



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PRESS RELEASE

23 June 2017

ECB deemed Veneto Banca and Banca Popolare di Vicenza failing or likely to fail

- Decision a result of lack of capital
- SRB concluded that conditions for a resolution action were not fulfilled
- Banks to be wound up under Italian insolvency procedures

On 23 June, the European Central Bank (ECB) determined that Veneto Banca S.p.A. and Banca Popolare di Vicenza S.p.A. were failing or likely to fail as the two banks repeatedly breached supervisory capital requirements. The determination was made in accordance with Articles 18(1a) and 18(4a) of the Single Resolution Mechanism Regulation.

The ECB had given the banks time to present capital plans, but the banks had been unable to offer credible solutions going forward.

Consequently, the ECB deemed that both banks were failing or likely to fail and duly informed the Single Resolution Board (SRB), which concluded that the conditions for a resolution action in relation to the two banks had not been met. The banks will be wound up under Italian insolvency procedures.

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Notes:

Failing or likely to fail

Failing or likely to fail is the classification used by supervisors for banks that should be put in resolution or wound up under normal insolvency proceedings. At the euro area level, resolution is undertaken by the Single Resolution Board. When a resolution scheme is not warranted, national resolution authorities undertake a winding-up of the entities involved under normal insolvency proceedings in accordance with prevailing national law.

Background on the two banks

ECB Banking Supervision has closely monitored the two banks since capital shortfalls were identified by the comprehensive assessment in 2014. Since then, the two banks have struggled to overcome high levels of non-performing loans and underlying challenges to their business models, which resulted in further deterioration of their financial position. In 2016, the Atlante fund invested approximately €3.5 billion in Veneto Banca and Banca Popolare di Vicenza. However, the financial position of the two banks deteriorated further in 2017. The ECB had therefore asked the banks to provide a capital plan to ensure compliance with capital requirements. Both banks presented business plans which were deemed not to be credible by the ECB.