no. 262 of the Bank of Italy, please see the "key" shown at the bottom of the "Management income statement" table.



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Other information and indicators	31/12/2013	31/12/2012	Change	
			absolute	%
Actual number of employees	31	39	(8)	-20.5%
Average number of employees <sup>(3)</sup>	32	38	(6)	-15.8%
Number of bank branches	1	3	(2)	-66.7%
Number of administrative offices	6	3	3	100.0%
Loans to customers / direct deposits	139.7%	116.3%	23.45 p.p.	23.4 p.p.
Total assets / Shareholders' equity (leverage)	8.2 x	8.7 x	-0.50 p.p.	-0.5 x
Cost/Income ratio <sup>(4)</sup>	35.14%	51.75%	-16.61 p.p.	-16.6 p.p.
Net impaired loans / net loans	2.82%	1.70%	1.12 p.p.	1.1 p.p.
Net non-performing loans / net loans	0.41%	0.46%	-0.05 p.p.	0.0 p.p.
Percentage coverage of impaired loans	38.95%	48.20%	-9.25 p.p.	-9.3 p.p.
Percentage coverage of non-performing loans	73.66%	73.21%	0.45 p.p.	0.5 p.p.
Percentage coverage of performing loans	0.45%	0.45%	0.00 p.p.	0.0 p.p.
Cost of credit on an annual basis <sup>(5)</sup>	0.70%	0.21%	0.49 p.p.	0.5 p.p.

<sup>(3)</sup> The average number of employees is calculated in accordance with the indications contained in Bank of Italy Circular no. 262 dated 22 December 2005 and subsequent updates.

<sup>(4)</sup> This indicator is calculated by dividing "operating costs" (income statement item 200 after "net provisions for risks and charges" - item 160 of the income statement - and including "commission for draw downs outside credit lines") by net interest and other banking income (income statement item 120 net "commission for draw downs outside credit lines").

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