Danièle NOUY
Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Marco Valli and Mr Marco Zanni
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 10 November 2015

Re: Your letter (QZ-151)

Honourable Members of the European Parliament, dear Mr Valli, dear Mr Zanni,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 15 October 2015.

Since 4 November 2014, the ECB has been responsible for the direct supervision of around 120 banking institutions in the euro area, with Banca Popolare di Vicenza (BPVi) being one of them. As regards your question on the supervision of BPVi prior to the ECB taking over direct supervision of the bank, let me point out that the ECB does not comment on specific competencies of individual national competent authorities, in particular concerning actions that were taken before the Single Supervisory Mechanism became operational. Please let me also point out that, as also laid down in the Inter-institutional Agreement, any reporting obligations vis-à-vis European Parliament are subject to the relevant professional secrecy requirements. The situation of and the supervisory measures taken with respect to credit institutions under ECB supervision can therefore generally not be commented on.

That being said, I would like to recall a number of measures that have been taken and conveyed publicly. With respect to the bank's situation, BPVi's comprehensive assessment in 2014 resulted in a substantial capital shortfall, which had to be covered by July 2015. In the meantime, the ECB has carried out – as it did for other banks in a similar situation – on-site inspections, including on the bank's governance, risk management and market risk. As BPVi stated in its half-year report as at 30 June 2015, a number of shortcomings were detected – mainly related to the management of own shares, governance and internal control systems – which materially affected the capital ratios. As soon as the preliminary results of the inspections emerged, the ECB required BPVi to take corrective measures with regard to both the management and the capital adequacy of the bank.

With regard to the bank's management, owing to the severity of the issues, the former CEO resigned in May 2015 and, in June 2015, the bank appointed a new CEO and General Manager who, shortly afterwards, appointed a new Deputy General Manager and other key management positions (heads of the Finance, Loans and Risk Management areas). Regarding its capital, the bank booked in the half-year financial statements the outcomes of the on-site inspections in terms of impacts on Common Equity Tier 1 (CET1) capital figure and effects of a review of the credit portfolio on provisioning and coverage levels. Consequently, the bank recorded a loss of €1,053 million and a CET1 ratio of 6.81%. Against this background, the new management approved a capital increase of up to €1.5 billion, to be executed at the beginning of 2016, as well as a new business plan. The ECB has been closely monitoring the process and will continue to pursue adequate supervision of BPVi, as it does for the other financial institutions under its responsibility.

Yours sincerely,

[signed]

Danièle Nouy