MEDIOCREDITO
INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

ANNUAL REPORT 2011

ANNUAL REPORT AND ACCOUNTS
31ST DECEMBER 2011

58th ACCOUNTING PERIOD

MEDIOCREDITO TRENTINO - ALTO ADIGE – S.P.A.

Full paid capital € 58,484,608
Fiscal code and Register of companies no. Trento 00108470220
Bank register no. 4764
Parent company of Gruppo Bancario Mediocredito Trentino– Alto Adige
Registered with the Banking Group Register

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The English version of the Annual Report is a translation of the Italian text provided for the convenience of international readers. The original document in Italian prevails over any translation.

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KEY RATIOS[1]

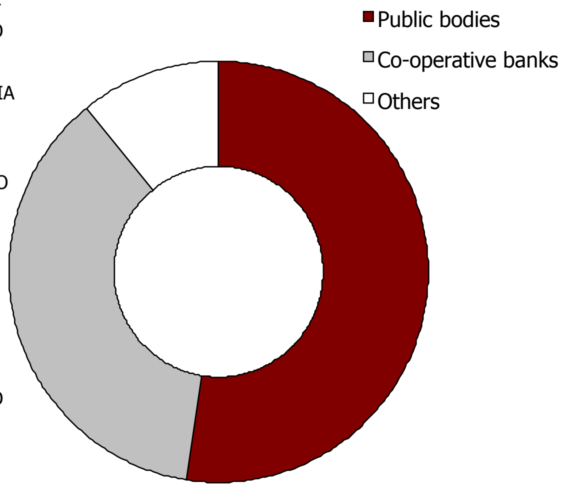
(Amounts are in thousands of Euros)

	2011	2010
Rating **- Bank Deposits** **- Outlook**	**Moody's** **A2/P-1** **Under Review**	**Moody's** **A2/P-1** **Stable**
Overall lending to customers and banks	**1,369,176**	**1,442,199**
New credit disbursed	**203,804**	**239,961**
Financial assets available for sale	**207,816**	**16,551**
Overall amount of borrowing	**1,398,088**	**1,267,830**
New medium-term borrowing	**434,533**	**120,334**
Interest margin	**23,374**	**23,631**
Operating income	**26,298**	**25,496**
Operating costs	**(10,423)**	**(9,986)**
Net income	**6,549**	**6,259**
Average number of employees (part-time weighted)	**81.8**	**81.8**
Cost to income ratio	**39.6%**	**39.2%**
Equity (before dividends)	**189,936**	**193,081**
Regulatory capital	**182,544**	**185,669**
Total capital ratio	**14.29%**	**14.83%**
Gross doubtful loans to gross lending	**5.7%**	**5.2%**
Net doubtful loans to net lending	**4.0%**	**3.8%**
Gross doubtful loans to regulatory capital	**44.0%**	**41.2%**
Net doubtful loans to regulatory capital	**29.8%**	**29.3%**
Gross impaired loans to gross lending	**9.7%**	**9.1%**
Net impaired loans to net lending	**7.6%**	**7.2%**
Gross impaired loans to regulatory capital	**75.2%**	**72.0%**
Net impaired loans to regulatory capital	**56.7%**	**56.0%**
Payout ratio	**89.3%**	**89.8%**

1 All the ratios in the table are clearly explained in appendix 2 "Glossary of ratios".

SHAREHOLDERS

Public bodies		Co-operative banks		Others	
17.489%	AUTONOMOUS REGION OF TRENTINO ALTO ADIGE	35.207%	CASSE RURALI - RAIFFEISEN FINANZIARIA S.p.A. otherwise referred to as CRR-FIN S.p.A.	7.802%	CASSA DI RISPARMIO DI BOLZANO
17.489%	AUTONOMOUS PROVINCE OF TRENTO	0.213%	BANCA PADOVANA CREDITO COOPERATIVO-SOCIETA' COOPERATIVA	2.895%	BANCA POPOLARE DELL'ALTO ADIGE S.p.A.
17.489%	AUTONOMOUS PROVINCE OF BOLZANO	0.192%	BCC DEL VENEZIANO	0.196%	ITAS S.p.A.
52.466%		0.107%	BANCA ALTO VICENTINO CREDITO COOPERATIVO	**10.893%**	
		0.107%	CREDITO COOPERATIVO INTERPROVINCIALE VENETO		
		0.085%	BANCA SANTO STEFANO-CREDITO COOPERATIVO MARTELLAGO-VENEZIA		
		0.085%	VENETO BANCA S.c.p.a.		
		0.078%	ROVIGOBANCA CREDITO COOPERATIVO SOC.COOP.		
		0.075%	CENTRO MARCA BANCA-CREDITO COOPERATIVO		
		0.071%	BCC DI MARCON VENEZIA		
		0.071%	BCC EUGANEA DI OSPEDALETTO EUGANEO		
		0.071%	CASSA RURALE ED ARTIGIANA DI TREVISO		
		0.064%	CASSA PADANA BCC – SOCIETÀ COOPERATIVA		
		0.043%	BANCA VERONESE CREDITO COOPERATIVO DI CONCAMARISE		
		0.043%	BCC DELLE PREALPI		
		0.043%	CASSA RURALE ED ARTIGIANA DI VESTENANOVA CREDITO		
		0.043%	FEDERAZIONE TRENTINA DELLA COOPERAZIONE		
		0.043%	FEDERAZIONE VENETA BANCHE DI CREDITO COOP.		
		0.001%	CASSA CENTRALE BANCA S.p.A.		
		0.001%	CASSA CENTRALE RAIFFEISEN S.p.A.		
		36.641%			



STATUTORY BOARDS

Board of Directors

Chairman
Franco Senesi [2]

Deputy Chairman
Michael Grüner [2]

Directors
Hansjörg Bergmeister
Rita Dallabona
Giovanni Dies [2]

Zenone Giacomuzzi [2]
Andrea Girardi
Ivano Morandini
Giorgio Pasolini
Franz Pircher [2]
Fabio Ramus [2]
Mario Sartori [2]
Luciano Zanaica

Board of Statutory Auditors

Chairman
Stefan Klotzner

Standing Auditors
Renato Beltrami
Hansjörg Verdorfer

Alternate Auditors
Antonio Maffei
Claudia De Gasperi

Administration

General Manager
Leopoldo Scarpa

Deputy Manager
Diego Pelizzari

Other Positions

Officer responsible for preparing accounting and financial reporting documents
Leo Nicolussi Paolaz

Independent Auditing Company
PricewaterhouseCoopers S.p.A.

2 Members of the Executive Committee

SHAREHOLDERS' ORDINARY GENERAL MEETING

The shareholder are requested to attend the Ordinary General Meeting on the 28th of April 2012 at 9:30 a.m. for the first meeting date, and, if necessary, on the 11th of May 2012 as a second option at 11 a.m. at the company Headquarters in Trento – via Paradisi 1, to deliberate upon the following:

Agenda

1. Presentation of the Annual Report as at 31 December 2011: related and following resolutions;
2. Nomination of the chairman, deputy chairman and other members of the Board of Directors;
3. Nomination of the Chairman and other members of the Board of Statutory Auditors;
4. Agreement of retribution to Administrators and Auditors;
5. General information in relation to retribution and incentive policies for 2011.

Under Article 9 of the Company bylaws, Shareholders have the right to attend the General Meetings and have the right to vote if, at least five days prior to the date on which the meeting is held, they lodged shares with the Company or affiliated banks or, with reference to Public Bodies, with their respective Treasurers.

Holders of shares on which an uninterrupted series of endorsements appear also have the right to attend the General Meetings provided they lodged shares as specified above.

The Chairman
Franco Senesi

(The meeting was notified by registered letter with a notification of receipt dated 27 March 2011 and 7 April 2011in appliance with article 7 of the bylaws)

REPORT ON OPERATIONS

GENERAL OVERVIEW

According to estimates by the International Monetary Fund, global GDP, after rising more than five percentage points in 2010, suffered a further fall in 2011. Initially isolated major events have affected the dynamics of some countries (such as the earthquake and tsunami in Japan), then there has been a slowdown in the U.S. economy and more recently tensions on the European markets. The worldwide growth for the year was estimated at 3.8% of GDP in 2010, but when looking only at the results for the advanced economies the growth is much smaller, estimated to be +1.6%. In particular, the U.S. has seen a growth of 1, 8%, Japan has seen a contraction of 0.9% and the United Kingdom shows a GDP growth of +0.9%.

As a result of the weakening world economy and increasing tensions in the sovereign debt markets, the economic situation of the Euro has worsened significantly since the end of summer 2011. The price trends of government bonds in many countries were affected by the lack of confidence in crisis management at an EU level and the deteriorating development prospects.
In the last quarter of 2011 the GDP of the Euro zone, which had grown in the three previous quarters, decreased by 0.3% bringing the annual growth figures to 1.4%, a slowdown compared to 1.9% in 2010 with considerable downward revision of prospects for 2012.
Inflation trends showed signs of mitigation, in a framework of moderation in costs and weak demand: in 2011, consumer prices in the Euro zone have increased by 2.7% with Italy showing above average values (+2.9%, higher rates compared to France and especially Germany).

The Italian economic situation has presented more significant signs of deterioration compared to the average of the other Euro zone countries: in particular the worsening of the sovereign debt crisis and the pessimistic forecasts for growth, together with the consequent downgrading of our country by ratings agencies, have led to an unusual rise in the cost of financing, causing the spread between the yield on Italian ten-year government bonds and their German equivalent to reach 550 basis points in November, the maximum value since the introduction of the Euro. The situation was also worsened by the impact on disposable income following the financial corrective manoeuvres that were introduced, which however have avoided potentially worst consequences on the real economy.
GDP trends, starting from the third quarter, showed a decline since the beginning of 2010, reflecting the weakness of domestic demand in the presence of a decline in household spending and investment, however the indicator has still marked a growth of 0.5% in 2011 due to exports.
The industrial production index in 2011 saw a decline over a one year period of 1.7% in contrast to the improvement recorded in 2010. Consumer and business confidence have continued the trend of increasingly negative values.

Finally, the large margins of spare capacity and weak prospects have slowed the investments after the recovery of 2010: gross fixed capital formation recorded a drop in volume in 2011 (-1.9%), after the recovery seen in 2010 (+2.1%). The reduction was particularly relevant for investment in construction (-2.8%) and machinery and equipment (-1.5%); on an opposite trend, investment in transport equipment has increased (+1.5%).

Shifting the focus to the north-east of Italy, Trentino also began to suffer from concerns over the state of the national economy, though in a less pronounced manner, showing a reduction in the total turnover of local businesses. At an industry sector level, performance in terms of turnover in manufacturing (+4.6%) and wholesale (+3.7%) still remain satisfactory. In Alto Adige, the economy has fared better, thanks to the positive performance of agriculture, manufacturing and trade. In the first six months of 2012 business confidence was down.

In Veneto, industrial production decreased by 1.4% compared to 2010. The negative trend in production exists primarily in companies producing consumer goods (-2.5%), only a slight contraction was shown by firms that produced intermediate goods and investment goods. Additionally within this region there is an increased pessimism amongst entrepreneurs regarding production forecasts and economic performances relating to the start of 2012.

In Emilia Romagna the industry has consolidated on the signs of recovery that emerged in the spring of 2010, thanks to the positive influence of exports which led to positive operating results in terms of added value (+1.3%). The outlook for 2012 is less positive: the expected revival of the industrial sector over the next two years is expected to be moderate and is predicted not to exceed 0.8%.

Finally in the region of Lombardy, 2011 ended with a growth of industrial production amounting to just 3.8%, a figure lower than that recorded for the previous year. The global positive results for 2011 are the result of two distinctively different sub-periods: while the first part of the year has seen very positive growth rates, although on a decreasing trend, in the second half of the year the situation reversed. Turnover has still grown by 6.6%, while domestic orders declined by 3.3%.

As for the leading indicators for banking[3], lending to businesses and family businesses have progressively got worst throughout 2011 to show a growth of 1.2% by the end of the year, driven by firms with more than 20 employees. This increase was less in regions where Bank operates: +0.27% in Trentino-Alto Adige and Lombardy, +0.22% in Emilia Romagna and +0.08% in Veneto.

In qualitative terms, however, with an increase in the last quarter of the year, there has been a significant decline in demand for financing of investment-related businesses. A demand for funding needed to cover working capital remains and this has increased the request for the restructuring and consolidation of bank debt. Since the crisis began, the restructuring and consolidation of debt has the primary credit concern from Italian firms.

Interest rates on bank loans recorded throughout the year show constant growth: on new transactions the average rate applied to non-financial corporations in the last month of 2011 rose to 4.18% (from 2.69% in January).

With regards to bank funding, the annual growth rate has been in gradual decline, dropping to 1.30% in December: considering the dynamics of obtaining funding from different sources, there has been a noted decline in deposits made by existing customers of 2.77% and a growth in bonds of 8.38%.

3 Source: Bank of Italy data, public information base.

During the year, the quality of bank assets has continued to deteriorate: the level of gross doubtful loans did grow by 37.6% compared to December 2010, showing a slight increase in comparison to the rate of growth in 2010.

With regard to corporate finance transactions[4], the M&A market, since the slump of 2010, showed only some faint signs of recovery in 2011 with operations totalling €23.6 billion (compared to €20 billion in 2010, +19%). These amounts are well below the pre-crisis market levels (€148 billion in 2007). There was a slight increase in terms of volume with 295 transactions compared to 279 for the previous year (+5%). As shown in previous years, Italian companies have been the target of foreign buyers in 2011 (particularly from other European countries and the USA). Acquisitions of Italian companies by foreign investors makeup as much as 70% of the total value of the market.
In recent years there has been a reversal in the negative trend of the private equity market: in 2011, 326 new transactions were registered totalling €3.6 billion and representing a rise of 46% compared to 2010. The growth in the number of transactions was 12%.
On 31st December 2011, the total portfolio of investment assets for operators in Italy was spread between 1,136 companies, with a shared equity value, valued at buying cost, amounting to approximately €20 billion. At the same time, the resources available for investment amounted to around €5.9 billion.
Looking at the geographical distribution of investments, it's worth noting that in regard to the areas of interest for the bank, that the value of transactions carried out in Northern Italy (82% in 2011 compared to 80% in 2010) remain substantially stable.
In the regions of Trentino-Alto Adige and Veneto where Mediocredito is more established, the market remains limited, especially in Veneto in relation to its potential[5].

Finally, overall the market of project financing remained positive in 2011, particularly in the renewable energy sector which has maintained strong vitality, especially in the photovoltaic sector despite the progressive reduction in government incentives.
The installed capacity has grown from 30,204 MW (including 3,470 MW of solar power plants) in 2010 to 41,352 MW (of which no less than 12,750 MW of solar power plants) by the end of 2011[6].

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4 Report KPMG Corporate Finance, December 2011.

5 Data by AIFI (Italian Private Equity and Venture Capital Association).

6 GSE, data available in 2011.

MEDIOCREDITO IN 2011

In an increasingly challenging market, 2011 has seen Mediocredito involved in the development of new products, produced from the strategies outlined in the 2011-2013 industrial plan, approved by the Board of Directors at its meeting on February 18th.
The main objective of the industrial plan is to pursue a strategy of specialization for the Bank, implementing the range of services offered, confirming its role as a subsidiary body to the Cooperative Bank for product areas and focusing on a renewed relationship with the public shareholders on specific projects.
It also emphasised the role of support to businesses, with the development of skills and products to strengthen their competitiveness and technological innovation aimed at penetrating markets abroad and also to grow their size and turnover.

From a commercial perspective, given the economic situation that has seriously deteriorated in the second half of the year, the operation has been strongly focused to a coherent balance between project quality and fair pricing, in a context of the progressive deterioration in the cost of borrowing and availability of resources. After the first nine months when the financing activity showed a growth trend in terms of volume of new credit granted and increasing levels of disbursements (compared to the same period in 2010), the escalation of the crisis in the financial markets and its effect on rate policies, plus the deterioration of business confidence caused a sharp drop in demand and a decline in lending operations during the last quarter.

Investment banking activities showed a recovery from the severe crisis of 2009-2010 and the generation of revenue from services and consultancy continued its vigorous growth, in particularly in the corporate finance segment, driven by project finance transactions especially relating to the renewable energy sector.

As for funding, this year has seen some important deadlines for reimbursement and the Bank has managed to significantly increase the flow of new funding across all areas. This has been achieved despite the sharp market crisis in the second half of the year, thanks to the issuing of new bonds, medium to long-term financing by institutional counterparties and deposits from customers and banks, allowing the bank to obtain more than the necessary funding, in line with the strategic guidelines, for the stock of liquid assets of the bank.

With reference to lending risk, in a general situation that shows a persistent deterioration in the quality of credit assets, the portfolio of the Bank continues to show modest growth of doubtful loans, well below the system dynamics.

Overall from an economic point of view, 2011 saw an improvement in revenues due to the stability of net interest income and a significant development of commissions, which were further enhanced by gains from merchant banking activities, while the negative components of income, due to a reduced risk cost and the substantial stability of operating costs decreased. This gave a notable improvement in gross profit and, despite the significant increase in the tax burden, to a net income higher than that of 2010.

BUSINESS REVIEW[7]

LENDING OPERATIONS

Outline of lending operations (thousands of Euros)

Surveyed activities		2011	2010 [8]	Change %
credit granted	number	308	332	-7.2
	amounts	253,169	301,083	-15.9
credit disbursed		203,804	239,961	-15.1
		31 Dec 2011	**31 Dec 2010**	**Change %**
Total lending		1,369,176	1,442,199	-5.1
	- loans to banks	26,681	44,794	-40.4
	- loans to customers	1,342,495	1,397,404	-3.9

Credit granted

In 2011 the amount of credit granted by Mediocredito reached €253.2m, a decrease on the previous year both in terms of the number of applications granted (-7.2%) and in value (-15,9%). In particular, the trend has undergone a significant slowdown in the last quarter: in the last quarter of 2010 credit granted amounted to €98.9m over 115 operations, while in the same period in 2011 the credit granted amounted to €42.4m over 66 operations.
In 2011 the majority of amount granted continued to be within Trentino - Alto Adige although the relative weight on the total decreased from 35.0% to 29.2% and secondly in the Veneto region with 27.5% of the total of credit granted with a contained decrease of 9% (-€6.9m).

Breakdown of applications granted by area[9] (thousands of Euros)

	2011	%	2010	%	Change	Change %
Trentino	42,133	16.6	58,158	19.3	-16,025	-27.6
Alto Adige	31,896	12.6	45,738	15.2	-13,842	-30.3
Veneto	69,738	27.5	76,626	25.5	-6,887	-9.0
Emilia Romagna	36,473	14.4	39,825	13.2	-3,352	-8.4
Lombardy	44,393	17.5	40,802	13.6	+3,591	+8.8
Other areas	28,537	11.3	39,935	13.3	-11,398	-28.5
Total	**253,169**	**100.0**	**301,083**	**100.0**	**-47,914**	**-15.9**

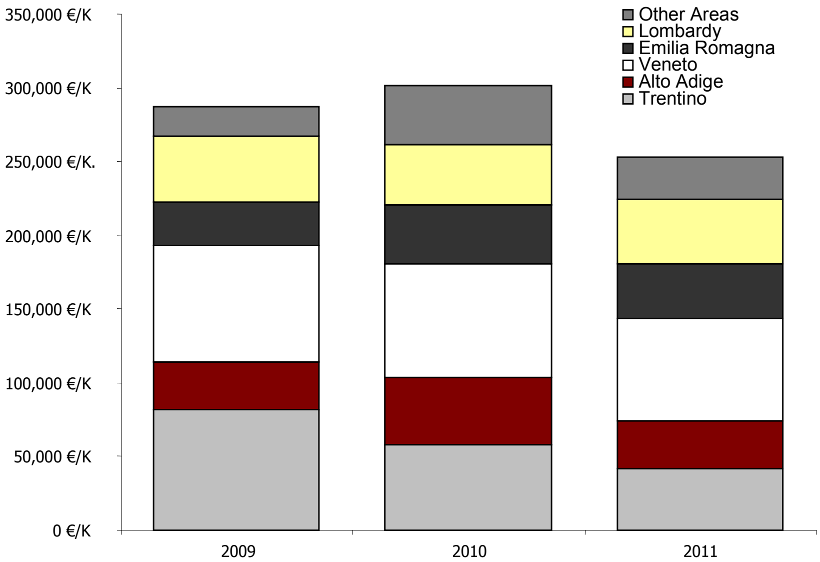
7 In this report the statistical data by sector is calculated based on the code ATECO 2007 - not on the basis of sector of economic activity (RAE). It was therefore necessary to reclassify some of the 2010 data based on the new criteria. At times this created some disparities in the representation of the data.

8 Data on credit granted differs from that indicated in the report of 31st December 2010 as some reclassifications have been made on historical statistical data.

9 Statistical distributions have been made according to the province / region the investment was destined for or the address of the headquarters for customer transactions that did not have a specific destination. These divisions therefore, sometimes do not reflect the geographic origin of the beneficiary of the loans.

In addition to the regions of Trentino - Alto Adige and Veneto, the effect of the slowdown in the last part of the year was also felt in Emilia Romagna (-8.4%) and in other areas of operations of the Bank (-28.5 %). However Lombardy shows a trend in the opposite direction, due in part to the opening of the branch in Brescia, which saw credit approvals increased by €3.6m, equal to 8.8%.

Trend of applications granted by area 2009-2011



At a sector level, companies operating in the mining/manufacturing and energy sectors (including agricultural sector companies, which are extensively involved in projects related to renewable energy sector) accounted for under 53% of credit allocation; however these sectors follow very different patterns: the growth of the manufacturing sector (+6.7%) was in contrast to a marked decrease in the energy sector (including farm installations) of -28.9%, after the strong growth in 2010 driven by government incentives to produce renewable energy.

Breakdown of applications granted by counterparty and economic sector (thousands of Euros)

	2011	%	2010	%	Change	Chg. %
Non-financial corporations	**232,738**	**91.9**	**264,613**	**87.9**	**-31,874**	**-12.0**
Mining/manufacturing sector	89,166	35.2	83,565	27.8	+5,601	+6.7
Energy	31,768	12.5	44,379	14.7	-12,611	-28.4
Other services	30,623	12.1	27,651	9.2	+2,972	+10.7
Real estate	25,165	9.9	13,568	4.5	+11,597	+85.5
Market services	17,352	6.9	33,191	11.0	-15,839	-47.7
Building industry	15,640	6.2	30,610	10.2	-14,970	-48.9
Agriculture	12,221	4.8	17,505	5.8	-5,284	-30.2
Transport services	6,063	2.4	6,933	2.3	-870	-12.6
Hospitality	4,741	1.9	7,210	2.4	-2,470	-34.3
Government Agencies, families and others	**16,671**	**6.6**	**22,995**	**7.6**	**-6,325**	**-27.5**
Financial corporations and banks	**3,760**	**1.5**	**13,475**	**4.5**	**-9,715**	**-72.1**
Totals	**253,169**	**100.0**	**301,083**	**100.0**	**-47,914**	**-15.9**

Looking at loans to counterparties operating in sectors related to the construction, real estate and building industries - in 2011 there was a decrease of €15.0m (-48.9%) in the construction sector, partly offset by the real estate sector (+ €11.6m, +85.5%).
The remaining sectors showed a widespread slowdown, with the exception of Other Services (+€3.0m, +10.7%).

Credit disbursed

During 2011, disbursements were made amounting to €203.8m: the slowdown (-€36.2m, -15.1%), after the positive trend in the first nine months, has developed in the last quarter of the year, especially in the Veneto and Emilia Romagna regions (from +€5.4m in September to -€4.8m by the end of the year).

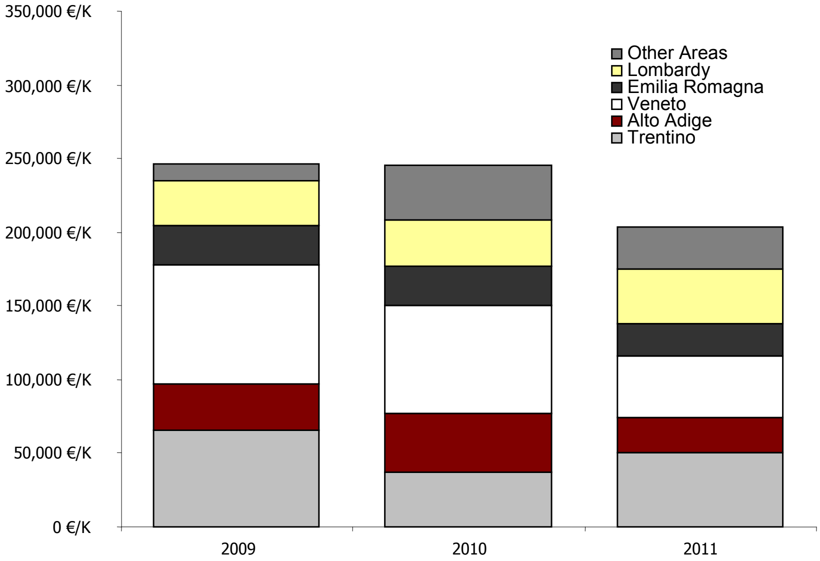
In Trentino-Alto Adige there was a modest (-4.0%) decline in disbursements, summarizing the contraction in the Province of Bolzano (-€16.5m) but largely offset by a good performance in the Province of Trento (+€13.4m).
With regard to operations outside the Trentino-Alto Adige region, activities continue to grow in Lombardy (+16.4%) while the remaining areas show a setback with record peaks as described earlier, in the Veneto region (also due to the end of operational discounting facilitated by Veneto region (Sabatini's Law)) and in the Emilia Romagna region.

Breakdown of credit disbursed by area (thousands of Euros)

	2011	%	2010	%	Chg.	Chg. %
Trentino	50,074	24.6	36,626	15.3	+13,448	+36.7
Alto Adige	24,127	11.8	40,634	16.9	-16,507	-40.6
Veneto	42,246	20.7	73,013	30.4	-30,767	-42.1
Emilia Romagna	21,625	10.6	26,449	11.0	-4,824	-18.2
Lombardy	37,275	18.3	32,018	13.3	+5,257	+16.4
Other areas	28,456	14.0	31,221	13.0	-2,765	-8.9
Totals	**203,804**	**100.0**	**239,961**	**100.0**	**-36,157**	**-15.1**

The breakdown of disbursements by geographical area shows a growth in the weight of Trentino - Alto Adige with 36.4% (compared to 32.2% in 2010), followed by Veneto (20.7%), Lombardy (18.3%), other areas where the bank is operational (14.0%), and Emilia Romagna (10.6%).

Trend of applications disbursed by area 2009-2011



At sector level, the dynamics are in contrast with the increase in disbursements (+9.8 million) in favour of the companies operating in the agriculture sector, which also account for the production of renewable energy by farms.

The overall limited volume of disbursements is attributed in part to the mining/manufacturing sector (-€18.4m, -21.0%) while the other sectors have contributed due to a slowdown ranging from -€1.8m in the hospitality sector to -€6.6m in real estate, whilst transport services remained stable.

Breakdown of credit disbursed by counterparty and economic sector (thousands of Euros)

	2011	%	2010	%	Chg.	Chg. %
Non-financial corporations	**190,114**	**93.3**	**218,983**	**91.3**	**-28,868**	**-13.2**
Mining/manufacturing sector	69,111	33.9	87,497	36.5	-18,386	-21.0
Energy	29,103	14.3	31,975	13.3	-2,871	-9.0
Agriculture	25,141	12.3	15,341	6.4	+9,800	+63.9
Building industry	17,505	8.6	19,988	8.3	-2,483	-12.4
Other services	13,679	6.7	17,715	7.4	-4,036	-22.8
Market services	13,178	6.5	16,051	6.7	-2,873	-17.9
Real estate	12,325	6.0	18,909	7.9	-6,584	-34.8
Hospitality	5,385	2.6	7,170	3.0	-1,784	-24.9
Transport services	4,688	2.3	4,339	1.8	+349	+8.0
Government Agencies, families and others	**12,227**	**6.0**	**15,398**	**6.4**	**-3,171**	**-20.6**
Financial corporations and banks	**1,463**	**0.7**	**5,580**	**2.3**	**-4,118**	**-73.8**
Totals	**203,804**	**100.0**	**239,961**	**100.0**	**-36,157**	**-15.1**

Activities done in collaboration with the co-operative banks showed a remarkable improvement: when considering that in addition to direct presentation and also participation in syndicated loans linked to it or in which it is involved, the percentage of disbursements is reported at 2009 levels amounting to 35.0% of the total, against 30.2% registered by the end of the 2010.

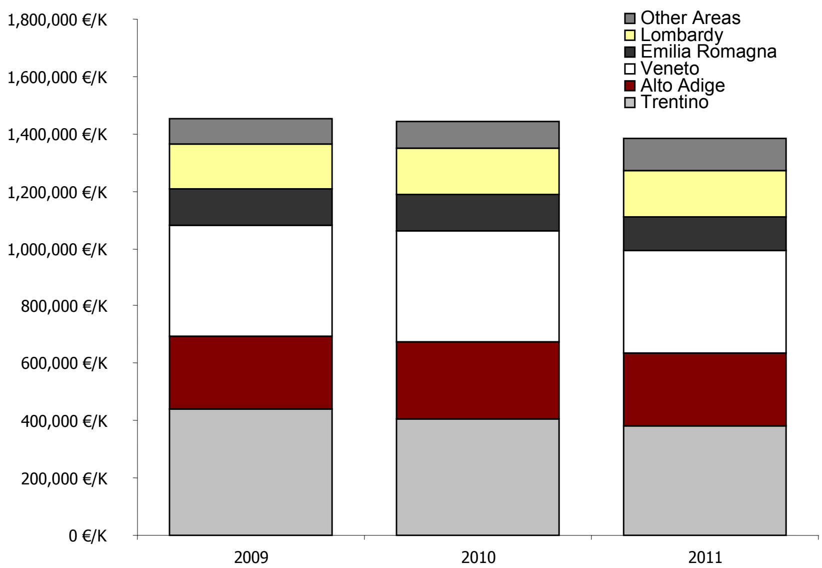
Loans and advances

Overall amounts of credit (to customers and banks) reduced by 4.7% (-€68.9m) when compared with results at 31st December 2010. The reduction became 2.2% when considering the components linked to companies and entities for public works due to the repayment, which occurred in 2011, of bonds issued mainly by regional banks and included in typical gross loans and advances.

Breakdown of typical gross loans and advances [10] by area (thousand of Euros)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Trentino	379,341	27.4	408,098	28.2	-28,758	-7.0
Alto Adige	255,876	18.5	268,518	18.6	-12,641	-4.7
Veneto	359,747	26.0	384,070	26.6	-24,323	-6.3
Emilia Romagna	116,801	8.4	128,467	8.9	-11,666	-9.1
Lombardy	161,580	11.7	158,746	11.0	+2,833	+1.8
Other areas	110,566	8.0	97,025	6.7	+13,541	+14.0
Total typical loans and advances	**1,383,911**	**100.0**	**1,444,924**	**100.0**	**-61,014**	**-4.2**
Current accounts and deposits [11]	*24,105*		*31,950*		*-7,845*	*-24.6*
Contributions and other corrections	*102*		*109*		*-7*	*-6.4*
Total credit	***1,408,118***		***1,476,983***		***-68,865***	***-4.7***

Trend of typical gross loans and advances by area 2009-2011

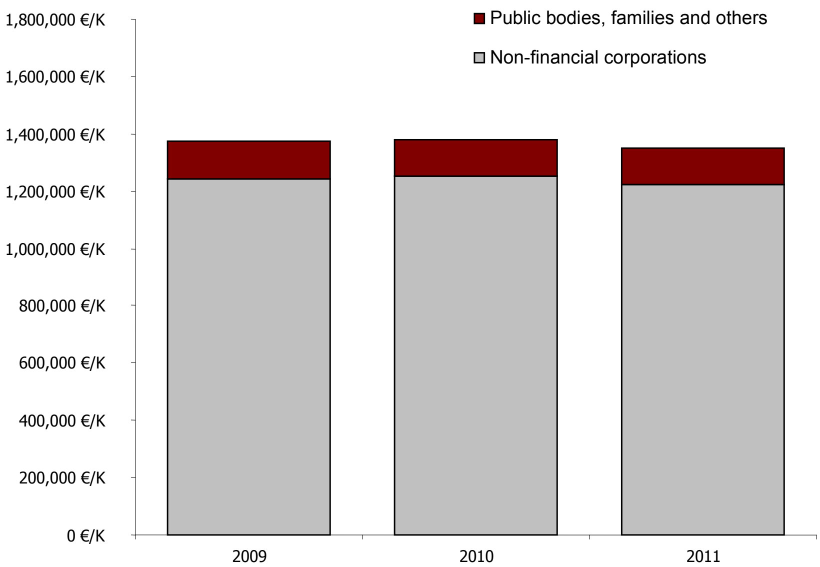


[10] Loans and advances shown in the tables are representeed gross of devalutions but net of bank current accounts, deposits and subsidised credit.

[11] 2011 data includes €2,473 thousand and 2010 data €17,291 thousand of credit towards SPV claimed from the securitization transaction.

Geographically, the reductions are spread across all areas of Bank activity, Lombardy is the exception showing data which is substantially stable at around €160m, and other areas of intervention, which increased by 14%, due to the aforementioned operations in the energy sector, often initiated in these regions by operators based in Trentino-Alto Adige.
The decrease is also fairly consistent across sectors: in particular the balance of the mining / manufacturing sector recorded a decline of 5.7%, transport services of 6.7% and other services of 6.5%; with regard to activities related to the construction sector (real estate and building industry) there is a contraction limited to 1.8%.
In contrast to the rest of the portfolio are the energy sector balances which grew by 26.1%, while credits to public bodies and families remain stable.

Trend of typical gross loans and advances to non-financial corporations, government agencies, families and others 2009-2011



Breakdown of typical loans and advances by counterparty and sector of economic activity (thousands of Euros)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Non-financial corporations	**1,224,716**	**88.5**	**1,252,858**	**86,7**	**-28,143**	**-2.2**
Mining/manufacturing sector	349,543	25.3	370,534	25.6	-20,991	-5.7
Real Estate	145,543	10.5	144,248	10.0	+1,296	+0.9
Agriculture	142,838	10.3	146,853	10.2	-4,015	-2.7
Building industry	128,119	9.3	134,499	9.3	-6,380	-4.7
Other services	101,559	7.3	108,596	7.5	-7,038	-6.5
Hospitality	110,108	8.0	113,325	7.8	-3,217	-2.8
Market services	104,483	7.5	106,923	7.4	-2,440	-2.3
Energy	89,318	6.5	70,847	4.9	+18,471	+26.1
Transport services	53,205	3.8	57,034	3.9	-3,828	-6.7
Government Agencies, families and others	**125,867**	**9.1**	**127,957**	**8.9**	**-2,090**	**-1.6**
Financial corporations and banks	**33,328**	**2.4**	**64,109**	**4.4**	**-30,781**	**-48.0**
Totals	**1,383,911**	**100.0**	**1,444,924**	**100.0**	**-61,014**	**-4.2**

As mentioned, the reduction in loans and advances was also affected by the repayments of bonds issued by banks at maturity, which significantly reduced the outstanding amount of the financial sector to €33.3m compared to €64.1m at the end of 2010, amplifying the final general decline.

Performing loans

The trend for performing loans (to customers and banks) shows the same trend for loans as a whole, although showing a more marked change: -5.4% considering the entire portfolio, -2.5% for typical loans to the building industry for public works.

Breakdown of typical gross performing loans [12] by area (thousands of Euro)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Trentino	352,328	28.3	384,809	29.3	-32,482	-8.4
Alto Adige	251,945	20.2	258,699	19.7	-6,754	-2.6
Veneto	307,752	24.7	333,029	25.4	-25,277	-7.6
Emilia Romagna	101,494	8.1	110,158	8.4	-8,663	-7.9
Lombardy	139,156	11.2	144,068	11.0	-4,912	-3.4
Other areas	93,969	7.5	80,443	6.1	+13,526	+16.8
Total typical loans	**1,246,644**	**100.0**	**1,311,206**	**100.0**	**-64,563**	**-4.9**
Current accounts and bank deposits [13]	*24,105*		*31,950*		*-7,845*	*-24.6*
Contributes on subsidised credits	*102*		*109*		*-7*	*-6.4*
Total performing loans	***1,270,851***		***1,343,265***		***-72,414***	***-5.4***

The breakdown of typical performing loans by geographical area shows the same percentage distribution registered in 2010, although highlighting widespread setbacks. An exception, as mentioned, other areas of intervention by the Bank represent an exception with volumes of loans up by 16.8%.

The breakdown of typical performing loans by sector of economic activity shows a trend similar to those that we have already illustrated in relation to the portfolio of loans as a whole.

12 Loans and advances are shown in the tables relative to overall amounts, gross of depreciation but net of current accounts with bank deposits and of contributions in relation to subsidised credit.

13 The 2011 data includes €2,473 thousands and in 2010 €17,291 thousands of credit towards SPV claimed from the securitzation transaction.

Typical performing loans by counterparties and sectors of economical activity (Thousands of Euro)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Non-financial corporations	**1,095,561**	**87.9**	**1,124,895**	**85.8**	**-29,335**	**-2.6**
Mining/manufacturing sector	304,013	24.4	325,395	24.8	-21,382	-6.6
Agriculture	135,076	10.8	139,671	10.7	-4,595	-3.3
Real estate	127,409	10.2	127,512	9.7	-103	-0.1
Other services	93,413	7.5	95,263	7.3	-1,851	-1.9
Building industry	98,299	7.9	109,425	8.3	-11,126	-10.2
Hospitality	103,745	8.3	103,962	7.9	-217	-0.2
Market services	92,624	7.4	98,878	7.5	-6,254	-6.3
Energy	89,263	7.2	70,793	5.4	+18,471	+26.1
Transport services	51,719	4.1	53,996	4.1	-2,278	-4.2
Government Agencies, families and others	**123,421**	**9.9**	**124,997**	**9.5**	**-1,576**	**-1.3**
Financial corporations and banks	**27,662**	**2.2**	**61,314**	**4.7**	**-33,652**	**-54.9**
Totals	**1,246,644**	**100.0**	**1,311,206**	**100.0**	**-64,563**	**-4.9**

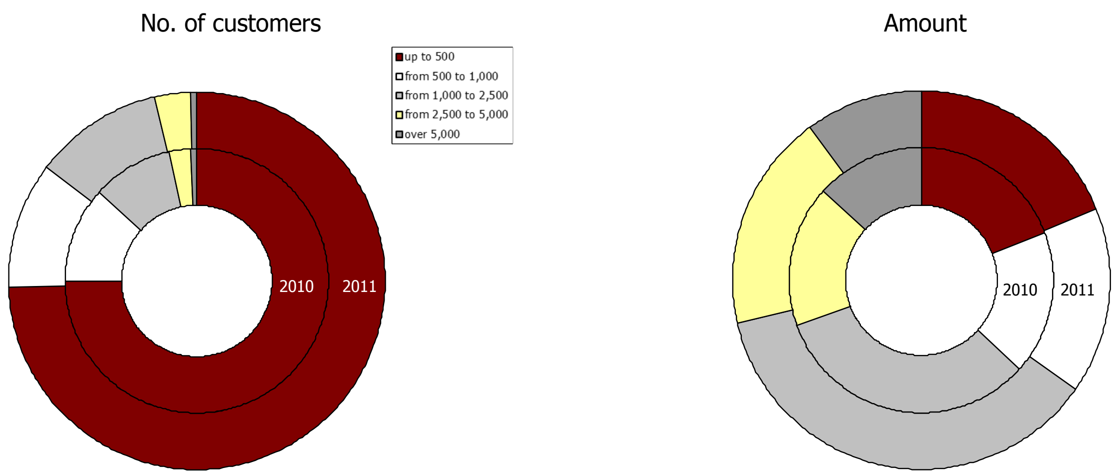
An analysis of risk exposure taking into consideration the amount of each single transaction that makes up the performing loans portfolio shows that:

- the overall amount of transactions with borrowers, with an overall exposure exceeding €2.5m equal to 28.6% of the total, down against the end of December 2010 (30.5%).
- the highest-amount transaction by itself represents 0.7% of the total of the top twenty transactions, sorted by amount, make up 8.1% of the total (down against data at the end of 2010, which were 0.8% and 9.0% respectively) and the top one hundred 24.2% (25.2% at the end of 2010).

Typical performing loans: breakdown of customers by amount loaned (thousands of Euro)

	No of Customers	Amount	% customers	% amount	Average amount
Up to 500	1,899	234,430	74.4	18.8	123
from 500 to 1,000	277	197,452	10.9	15.8	713
from 1,000 to 2,500	286	459,232	11.2	36.8	1,606
from 2,500 to 5,000	72	230,298	2.8	18.5	3,199
above 5,000	17	125,231	0.7	10.1	7,367
Totals	**2,551**	**1,246,644**	**100.0**	**100.0**	**489**

Distribution by loan amount – comparison 2011/2010



Typical performing loans: breakdown by major exposures (thousands of Euro)

	Dec 2011	%	Dec 2010	%
Top transaction	8,821	0.7	10,062	0.8
Top 20 transactions	100,409	8.1	118,128	9.0
Top 100 transactions	301,086	24.2	330,371	25.2

With regard to concentration by individual borrowers, the performing loans portfolio shows that:

- overall exposure to the top borrower, who also represents the top group of debtors, is stable at 1.5% (as in 2010);
- overall exposure to the top 20 borrowers equals 11.2% of the total performing loans portfolio (it was 11.9% at the end of 2010) and to the top 100 borrowers it comes to 30.7% (31.5% at the end of 2010);
- overall exposure to the top 20 groups is equal to 12.0% of the total performing loans portfolio (12.2% at the end of 2010) and to the top 100 groups comes to 33.2% (33.6% at the end of 2009).

Typical gross performing loans: breakdown by top borrowers (thousands of Euro)

	Dec 2011	%	Dec 2010	%
Top borrower	18,374	1.5	19,818	1.5
Top 20 borrowers	139,436	11.2	155,901	11.9
Top 100 borrowers	382,435	30.7	412,870	31.5

Typical gross performing loans; breakdown by top groups of borrowers (thousands of Euro)

	Dec 2011	%	Dec 2010	%
Top group of borrowers	18,374	1.5	19,818	1.5
Top 20 groups of borrowers	148,937	12.0	159,970	12.2
Top 100 groups of borrowers	413,957	33.2	441,153	33.6

High risks

With regard to «high risks», in accordance with current legislation, we can report the following situation as at 31st December 2011:

Counterpart	Nominal	Weighted
Government	30,819	0
Public bodies	18,365	3,673
Banks	180,543	180,543
Totals	**229,728**	**184,216**

The exposure risk to Governments and banks relates mainly to securities eligible for refinancing with the European Central Bank purchased during the year.

Impaired loans and "country risk"

The overall amount of gross impaired loans shows an increase of 2.7% equal to €3.5m.
The annual increase is due entirely to doubtful portfolios, which saw new entries, net of closures of previous operations, for €3.8m.

The global reduction in the number of loans brings the ratio of impaired loans over the total loans portfolio from 9.1% at the end of 2010 to 9.7%. The situation described above is also reflected on data net of overall adjustments, although due to an increase in the percentage of portfolio coverage (which rose from 22.3% to 24.6%) net impaired exposures are settling to values slightly lower than last year (-0.4%).

The tables below make a comparison between overall amounts of total loans as at 31st December 2010 and at the end of 2010.

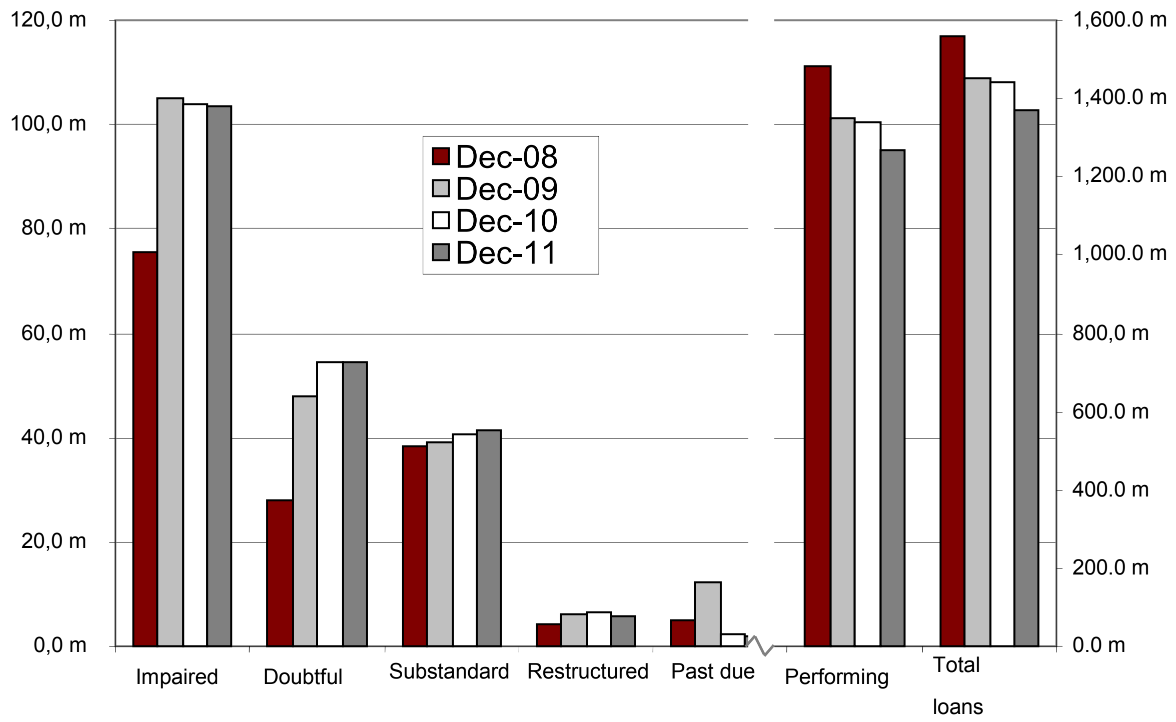
Loans and advances to customers and banks (thousands of Euro)

Dec 2011	Gross exposure	Overall adjustment	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and credit risk	**137,267**	**33,759**	**103,508**	**9.7**	**7.6**	**24.6**
- doubtful	80,316	25,962	54,354	5.7	4.0	32.3
- substandard	48,556	7,075	41,481	3.4	3.0	14.6
- restructured	6,391	687	5,704	0.5	0.4	10.7
- past due	1,966	5	1,961	0.1	0.1	0.3
- country risk	38	30	8	0.0	0.0	80.0
Performing loans	**1,270,851**	**5,182**	**1,265,668**	**90.3**	**92.4**	**0.4**
Total loans	**1,408,118**	**38,941**	**1,369,176**	**100.0**	**100.0**	**2.8**

Dec 2010	Gross exposure	Overall adjustment	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and credit risk	**133,718**	**29,804**	**103,913**	**9.1**	**7.2**	**22.3**
- doubtful	76,505	22,027	54,478	5.2	3.8	28.8
- substandard	47,769	7,242	40,527	3.2	2.8	15.2
- restructured	6,948	493	6,455	0.5	0.4	7.1
- past due	2,457	12	2,446	0.2	0.2	0.5
- country risk	38	30	8	0.0	0.0	80.0
Performing loans	**1,343,265**	**4,979**	**1,338,285**	**90.9**	**92.8**	**0.4**
Total loans	**1,476,983**	**34,784**	**1,442,199**	**100.0**	**100.0**	**2.4**

% change 2011/2010	Gross exposure	Overall adjustments	Net exposure
Impaired loans and credit risk	**+2.7**	**+13.3**	**-0.4**
- doubtful	+5.0	+17.9	-0.2
- substandard	+1.6	-2.3	+2.4
- past due	-20.0	-54.0	-19.8
Performing loans	**-5.4**	**+4.1**	**-5.4**
Total loans	**-4.7**	**+12.0**	**-5.1**

Dynamic of net loans (thousands of Euro)



Doubtful loans

Doubtful loans, gross of write-downs amount to €80.3m, up by €3.8m, equal to a 5.0% increase in comparison to 2010.

The highest amount of doubtful loans is to be found in the construction sector (building industry and real estate) accounting for 37.8% of doubtful loans (it was 32.9% in 2010), followed by the manufacturing sector (37.0%).

The building industry as a whole is also the one to record the highest growth in absolute terms: +€5.3m.

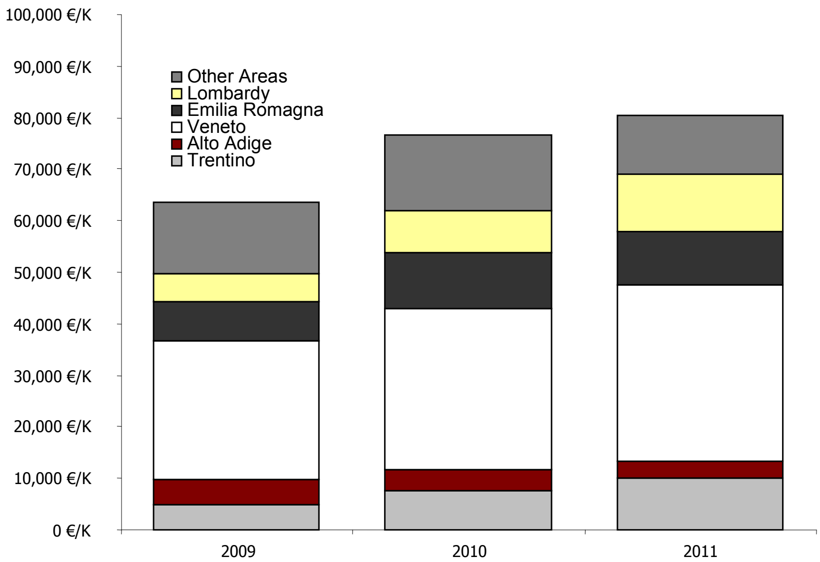
Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Non-financial corporations	**79,003**	**98.4**	**74,495**	**97.4**	**+4,508**	**+6.1**
Mining/manufacturing sector	29,698	37.0	30,078	39.3	-380	-1.3
Building industry	17,926	22.3	17,799	23.3	+127	+0.7
Real Estate	12,456	15.5	7,314	9.6	+5,142	+70.3
Market services	7,061	8.8	6,744	8.8	+318	+4.7
Other services	5,570	6.9	6,121	8.0	-551	-9.0
Agriculture	4,325	5.4	4,454	5.8	-130	-2.9
Hospitality	1,148	1.4	1,166	1.5	-18	-1.5
Transport services	764	1.0	764	1.0	-	-
Energy	55	0.1	55	0.1	-	-
Government Agencies, families and others	**1,313**	**1.6**	**875**	**1.1**	**+438**	**+50.1**
Financial corporations and banks	**0**	**0.0**	**1,135**	**1.5**	**-1,135**	**-100.0**
Totals	**80,316**	**100.0**	**76,505**	**100.0**	**+3,811**	**+5.0**

Breakdown of gross doubtful loans by area (thousands of Euro)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Trentino	10,091	12.6	7,639	10.0	+2,452	+32.1
Alto Adige	3,093	3.9	4,109	5.4	-1,016	-24.7
Veneto	34,289	42.7	31,230	40.8	+3,059	+9.8
Emilia Romagna	10,466	13.0	10,916	14.3	-450	-4.1
Lombardy	11,173	13.9	8,195	10.7	+2,978	+36.3
Other Areas	11,204	13.9	14,416	18.8	-3,212	-22.3
Totals	**80,316**	**100.0**	**76,505**	**100.0**	**+3,811**	**+5.0**

Trend of gross doubtful loans by area 2009-2011



From a geographical point of view, the majority of doubtful loans are in Veneto (42.7%) while Trentino, Emilia Romagna, Lombardy and other areas account each for around 13-14% of the doubtful loans portfolio. Alto Adige stands out accounting for only 3.9% of the total doubtful loans. It also shows a decrease in the stock.

When considering Trentino - Alto Adige as a whole it accounts for 16.5% of doubtful loans, up compared to 2010 (15.4%); doubtful loans have also increased in Veneto (+9.8%) and Lombardy (+36.3%) while other areas show a positive trend (-22.3%) and as stressed before the province of Bolzano.

Doubtful loans, net of write-downs amount to €54.4m, virtually stable in comparison with 31st December 2010 (-0.2%).
The ratio of net doubtful loans to net lending was 4.0%, against 3.8% at the end of the previous business period; the same ratio gross of write-downs went from 5.2% to 5.7%.

Key ratios relative to doubtful loans

in %	Dec 2011	Dec 2010
Gross doubtful loans / total gross loans	5.7	5.2
Gross doubtful loans /total gross loans to customers	5.8	5.3
Gross doubtful loans / regulatory capital	44.0	41.2
Net doubtful loans / total net loans	4.0	3.8
Net doubtful loans /total net loans to customers	4.1	3.9
Net doubtful loans / regulatory capital	29.8	29.3

Substandard loans

Substandard loans, gross of write-downs, equalled €48.6m, up by 1.6% against the results at the end of 2010.
The construction sector as a whole makes up for nearly a third of the substandard loans portfolio (32.4%), followed by the mining/manufacturing sector (26.0%).
In absolute value the sector with the biggest increase is the one of financial corporations (+€4.0m, related to an operation towards a real estate fund), while the hospitality sector shows the most relevant reduction (-€5.5m).

Breakdown of gross substandard loans by counterparty and economic sector (thousands of Euros)

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Non financial corporations	**42,142**	**86.8**	**45,258**	**94.7**	**-3,117**	**-6.9**
Mining/manufacturing sector	12,609	26.0	11,897	24.9	+712	+6.0
Building industry	10,531	21.7	7,052	14.8	+3,479	+49.3
Hospitality	4,664	9.6	8,197	17.2	-3,533	-43.1
Real estate	5,195	10.7	6,310	13.2	-1,116	-17.7
Other services	228	0.5	5,679	11.9	-5,451	-96.0
Market services	4,792	9.9	1,257	2.6	+3,535	+281.2
Agriculture	3,401	7.0	2,593	5.4	+808	+31.1
Transport services	722	1.5	2,273	4.8	-1,551	-68.2
Energy	-	-	-	-	-	-
Families and others	**786**	**1.6**	**888**	**1.9**	**-103**	**-11.5**
Financial corporations and banks	**5,628**	**11.6**	**1,622**	**3.4**	**+4,006**	**+246.9**
Totals	**48,556**	**100.0**	**47,769**	**100.0**	**+786**	**+1.6**

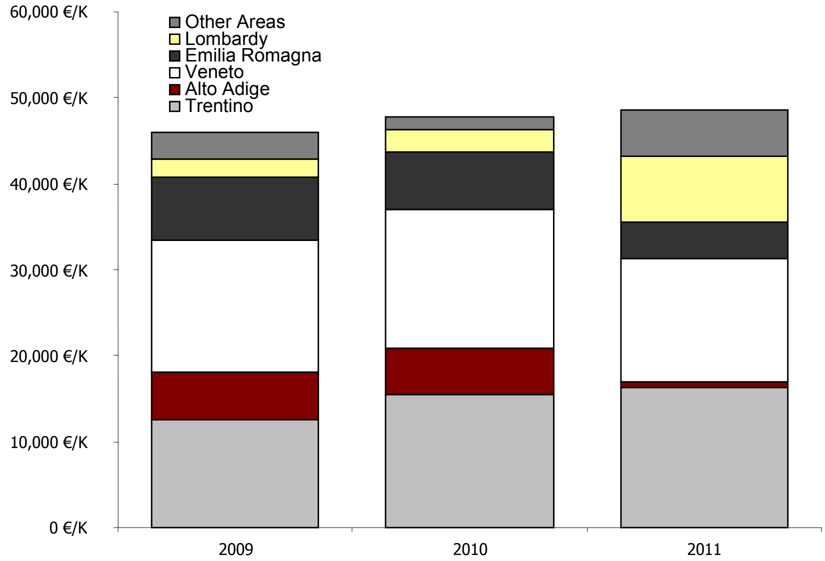
Substandard loans decreased in Trentino-Alto Adige (-€3.9m), Emilia Romagna (-€2.5m) and Veneto (-€1.8m) while there were increases in Lombardy (+€5.1m) and other area of intervention of the bank (+3.8m).

In terms of stock, Trentino-Alto Adige as a whole makes up for 34.9% of sub standard loans, followed by Veneto (29.7%), Lombardy (15.6%), other areas (11.0%) and Emilia Romagna (8.8%).

Breakdown of gross substandard loans by area *(thousands of Euro)*

	31 Dec 2011	%	31 Dec 2010	%	Chg.	Chg. %
Trentino	16,293	33.6	15,557	32.6	+736	+4.7
Alto Adige	655	1.3	5,254	11.0	-4,599	-87.5
Veneto	14,400	29.7	16,199	33.9	-1,799	-11.1
Emilia Romagna	4,259	8.8	6,741	14.1	-2,482	-36.8
Lombardy	7,598	15.6	2,489	5.2	+5,109	+205.3
Other areas	5,351	11.0	1,530	3.2	+3,822	+249.9
Totals	**48,556**	**100.0**	**47,769**	**100.0**	**+786**	**+1.6**

Trend of sub standard loans by area 2009-2011



Substandard loans net of write-downs, equals €41.5m, up by 2.4% against 31st December 2010. The ratio of net substandard loans to total net loans was 3.0% compared to 2.8% at the end of the previous business period.

Key ratios relative to substandard loans

in %	Dec 2011	Dec 2010
Gross substandard loans / total gross loans	3.4	3.2
Gross substandard loans / total gross loans to customers	3.5	3.3
Net substandard loans / total net loans	3.0	2.8
Net substandard loans / total net loans to customers	3.1	2.9

Restructured loans

Restructured loans, net of write-down, amounted to €5.7m, down by €0.8 against 31 December 2009.
The ratio of net restructured loans to total net loans is 0.4%, stable against the same period last year.

Past due loans

This item is made up of all cash loans not secured against real estate to borrowers (not included in the other categories of impaired loans) whose debts are overdue for more than 180 days and individual loans guaranteed by real estate to borrowers whose debts are overdue for more than 180 days according to the criteria established by the supervising authorities.

These loans, net of write-down, equal €2.0m, decreasing (-19.8%) against 31 December 2009.
The ratio of "loans past due" to total net loans is therefore 0.1% against 0.2% as recorded at the end of the previous business period.

We would like to point out that as for 1 January 2012 the derogation that limited the singling out of past due loans to only those that were overdue for more than 180 days comes to an end: following that date the past due portfolio will include also past due loans that are overdue for more than 90 days. Such loans as at 31 December 2011 amounted to about €5.0m (€6.8m at 31 December 2010).

EQUITY INVESTMENT ACTIVITIES

Equity Investment

Equity investment activities both direct and through participation in the closed-end securities investment fund "MC^2 Impresa", show overall amounts of approximately €17.3m up by +3.2% against December 2010.

Over the year, Mediocredito has provided for the payment of €58,300 relating to unpaid calls for the capital increase of Hotel Lido Palace S.p.A., subscribed in 2010, to the payment of €1.2m for the purchase of the shareholding in SWS Group S.p.A. and towards the sale of the investment in SOA Nord Alpi S.p.A. – acquired in 2000 for 78,000 Euro – for a gain of €492,000.

The impairment test on equities, has led to a loss in profit considered durable and registered in the income statement on equity investments in Urbin SpA in liquidation for €312,000 and AEDES SpA for €166,900.
It was also noticed – with contra-entry to equity – a recovery in value equal to €78,000 on equities of the closed-end investment fund "MC^2 Impresa".

Fair value evaluation is shown in the accounting with contra-entry to net equity values for the following:

- Positive change in fair value of shares in Alto Garda Servizi S.p.A. for €36,400;
- Negative change in fair value of quotes in the closed-end real estate investment fund "Clesio" for €6,200;

Valuation using the net equity method for investments in subsidiaries, joint ventures or companies under significant influence led to a revaluation of the stock held in Paradisidue S.r.l. for an amount of €7,000, in Essedi Strategie d'Impresa S.r.l. for €19,000 and the devaluation of the stock held in Biorendena S.p.A. for €64,000.

The closed-end investment fund « MC^2 Impresa », promoted by Mediocredito, aims to invest in minority shareholdings of medium sized enterprises and is managed by BCC Private Equity SGR.
In 2011 it carried on the process of disinvestment started for the closed-end investment fund « MC^2 Impresa », therefore Mediocredito's advisory role only consisted of the management of portfolio holdings.

Equity Investment (thousands of Euro)

	Dec 2011			Dec 2010		
	Afs	**Equity invest.**	**Total**	**Afs**	**Equity invest.**	**Total**
Merchant banking investment	8,377	76	8,453	7,424	140	7,564
Investment fund units (UCITS)	8,412	-	8,412	8,341	-	8,341
Other equity investments	345	83	428	786	58	845
Totals	**17,134**	**159**	**17,293**	**16,551**	**198**	**16,749**

Notes on equity investments (amounts in thousands of Euros)

Paradisidue S.r.l. – Trento

This is a real estate company that was set up on 30 December 2003 and is fully controlled by the Bank. The company was established to allow the Bank to participate directly in judicial auctions of real estate that had been the property of insolvent debtors. The company purchased at judicial auction two buildings that acted as a guarantee for an amount overdue to the Bank, in 2009 and 2011. On 31 December 2011, these buildings are shown under "Real Estate" in the asset side of the Statement of Financial Position of the subsidiary and its book value is in line with the appraised value; the company has closed the year 2011 with a profit of €6,800 which was entirely reinvested.

Other equity investment	
Balance at 31/12/2010	**16.0**
Purchases	-
Sales	-
Gains	+6.8
Losses	-
Impairment	-
Balance at 31/12/2011	**22.8**
Stake held	**100.000%**

Essedi Strategie d'Impresa S.r.l. – Trento

Founded in 1999 on our Bank's initiative and with the participation of other entities – both banks and businesses – with the purpose of offering consultancy services to small and medium sized enterprises and thus expanding and integrating the range of financial services offered by the Bank.

The company changed its corporate form and became an S.r.l. (a limited liability company) in 2009 and after a capital decrease to cover losses suffered in 2008 with a subsequent capital increase to bring it into line with the minimum legal requirements, Mediocredito's stake came to 31.869%. The company has gone through a period of recovery with regard to profit and the most recent approved annual report shows positive performances which have provided gains for the Bank of around €18,600.

Other equity investment	
Balance at 31/12/2010	**41.7**
Purchases	-
Sales	-
Gains	+18.6
Losses	-
Impairment	-
Balance at 31/12/2011	**60.3**
Stake held	**31.869%**

Biorendena S.p.A. – Pinzolo (TN)

Established to build a biomass driven steam power plant for district heating and domestic hot water, serving the area of Madonna di Campiglio.

In 2011 the company continued to pursue its goal of making the biomass-driven steam plant for Madonna di Campiglio active as soon as possible; however there have been continuing delays in obtaining the necessary authorisation to do this, although the problems are about to be solved.

The fair value calculated according to the method of equity shows a decrease of €63,800.

Merchant Banking Investments	
Balance at 31/12/2010	**139.9**
Purchases	-
Sales	-
Gains	-
Losses	-63.8
Impairment	-
Balance at 31/12/2011	**76.1**
Stake held	**20.000%**

Notes on other equity investments and stakes available for sale

SPF Energy S.p.A. - Milan

The company operates in the renewable energy sector. The main shareholder with a quote of 23.56% is Sopaf S.p.A., a financial corporation controlled by the Magnoni family. The capital used to start SPF Energy has been provided by some very important names within Italian industry and finance.

The participation of Mediocredito with its investment of €1m, alongside the financing of a project in 2010 coincides with the development of a photovoltaic

Merchant Banking Investments	
Balance at 31/12/2010	**1,000.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-
Balance at 31/12/2011	**1,000.0**
Stake held	**3.830%**

plant with a power of 20/25 MWp for a value which exceeds €80m.
The project is about to be launched and no elements of change emerged in the expected income streams since the forecast elaborated at the time of acquisition. The evaluation of the investment to 31.12.2011 does not express changes in fair value.

S.W.S. Group S.p.A. - Trento

The company operates, through the subsidiary SWS Engineering S.p.A., in the area of engineering and design and, though the subsidiary Enginsoft S.p.A., in automation and control engineering, specializing in consultancy, research and development of advanced applications of simulations with mathematical models.
The entry of Mediocredito in the company, with a share of 14.966%, was achieved in November 2011 in order to continue the process of exploitation and development of the company launched by the closed-end fund MC^2 Impresa.
The investment is budgeted for a fair equivalent of €1.2m, equivalent to the recent purchase price.

Merchant Banking Investments	
Balance at 31/12/2010	**-**
Purchases	+1,201.0
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-
Balance at 31/12/2011	**1,201.0**
Stake held	**14.966%**

Hotel Lido Palace S.p.A. – Riva del Garda (TN)

Hotel Lido Palace S.p.A. was established to build a luxury accommodation facility in the renowned tourist resort of Riva del Garda, situated in Trentino on the shore of Lake Garda. Efforts were made to involve – alongside the public bodies - private entrepreneurs and financiers with experience in the sector of Tourism. Mediocredito supported this initiative acting as managing bank in the context of a financial operation and purchased a 3.25% equity investment to the amount of €0.354m, which in 2010 grew to 4.84% following a capital increase. The resort has started being operational in the second half of 2011 and is not yet fully operational therefore at the time of closing the balances there are no significant value changes in relation to the purchase cost so the purchase cost remains the reference value of our stake.

Merchant Banking Investments	
Balance at 31/12/2010	**470.5**
Purchases	+58.3
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-
Balance at 31/12/2011	**528.8**
Stake held	**4.840%**

Valsugana Energia S.p.A. – Pergine Valsugana (TN)

Valsugana Energia S.p.A. was established to realize a project for a trigeneration plant. The promoter of this project was STET S.p.A., a multi-utility company active in the eastern part of Trentino. Valsugana Energia S.p.A. was set up on 21 August 2007 with a starting capital of €2.5m of which 60% was underwritten by STET S.p.A. and the rest by local financial institutions. Mediocredito supported the initiative by acting as the managing bank in the context of a financial operation worth €6.2m and purchased a 12% stake in the company equal to €0.3m. The plant started operating in December 2008 and in 2011, it is recording an increase in the volume of production and the cashing of green certificates.
The return of the investment is linked to public incentives granted for the production of energy by means of high-yield and low emission plants; a minimum return is guaranteed by the company's promoter and the investment is also protected by a put option. Considering the above, there is no significant or lasting value changes in relation to the purchase cost so that the latter remains the reference value of our stake.

Merchant Banking Investments	
Balance at 31/12/2010	**300.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-
Balance at 31/12/2011	**300.0**
Stake held	**12.000%**

Enercoop S.r.l. – Trento (TN)

This company was set up in 2009 on the back of an initiative by local co-operative banks to purchase and manage a minority shareholding in Dolomiti Energia S.p.A., a company which originated from the merger between Trentino Servizi S.p.A: (the major multi-utility company in Trentino) and the former Dolomiti Energia S.p.A. (a company whose shareholders were mainly public bodies). Dolomiti Energia is currently one of the most important Italian multi-utility companies in relation to its size.
Enercoop has purchased a 1.8% stake in the new Dolomiti Energia S.p.A. for around €11m. Mediocredito has purchased a 15% of Enercoop S.r.l. for €1.656m; from this amount €19,800 was in the capital account and €1.635m represented a loan to shareholders intended for the purchase of a share in Dolomiti Energia S.p.A.
The estimate as at 31st December 2011 does not show any changes in the fair value since 2010.

Merchant Banking Investments	
Balance at 31/12/2010	**1,720.7**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-
Balance at 31/12/2011	**1,720.7**
Stake held	**15.000%**

Alto Garda Servizi S.p.A. – Riva del Garda (TN)

A multi-utility company, controlled by local government and operating in the area north of Riva del Garda. As for other companies in Trentino that operate in this sector, it has evaluated its options for a strategic alliance and has established a commercial partnership Dolomiti Energia S.p.A.
Thanks to improved results both in terms of turnover and operational margins with respect to the previous year, the value of the Bank's stake at 31 December 2011 has increased by €36,000.

Merchant Banking Investments	
Balance at 31/12/2010	**2,074.9**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+36.4
Impairment	-
Balance at 31/12/2011	**2,111.3**
Stake held	**6.051%**

Alto Garda Servizi Teleriscaldamento S.p.A. – Riva del Garda (TN)

Established towards the end of 2008, this company is the instrument by which the controlling company, Alto Garda Servizi S.p.A. (AGS) intends to manage the district heating service for the area of Riva del Garda and its surrounding municipalities. AGS brought a few financiers into the initiative as minority shareholders amongst which are Mediocredito, Fincoop S.p.A. (the holding company of the co-operative sector in Trentino) and Cassa Rurale Alto Garda. Mediocredito has invested €1.5m in the initiative.
The expansion of the district heating network system has continued during the course of 2011. There has been a significant increase in the turnover and positive operational margins have been achieved, thanks to takes in AGPower.
Considering that the investment for the expansion of the network has not been completed and a minimum return is expected, we do not have further information on its current value, we believe that at 31st December 2011 the amount that was paid out is a good approximation of the fair value of the equity investment.

Merchant Banking Investment	
Balance at 31/12/2010	**1,500.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-
Balance at 31/12/2011	**1,500.0**
Stake held	**16.130%**

SOA Nord Alpi Organismo di attestazione S.p.A. – Padua

During 2011, participation (equal to 9.907% of capital) was sold for a total of €570,000 with a profit from the sale for €492,000. The internal rate of return on investment - made in 2000 - was 32%.

Merchant Banking Investment	
Balance at 31/12/2010	**342.6**
Purchases	-
Sales	-570.0
Gains/Losses on disposal	+492.0
Fair value changes	-
Reversal to income statement negative reserve	-264.6
Impairment	-
Balance at 31/12/2011	**-**
Stake held	**-**

Urbin S.p.A. in liquidation – Trento (previously Iniziative Urbane S.p.A.)

Established in 1998 with the purpose to buy the "ex-Michelin" area in Trento and to develop proposals to maximize the utilization and optimization of the area, from both from an economic and a functional prospective.
Besides banks and local businesses, ISA Spa, Trentino Servizi Spa, ITAS Service S.r.l. have taken part in this initiative.
In 2007, in order to carry on with the urban re-qualification project relating to the "ex Michelin" area, the shareholders decided to make this investment part of the closed-end real estate investment fund "Clesio", which is managed by the company Castello SGRpa and is reserved for qualified investors. This took place in 2008, while in 2011 it has carried on the process of liquidation of the company due to a lack of new urban area re-qualification projects: based on the current value of the liquidation balance sheet of the company there is an impairment loss of €312,000 with a residual value of the share of about €1,8000.

Other equity investments	
Balance at 31/12/2010	**277.8**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	+36.0
Impairment	-312.0
Balance at 31/12/2011	**1.8**
Stake held	**2.778%**

Closed-end real estate investment fund "Clesio"

Following the inclusion of the construction site known as "ex-Michelin" (a property of Iniziative Urbane S.p.A.) to the closed-end real estate investment fund "Clesio", Mediocredito has been attributed 14 units with an equivalent value of €0.764m.
The company Castello SGRpa assigned the value of €56,385.114 to each unit on 31 December 2011 compared to €56,829.536 on 31 December 2010. Therefore, the equity investment shows a negative fair value change of €6,200.
The Fund is currently being used to construct an important building complex in the city of Trento.

Investments in UCITS	
Balance at 31/12/2010	**795.6**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-6.2
Impairment	-
Balance at 31/12/2011	**789.4**

Close-end securities investment fund "MC²–Impresa"

This is a private equity fund established under an initiative by Mediocredito that concentrates its focus on minority shareholdings in medium sized enterprises. The Bank has an advisory role for the fund which is managed by BCC Private Equity SGR.
The 80 units in the fund owned by the Bank have been valued on 31 December 2011 by BCC Private Equity SGR at a unit value of €95,283.187 increased in comparison to €94,312.139 on 31 December 2010. In agreement to company policy, the revaluation of the AFS investment - for which in the previous period (due to a decrease in fair value under its purchase value over a period longer than 24 months) was recorded an impairment in the income statement – has generated a positive change of fair value for an amount of €77,700.

Investments in UCITS	
Balance at 31/12/2010	**7,545.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+77.7
Impairment	-
Balance at 31/12/2011	**7,622.7**

AEDES S.p.A. (a joint stock company from the regions of Liguria and Lombardy, active in the real estate sector) - Milan

The equity investment in AEDES S.p.A. originates from debt restructuring agreements that were signed in 2009 between this important national group active in the real estate sector (which was hit especially hard by the global economic downturn) and its creditor banks. The amount due to Mediocredito is approximately €1.1m (the Bank had already classified it as an impaired loan and downgraded it by around 50% in the annual report 2008) and was partly (15%) rescheduled and partly (85%) cancelled following the debt for shares exchange. The value attributed to the shares was their stock price on the transaction date is approximately €273,400.
The reduction of market prices of the title in 2011 produced an impairment of €166,900.

Other equity investments	
Balance at 31/12/2010	**245.5**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Impairment	-166.9
Balance at 31/12/2011	**78.6**
Stake held	**0.120%**

Other equity investments and stakes available for sale

(thousands of Euro)

	Cassa Centrale Banca S.p.a. - Trento Other equity investments	P.B. S.r.l. (in liquidation) Milano Other equity investments	Trentino Volley S.p.A. Trento Merchant Banking Investment	Fondo RETEX Other equity investments
Balance at 31/12/2010	**50.2**	**3.4**	**14.9**	**100.4**
Purchases	-	-	-	-
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Impairment	-	-	-	-
Balance at 31/12/2011	**50.2**	**3.4**	**14.9**	**100.4**
Stake held	**0.025%**	**0.820%**	**5.363%**	**1.237%**

(in thousands of Euro)

	Trevefin S.p.A. Tarzo Other equity investments	Lineapiù S.p.A. Prato Other equity investments	Federazione Trentina delle Cooperative Scarl Trento Other equity investments	Formazione-Lavoro Società consortile per azioni Trento Other equity investments
Balance at 31/12/2010	**108.8**	**-**	**1.0**	**-**
Purchases	-	-	-	0.6
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Impairment	-	-	-	-
Balance at 31/12/2011	**108.8**	**-**	**1.0**	**0.6**
Stake held	**4.387%**	**0.786%**	**0.187%**	**0.042%**

Other corporate & investment banking activities

2011 has been marked by a substantial stabilization of the bank in this sector thanks on one side to the growth of the investment in project financing, mainly in the renewable energy sector, and on the other hand the contraction of syndicated transaction in traditional sectors, industrial and real estate, following the stagnation of investment in these sectors.

Energy & Project Financing

This sector has benefited from the strong government subsidies for renewable energies, especially photovoltaic plants, in spite of the issuing of the fourth energy bill in May which has drastically modified and reduced government contribution to support investment both in the short and long term. The Bank has performed several operations with positive results in terms of commission income thanks to the contribution of its internal specialised consultancy ability. Looking forward, in spite of more restrictive government incentives, we envisage positive developments in the sector in the years to come, in terms of sources of renewable energy such as biomasses and hydroelectric power.

Advisory

The Bank has continued its activities on behalf of the closed-end investment fund "MC^2 Impresa" with commissions for the role of advisor for €270,000.

The Bank also worked on some mandates to assist SMEs in the preparation of economic and financial plans, preparatory to transactions of extraordinary financing and qualitative analysis on the competitive positioning in their respective sectors and markets.

The table below shows the results in terms of income that all these activities have generated in 2011.

	2011	2010	Chg. %
Syndications, project & energy	920.4	975.2	-5.6
M&A – Advisory	359.0	342.7	+4.8
Totals	**1,279.4**	**1,317.9**	**-2.9**

BORROWING OPERATIONS AND TREASURY MANAGEMENT

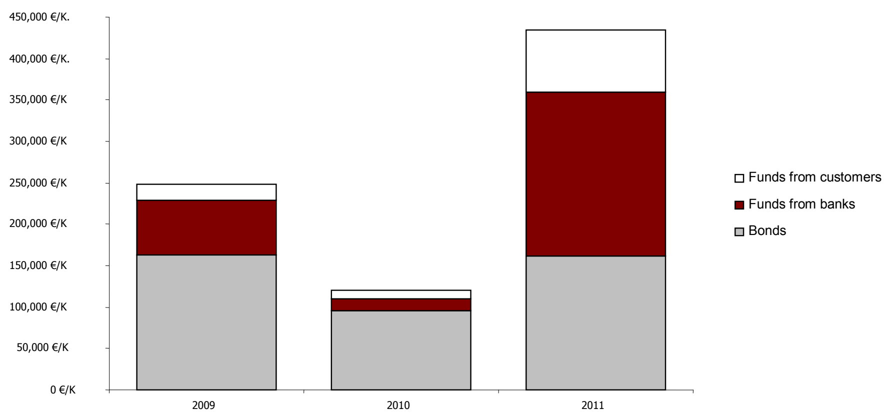
In 2011, there has been a substantial increase in new funds secured against 2010 (€435m compared to €120m in 2010). Such funds are distributed on all channels of financing: new bonds have been issued for €161.8m; medium to long term financing made up for €118m – of which €30m from EIB and CDP (Cassa Depositi e Prestiti) and €82m from the European Central Bank (through Cassa Centrale Banca) - while deposits from companies and institutions have been characterised by new flows for €50m.

In particular, the new flow of funds from bonds is represented almost entirely from the issuance of bonds - under the EMTN program - for €160m.

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2011	%	2010	%	chg. %
BONDS	**161,800**	**37.2**	**95,500**	**79.4**	**+69.4**
- straight bonds	*161,800*	*37.2*	*95,500*	*79.4*	*+69.4*
- Fair Value bonds	-	-	-	-	-
- zero-coupon bonds	-	-	-	-	-
- special bonds	-	-	-	-	-
FUNDS FROM BANKS AND CDP	**197,561**	**45.5**	**15,003**	**12.5**	**+1,216.8**
- EIB funds	*30,000*	*6.9*	-	-	
- other medium/long term bonds	*117,991*	*27.2*	*15,003*	*12.5*	*+686.4*
- debit deposit	*49,570*	*11.4*	-	-	
FUNDS FROM CUSTOMERS	**75,172**	**17.3**	**9,831**	**8.2**	**+664.6**
- funds from third parties	*12,771*	*2.9*	*9,366*	*7.8*	*+36.4*
- other funds from customers	*62,401*	*14.4*	*465*	*0.4*	*n.s.*
TOTAL	**434,533**	**100.0**	**120,334**	**100.0**	**+261.1**

Dynamic of fund flows (thousands of Euro)



It is also worth mentioning that securities eligible for refinancing with the European Central Bank have been purchased during the year, to accompany the senior notes that came from the securitization completed in late 2009, for €195m.

With this operation, the total number of eligible securities, available to the Bank to mitigate liquidity risk, is equal to a total of €267.4m, of which €144.8m pledged to secure lines of credit.

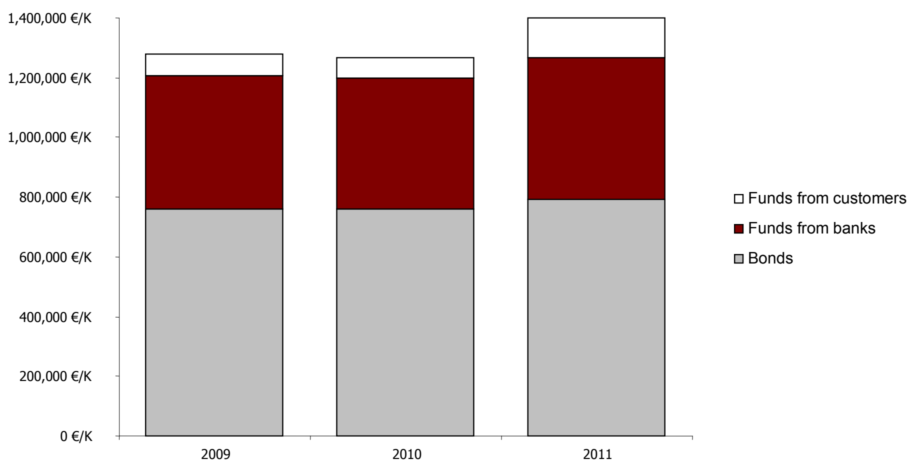
In terms of overall amounts, bonds have increased by 4.2% due to the abovementioned flows reaching a value of €794m, while financing grows by €37.5m thanks to the new funds from the EIB, CDP and ECB and the increase of short term funds which offset the refunds applied to the medium to long term funds by banks.
Third parties funds are stable at around €58m, while other funds from customers, mainly consisting of short term deposits, grew by €63m.
Overall amount of funding registered an increase of 10.3%, equal to €130.4m.

Overall amounts of borrowing operations (in thousands of Euros)

TYPE	OVERALL AMOUNTS				
	Dec 11	%	Dec 10	%	chg. %
BONDS	**793,964**	**56.8**	**761,738**	**60.1**	**+4.2**
- straight bonds	*754,231*	*53.9*	*703,663*	*55.5*	*+7.2*
- Fair Value bonds(+fv irs)	*39,354*	*2.8*	*45,629*	*3.6*	*-13.8*
- zero-coupon bonds	*-*	*-*	*11,981*	*0.9*	*-100.0*
- special bonds	*379*	*0.0*	*465*	*0.0*	*-18.5*
FUNDS FROM BANKS AND CDP.	**473,503**	**33.9**	**436,049**	**34.4**	**+8.6**
- EIB funds	*123,045*	*8.8*	*109,195*	*8.6*	*+12.7*
- other medium-long term bonds [1]	*242,989*	*17.4*	*208,016*	*16.4*	*+16.8*
- debit current accounts and deposits	*107,469*	*7.6*	*118,838*	*9.4*	*-9.6*
FUNDS FROM CUSTOMERS	**130,621**	**9.3**	**70,043**	**5.5**	**+86.5**
- funds from third parties	*57,520*	*4.1*	*59,787*	*4.7*	*-3.8*
- other funds	*73,101*	*5.2*	*10,256*	*0.8*	*+612.8*
TOTAL	**1,398,088**	**100.0**	**1,267,830**	**100.0**	**+10.3**

[1] of which €58.648m in December 2011 and €21.860m in December 2010 from CDP and €82m in December 2011 from ECB (through Cassa Centrale Banca)

Evolution of overall amounts of funds (thousands of Euro)



SECURITIES PORTFOLIO

As mentioned briefly in the previous section dedicated to funding, during the year the bank has purchased securities eligible for refinancing with the European Central Bank, to accompany the senior notes that came from the securitization completed in late 2009 for €195m; such securities are classified in the portfolio as held available for sale.

The portfolio of debt securities available for sale is made up as follows:

Amounts of portfolio debt securities available for sale (thousands of Euro)

Issuer	2011		2010	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Government	35,000	30,819	-	-
Co-operative banks	50,000	50,432	-	-
Other banks	110,000	109,430	-	-
Totals	**195,000**	**190,682**	**-**	**-**

The bonds issued by banks will reach maturities in a period of time ranging between 2013 and 2014 while government securities (Italian State bonds) expire in 2013 for a value of €15m and in 2018 for the remaining €20m.

Chart: allocation of AFS debt securities by maturity date

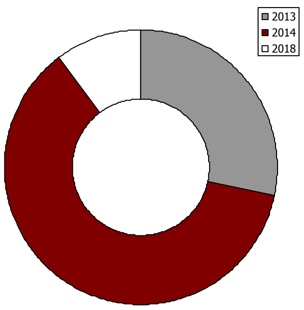
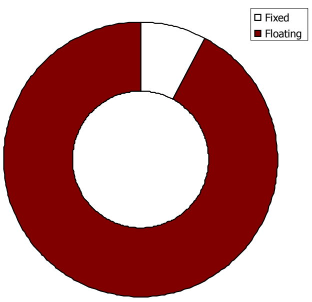


Chart: allocation of AFS debt securities by interest rate type



HEDGING TRANSACTIONS AND DERIVATIVES

Hedging activities concern medium-long term debit items (mainly debt securities in issue) which are characterised by an interest rate risk not in line with that of credit items.

In more detail, hedging activities include:

- interest rate swap operations covering financial flows (cash flow hedge) to which the hedge accounting method is applied. Such operations refer to contracts that were executed at the end of first half of 2010, coming into effect on 1st September 2010 with the purpose of stabilizing the financial flows of those hedged liabilities. The date of maturity for this operation is September 2013.
- interest rate swap operations hedging the fair value but to which the fair value option is applied rather than the hedge accounting method for showing hedged debt securities in issue. For the latter, the Bank has adopted the fair value option (FVO) to improve the information level of the Annual Report through the elimination of the accounting mismatch in relation to the components of net interest income (interest income and interest expense) and the valuation and recording of profits and losses originating from the recording of hedged securities at amortised cost and of hedging instruments at fair value.
  These operations are strictly correlated to the underlying liabilities (in terms of duration, amount, and maturity) and the relationship is recognised by special authorisation on the occasion of each transaction.
  Interest rate swap operations have hedging rather than speculative purposes even though they appear among the trading items on the assets and liabilities statement - they represent the means by which the Bank places the burden of debit items of its own over the retail customers of other intermediaries without incurring into the risk that is intrinsic in the character of the yield of these bonds (mainly step-up and ratchet bonds). The packaging of the underlying borrowing operations which are correlated to the hedging is aimed at obtaining a type of "synthetic" funds usually linked to six-month Euribor increased of a spread which depends on the credit standing of the Bank on capital markets at the moment of issue and on the terms of issue.

The Bank has also entered into two derivative contracts correlated to lending operations to customers that (due to amounts and terms) were classified among financial assets held for trading.

The table below compares overall notional amounts at 31st December 2011 with the previous business period.

Financial derivatives (in thousands of Euros)

INTEREST RATE *SWAP*	NEW CONTRACTS		OVERALL OPTIONAL AMOUNTS	
	2011	2010	Dec 11	Dec 10
- held for trading purposes	-	-	*1,424*	*1,740*
- acting as coverage of debt securities in issue	-	*50,000*	*89,500*	*95,500*
- cash flow	-	*50,000*	*50,000*	*50,000*
- linked with FVO	-	-	*39,500*	*45,500*
- acting as coverage of loans from banks	-	-	-	-
- cash flow	-	-	-	-
TOTAL	**-**	**50,000**	**90,924**	**97,240**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS, PERSONAL DATA PROTECTION AND WORKPLACE SAFETY

Property, plant, equipment and intangible assets are functional investments which amount to €11.4m, mainly buildings (headquarters in Trento e Bolzano).
Buildings see an increase in value for €1.0m as a result of the capitalization from the progress of modernization works to the Headquarters of the Bank but also account for the natural decline in value due to depreciation (-€277,000).
The modernization work has also determined the increases of other types of investment in functional assets, in particular furniture (net increase of €482,000) and other equipment (net increase of €426,000).
The increase in IT equipments can be attributed to the initial investment for the renewal of the data processing centre, which will be completed during the year 2012, amounting to €102,000. To this item is also deducted the depreciation rate of IT equipment.
The partial renewal of the company car fleet has increased, net of depreciation, by €50,000.
The decrease in software investments is due mainly to natural depreciation.

Property, plant and equipment and intangible assets (thousands of Euros)

	2011	%	2010	%	Chg %
Functional assets	**11,406**	**99.0**	**9,890**	**98.8**	**+15.3**
- Land and buildings	8,364	72.6	7,656	76.5	+9.2
- Furnishings	1,162	10.1	679	6.8	+71.0
- IT equipment	189	1.6	125	1.2	+51.2
- Other equipments	843	7.3	417	4.2	+102.2
- Vehicles	148	1.3	98	1.0	+51.0
- Software	700	6.1	914	9.1	-23.4
Investment land	**116**	**1.0**	**116**	**1.2**	**-**
Total	**11,521**	**100.0**	**10,006**	**100.0**	**+15.1**

During 2011, the Bank has continued to implement some technical and organizational measures in connection with workplace safety regulations with the purpose of minimizing the risk of accidents and to mitigate environmental risks. For further details on this, see the chapter on the System of internal controls and regulations compliance; no significant phenomenon or information concerning environmental risks was recorded in any case.
Additionally in 2011, following the approval of the Business Continuity Plan in 2006, the Bank has tested the effectiveness of its Disaster Recovery Plan with the outsourcer of the IT System which is managed by SIBT S.r.l. . The result of the test was positive which means that should the need arise, it would be possible to maintain a sufficient level of business continuity for the Bank, characterised by low level inter-relations with its customers.

OPERATIONAL STRUCTURE

As at 31 December 2011 there have not been changes to the number of employees in comparison to 31 December 2010. The Bank has 87 employees comprising of 67 full-time contracts and 20 part-time contracts.

Position and movement of employees

	Situation 31.12.2010	Resignation	Recruitments	Change of positions	Situation 31.12.2011
Managerial staff	4	-	-	-	4
Managerial staff 3rd and 4th level	15	-	-	+3	18
Managerial staff 1st and 2nd level	21	-	-	+2/-3	20
3rd professional area	43	-	-	-2	41
2nd professional area	4	-	-	-	4
Total	**87**	**-**	**-**	**-**	**87**

Breakdown by Geographical Area

	Trento	Bolzano	Treviso	Bologna	Padua	Brescia	Total
Executives	17	1	1	1	1	1	**22**
Other personnel (professional areas, Cadres 1st and 2nd level)	50	4	5	2	1	3	**65**
Total	**67**	**5**	**6**	**3**	**2**	**4**	**87**

Breakdown by age

	Men	Women	Total
< 30 years-old	1	2	3
30 - 45 years-old	27	19	46
> 45 years-old	25	13	38
Total	**53**	**34**	**87**

Breakdown by length of service

	Men	Women	Total
< 5 years	8	8	16
> 5 years < 10 years	5	1	6
> 10 years < 20 years	27	15	42
> 20 years	13	10	23
Total	**53**	**34**	**87**

1,208 hours were dedicated to staff training; the following table shows a breakdown of "classroom days" at the Bank's premises and external courses:

Area / Services	Specific training outside the Bank's premises		Relational training at the Bank's premises		Technical training at the Bank's premises	
	Classroom days	No. attendees	Classroom days	No. attendees	Classroom days	No. attendees
General management	-	-	0.3	1	0.2	1
Business area	29.9	11	4.5	12	40.0	43
Legal dept. and contracts	5.1	3	0.5	2	4.3	10
Technical admin. area	14.6	9	2.3	6	18.2	22
Management support staff	25.7	7	1.5	4	12.1	11
Total	**75.2**	**30**	**9.0**	**25**	**74.8**	**87**

The Administrative Board carried out their activities thorough 9 Board of Directors meetings, 8 Executive Committee meetings and 5 meetings of the Board of Auditors. An Ordinary Shareholders' Meeting, 3 Control Committee meetings and 2 meetings of the committee D.Lgs. 231/2001 were also convened.

PRINCIPAL TRENDS IN THE FINANCIAL STATEMENTS AND STATE OF AFFAIRS

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (ABRIDGED)

Assets	31.12.2011	31.12.2010	Chg.	Chg. %
CASH AND CASH EQUIVALENTS	5	3	+1	+34.0
FINANCIAL ASSETS HELD FOR TRADING	634	1,268	-634	-50.0
FINANCIAL ASSETS AVAILABLE FOR SALE	207,816	16,551	+191,264	+1,155.6
LOANS AND ADVANCES TO BANKS	26,681	44,794	-18,113	-40.4
LOANS AND ADVANCES TO CUSTOMERS	1,342,495	1,397,404	-54,909	-3.9
HEDGING DERIVATIVES	-	131	-131	-100.0
EQUITY INVESTMENTS	159	198	-38	-19.4
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	11,521	10,006	+1,515	+15.1
TAX ASSETS	4,192	1,993	+2,198	+110.3
OTHER ASSETS	11,789	6,348	+5,441	+85.7
TOTAL ASSETS	**1,605,292**	**1,478,697**	**+126,595**	**+8.6**

Equity and liabilities	31.12.2011	31.12.2010	Chg.	Chg. %
DUE TO BANKS	414,855	414,189	+666	+0.2
DUE TO CUSTOMERS	189,269	91,904	+97,364	+105.9
DEBT SECURITIES IN ISSUE	754,610	716,109	+38,501	+5.4
FINANCIAL LIABILITIES HELD FOR TRADING	1,107	92	+1,015	+1,105.3
FINANCIAL LIABILITIES AT FAIR VALUE	38,956	46,896	-7,941	-16.9
HEDGING DERIVATIVES	168	-	+168	
TAX LIABILITIES	7,459	7,206	+253	+3.5
OTHER LIABILITIES	8,933	9,220	-286	-3.1
VALUATION RESERVES	1,466	5,236	-3,770	-72.0
CAPITAL AND RESERVES	181,922	181,586	+336	+0.2
NET INCOME FOR THE YEAR	6,549	6,259	+290	+4.6
TOTAL EQUITY AND LIABILITIES	**1,605,292**	**1,478,697**	**+126,595**	**+8.6**

Each amount reported is rounded: any possible discrepancies are due to rounding.

RECLASSIFIED INCOME STATEMENT (ABRIDGED VERSION)

(thousands of Euro)

Items	2011	2010	Chg.	Chg. %
NET INTEREST INCOME	**23,374**	**23,631**	**-256**	**-1.1**
NET FEE AND COMMISSION INCOME	**2,004**	**1,807**	**+197**	**+10.9**
DIVIDENDS AND SIMILAR INCOME	919	58	+860	n.s.
NET INTEREST AND OTHER BANKING INCOME	**26,298**	**25,496**	**+801**	**+3.1**
NET IMPAIRMENT ADJUSTMENTS	(5,154)	(6,248)	+1,094	-17.5
NET INCOME FROM FINANCIAL ACTIVITIES	**21,144**	**19,249**	**+1,895**	**+9.8**
OPERATING COSTS	***(10,423)***	***(9,986)***	***-437***	***+4.4***
PROFIT (LOSS) FROM EQUITY INVESTMENTS AND ON DISPOSAL OF INVESTMENT	(37)	(1)	-36	n.s.
PROFIT BEFORE INCOME TAXES	**10,684**	**9,262**	**+1,423**	**+15.4**
INCOME TAXES	(4,135)	(3,003)	-1,133	+37.7
NET INCOME FOR THE YEAR	**6,549**	**6,259**	**+290**	**+4.6**

Each amount reported is rounded: any possible discrepancies are due to rounding.

Composition of intermediate results with respect to Net interest and other banking income

(in %)

	2011	2010
Net interest income /Net interest and other banking income	88.9	92.7
Net financial income / Net interest and other banking income	80.4	75.5
Profit before income tax / Net interest and other banking income	40.6	36.3
Net income for the year / Net interest and other banking income	24.9	24.5

INCOME STATEMENT DYNAMICS

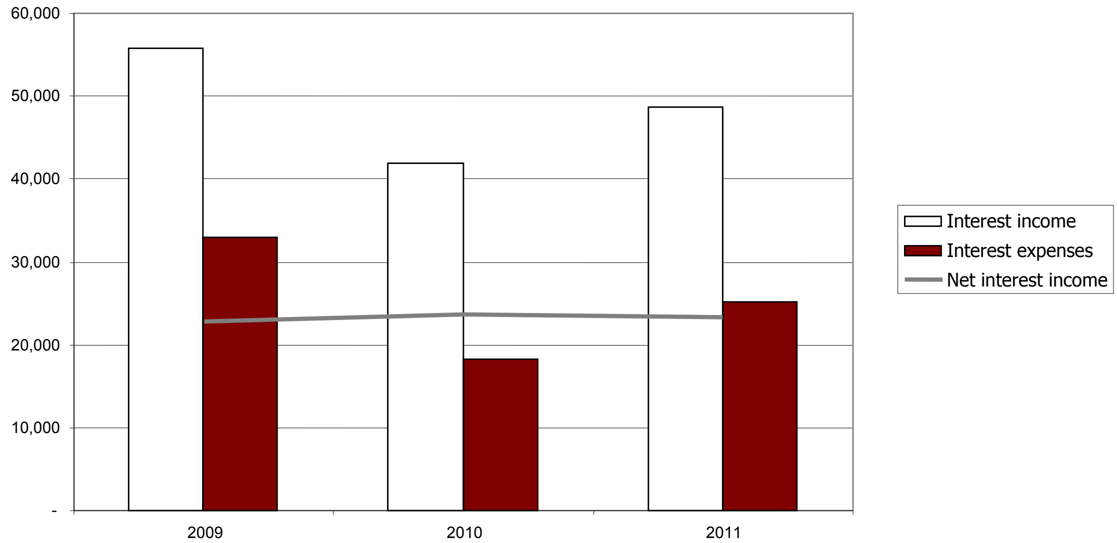
Interest income

Breakdown of the interest income (thousands of Euros)

	Items	2011	2010	Chg.	Chg. %
10.	INTEREST INCOME AND SIMILAR REVENUES	48,620	41,936	+6,684	+15.9
20.	INTEREST EXPENSE AND SIMILAR CHARGES	(25,245)	(18,305)	-6,940	+37.9
30.	**NET INTEREST INCOME**	**23,374**	**23,631**	**-256**	**-1.1**

In comparison with the final results of 2010, the net interest income recorded a decrease of 1.1%; net of the lower incomes from interest on overdue bad debts and arrears - reduced by €157,000 - net interest income would have confirmed the result of the previous year (-0.4%).

Trend of net interest income (thousands of Euro)



Net revenues from services and net interest

Net revenues from services grew by €197,000 (+10.9%) from €1.807m last year to €2.004m: this result is due to €150,000 from the positive performance of commission income - primarily the result of increased survey and investigations commissions (+€206,000) but partly eroded by decreases in other commission items - and €47,000 from the decrease in commission expense.

Net revenue from services (thousands of Euro)

	Items	2011	2010	Chg.	Chg. %
40.	FEE AND COMMISSION INCOME	**2,243**	**2,093**	**+150**	**+7.2**
	- survey and investigation	656	450	+206	+45.8
	- corporate finance	962	975	-13	-1.4
	- fees as advisory for Fondo MC2 Impresa	270	282	-12	-4.2
	- expense refunds in relation to administrative deeds	128	152	-24	-15.7
	- prepayment penalties	36	111	-74	-67.3
	- others	191	123	+68	+55.2
50.	FEE AND COMMISSION EXPENSES	**(239)**	**(286)**	**+47**	**-16.5**
	- collection of applications	(162)	(236)	+75	-31.7
	- other	(77)	(49)	-28	+56.2
60.	*NET FEE AND COMMISSION INCOME*	**2,004**	**1,807**	**+197**	**+10.9**

The net change in financial assets and liabilities at fair value is positive, amounting to €303,000; the net result from brokerage activities linked mainly to the change in fair value of trading derivative contracts is equal to -€22,000, while in the current year dividends were received valuing €146,000 (€86,000 from Enercoop Ltd, €23,000 from SOA-Nord Alpi S.p.A., €19,000 from Alto Garda Services SpA, €16,000 from PB Srl and €2,000 from Cassa Centrale Banca SpA) compared to €165,000 received in the period of comparison.
Finally in December stakes in SOA-Nord Alpi S.p.A. - acquired in 2000 for €78,000 – were sold with a gain of €492,000.

The facts outlined above, together with the net commission income, bring the margin of interest and other banking income to €26.298m, an increase of 3.1% compared with the performance of 2010.

Value adjustments and net financial income

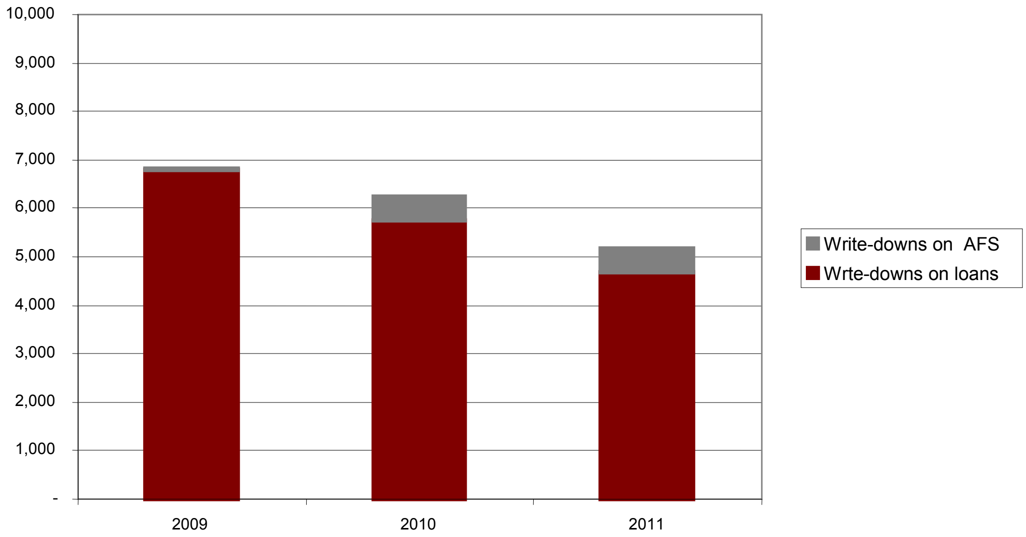
The measurement of the Statement of Financial Position assets is summed up in the table below:

	Items	2011	2010	Chg.
130.	NET IMPAIRMENT ADJUSTMENTS ON:	**(5,154)**	**(6,248)**	**+1,094**
	a) loans and advances	(4,684)	(5,756)	+1,073
	b) financial assets available for sale	(479)	(479)	+0
	c) financial assets held to maturity	-	-	-
	d) other financial assets	9	(12)	+21

Details for Item 130. Net impairment adjustments (thousands of Euro)

		2011			2010		
		Write-downs	Write-backs	Net effect	Write-downs	Write-backs	Net effect
a)	**LOANS AND ADVANCES**	**9,937**	**5,254**	**(4,684)**	**11,284**	**5,527**	**(5,756)**
	- analytical valuation	8,998	3,591	(5,407)	10,645	3,336	(7,309)
	- lump sum valuation	922	1,313	391	592	1,689	1,097
	- loan losses	14	-	(14)	46	-	(46)
	- «country risk» valuation	0	-	(0)	1	-	(1)
	- initial FV of loans granted at an interest rate lower than the market rate	3	-	(3)	-	-	-
	- collection from transactions concluded in prior periods	0	350	350	-	502	502
b)	**ASSETS AVAILABLE FOR SALE**	**479**	**-**	**(479)**	**479**	**-**	**(479)**
	- valuation of equity securities	479	-	(479)	479	-	(479)
c)	**ASSETS HELD TO MATURITY**	**-**	**-**	**-**	**-**	**-**	**-**
d)	**OTHER TRANSACTIONS**	**-**	**9**	**9**	**12**	**-**	**(12)**
	- valuation of financial guarantees	-	9	9	12	-	(12)
	TOTAL	**10,416**	**5,262**	**(5,154)**	**11,775**	**5,527**	**(6,248)**

Trend of write-downs on loans and advances (thousands of Euro)



The analytical valuation for doubtful loans was performed by discounting the anticipated inflows and applying the internal rate of return to the individual loans at the time they became doubtful, which produced write-downs of €8.998m and write-backs of €3.591m, of which €84,000 refer to collections.

Percentages applied to lump sum write-downs were obtained from a specific calculation procedure but prudentially, on account of the economic slump, the same, although higher, percentage adopted as at 31/12/2010 was used for "substandard loans" which has produced total net write backs of €391,000.

As in the previous period, a write-down percentage of 80% was applied for "country risk" (Algeria), which has produced a negligible write-down.

During the year, collections on doubtful loans have been recorded, which had reverted to losses in previous periods for the amount of €0.350m, and losses reported in the income statement for €14,000.
Overall, the valuation of loans and advances to customers produced net value adjustments of €4.686m, a decrease of 18.6% compared to the amount recorded in 2010 (€5.756m).

A write-back of €9,000 was recorded in relation to guarantees provided (item 130.d).
The impairment test on equities, has led to a loss on equity investments considered durable in Urbin S.p.a., in liquidation for €312,000, and in AEDES S.p.A. for €166,900.
The net income from financial activities amounted to €21.144m, up by 9.8% when compared to December 2010.

Operating costs

Operating costs came to €10.423m, in growth with respect to the previous year (€9.986m) by 4.4%.

In comparison to 2010, payroll went up by €180,000 (+2.7%): in particular the cost of employees increasing by 3.4% due mainly to the negative effect of discounting post employment benefits, as the number of employees remained unchanged (81,8). This caused actuarial losses for €160,000 (€70,000 in 2010)[14].

Other administrative costs[14] remain stable: the increase in membership and supervisory fees Consob (+€56,000) has partially balanced the general savings registered for other expenses particularly including the legal and procedural costs (-€101,000) and advertising costs (-€36,000).

[14] In 2011, the item "staff costs" does not include analytical reimbursements and documented expenses for employees, directors and auditors, which are classified and amount to €83,000, under "other administrative costs" based on the clarifications provided by the Bank of Italy in February 2012.

Operating costs (thousands of Euros)

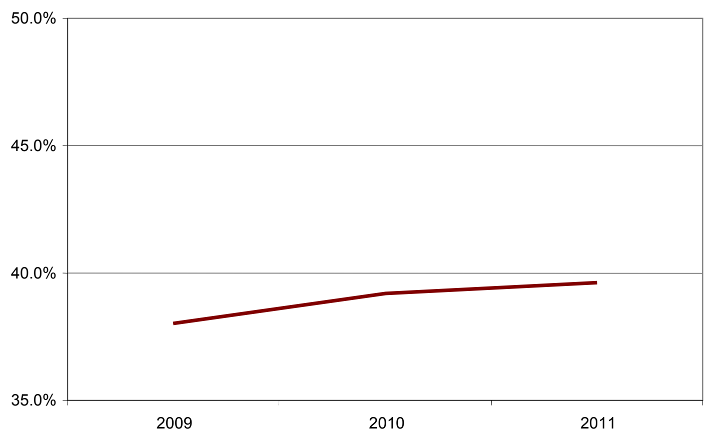
	Items	2011	2010	Chg.	Chg. %
150.	ADMINISTRATIVE COSTS:	(9,692)	(9,496)	-196	+2.1
	a) payroll:	(6,915)	(6,735)	-180	+2.7
	- employees costs	*(6,470)*	*(6,259)*	*-211*	*+3.4*
	- directors and auditors costs	*(445)*	*(476)*	*+31*	*-6.5*
	b) other administrative costs	(2,777)	(2,761)	-16	+0.6
160.	NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES	(114)	(250)	+136	-54.5
170.	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(550)	(380)	-170	+44.7
180.	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(317)	(298)	-20	+6.6
190.	OTHER OPERATING CHARGES/INCOME[15]	250	438	-188	-42.9
200.	*OPERATING COSTS*	***(10,423)***	***(9,986)***	***-437***	***+4.4***

An allocation of €114,000 was made relating to the Personnel Incentive System.
Depreciation came to €867,000, up by €189,000 against the previous year, mainly due to investment in the restoration work undertaken on the Trento headquarters.
If we take into consideration other net operating income (€250,000), operating costs record an increase of €437,000 which brings the cost to income ratio to 39.6%, a figure slightly higher with reference to 31 December 2010 (39.2%).

Personnel efficiency indices

Items	2011	2010	Chg.
Operating costs/Net interest and other banking income (%)	39.6	39.2	+0.5
Payroll/Net interest and other banking income (%)	26.3	26.4	-0.1
Average cost per employee (thousands of Euros)	79.1	76.5	+2.6
Net interest and other banking income / average number of employees (thousands of Euros)	321.5	311.7	+9.8
Positive total / average number of employees (thousands of Euros)	19,624.6	18,077.0	+1,547.6

Trend of cost to income ratio

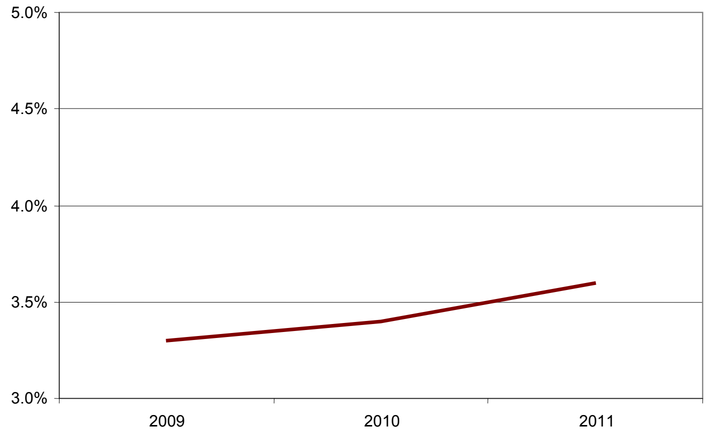


15 Expenses recovered from customers and indirect taxes anticipated by the Bank (+€1.790m in 2011; +€0.291m in 2010) were taken from item 190. With regards to item 150. Depreciation of leasehold costs (€5,000 in 2010 and 2011) were taken from item 190. and moved to item 170. .

Income for the year

After registering negative value changes of equity investments for the amount of €38,000, net profit before taxes came to €10.684m up by €1.423m (+15.4%) against 2010.
The net profit for the period was €6.549m which, after calculating income tax (higher due to IRAP (Regional tax on Industrial Activities) and the greater burden of non-deductible interest expenses) has increased to €290,000 (+4.6%) against the result recorded in 2010 (€6.259m). Income tax for the period came to €4.135m, equal to a tax rate of 38.7%.
The Return on Equity (ROE) – net income to equity (before profit for the period) – equals 3.6% compared to 3.4% in 2010.

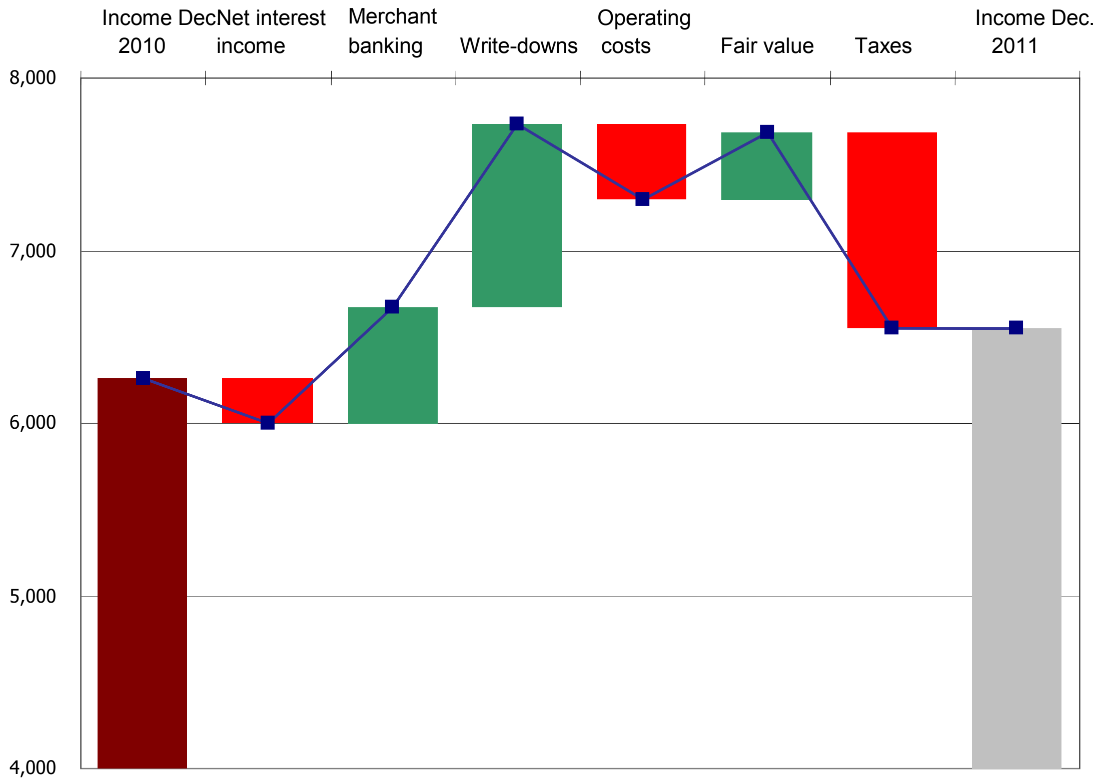
Trend for ROE



The Bank's performance relative to the above-mentioned data comparisons can be summed up as follows:

Changes against	2010
Net interest income	-256
Merchant banking activities (net commission income, dividends and capital gains on the sale of equity investments)	+670
Write down on loans and advances, securities and equity investments	+1.056
Operating costs	-435
Fair value result	+388
Taxes on income for the period	-1.133
Changes in income for the period	***+290***

Evolution of net profit 2010-2011 (thousands of Euro)



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Reserves increased by €336,000 due to the attribution of the net income for 2010 while the Valuation Reserves decreased by €3.8m deriving from the adaptation of fair value of assets available for sale and cash flow hedges.
As shown in the table below, after taking into account the net income for the period, equity amounts to €189.9m, down by €3.1m.

(thousands of Euro)

	Items	2011	2010	Var.
130.	Valuation reserves	1,466	5,236	-3,770
160.	Reserves	93,596	93,260	+336
170.	Additional paid-in capital	29,841	29,841	-
180.	Capital stock	58,485	58,485	-
200.	Income for the year	6,549	6,259	+290
	Total equity	**189,936**	**193,081**	**-3,145**

Following the Shareholders' Meeting of 29 April 2011 dividends on the overall amount of €5,623,520.00, equal to €0.050 on each of the 112,470,400 shares that make up the capital stock of Mediocredito Trentino – Alto Adige S.p.A., were paid out. The dividends were paid with interest running from 13 June 2011.

Regulatory capital and capital ratios

The regulatory capital and the capital ratios were calculated on the data of the financial statements drawn up in accordance with the new international accounting principles IAS/IFRS and the rules set forth by the supervising authorities.

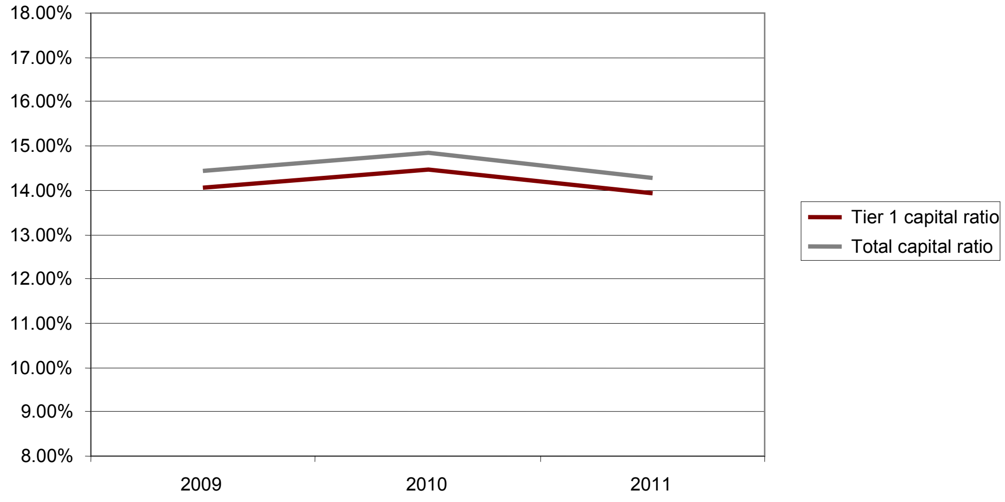
(thousands of Euro)

Items	2011	2010
Core capital (Tier 1)	177,910	180,966
Supplementary capital (Tier 2)	4,634	4,703
Regulatory capital	**182,544**	**185,669**
Tier 1 capital ratio	13.93	14.46
Total capital ratio	14.29	14.83

Capital ratios are in line with the minimum requirements prescribed by the regulations the Bank complied with at the Statement of Financial Position date, i.e. "Basel II" with the adoption of the standardised approach: the ratio of regulatory capital to total weighted assets (solvency ratio) was estimated at 14.29%, and the ratio of tier 1 capital to total weighted assets equalled 13.93% against 14.83% and 14.46% respectively as at 31 December 2010.

The regulatory capital, a sum of €182.5m after deducting the amounts representing the minimum regulatory requirements comes to €80.3m, an amount which is deemed adequate to ensure the growth of business activities.

Trend of capital ratios



Rating

In 2011 the Bank has undergone the yearly revision by the international ratings agency Moody's Investors Service and it maintains the same rating levels assigned in 2009.
However, the rating has been put under review in October 2011.

Category	Moody's Rating
Outlook	Ratings Under Review (07/10/2011)
Bank Deposits	A2/P-1
Bank Financial Strength	D+
Senior Unsecured – Dom Curr (Issuer Rating)	A2

THE SYSTEM OF INTERNAL CONTROLS, COMPLIANCE WITH LAWS AND REGULATIONS AND RISK MANAGEMENT

In spite of the fact that the Bank, given its size and type of business, operates in a low risk context, it attaches great importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk, protecting its financial soundness and reputation.
The departments involved in risk management and internal controls i.e. Internal Auditing, Compliance and Risk Management, regularly discuss the issues with the bank's general management through several committee meetings which have been entrusted with the task of monitoring the different risk profiles and the correct functioning of the control system. These committees include the ALCO Committee, the Credit Risk Management Committee and the Control Committee which is entrusted with the task of administrative responsibility (Legislative Decree 231/01) and also the supervision of the overall system of control and risk management.
For more in-depth information relating to tasks, missions and characteristics of the departments and committees involved please see the relevant sections in Part E -Notes to Accounts.

AUDITING ACTIVITY

Internal auditing responsibility is entrusted to the Auditing function which constantly monitors company processes and activities to ensure that they comply with regulations and assess the effectiveness of the overall system of internal controls.
As every year during 2011, the Internal Control System has been monitored by the Internal Auditing Service which, in the reports prepared at the end of the various checks carried out in the course of the year, has always given a focus to such an important aspect. During 2011 the activity of the Internal Auditing Service was focused especially (including ad-hoc checks) on first levels controls within the Bank. Shortcomings, where encountered and in particular when considered significant, have always been promptly referred to the relevant Operational Unit indicating possible solutions to be adopted, aimed at improving the complex system of internal controls. The Internal Auditing Service monitors that requested changes are implemented in the course of its follow-up activity and reports every three months to the Operational Unit involved and the management.

The Internal Auditing Service also reports twice a month on the outcome of all these activities to the Board of Directors, the Board of Auditors and the General Management, highlighting structural critical points, the most suitable improvements and providing an overall assessment of the internal control system.

COMPLIANCE ACTIVITY

The management of non-compliance risk is assigned to the Compliance and Risk Management Department whose activities consist of identifying and assessing non-compliance risks, proposing organizational changes to mitigate them, providing support and advice to senior management and business units on all matters on which non-compliance risk is significant, monitoring (together with the Internal Auditing Service) to ensure that compliance continues and promoting a business culture characterised by an observance for integrity and law.

The working method followed was inspired by a "risk based" logic – giving priority and modulating the activity of conformity in relation to the level of exposure to risk - and involved the use of documentary sources and extensive interaction with internal and external stakeholders who for various reasons contribute to the management non-compliance risk.

During 2011 The Compliance Department's activity focused on normative-legal adjustments and the arrangement of the regulatory / procedural set-up for the new business areas outlined in the Bank's strategic plan for 2011-2013, in addition to the traditional activities control activities for non-compliance risk and review of internal control system (with particular attention to the definition of the control points of the second level) and staff training.

COMPLIANCE WITH REGULATIONS

Companies' administrative responsibility under Legislative Decree no. 231/2001

In order to keep model 231/2001 constantly updated and in accordance with the principles defined by the Audit Committee of the Bank, in 2011 we examined the organizational impact of the legislative decree issued on July 7 2011, introducing the liability of corporate bodies in relation to environmental crimes - re: new Article 25-undecies of legislative decree 231/2001. This integration introduces for the first time the liability of entities in relation to environmental crimes, committed in their own interest or for their benefit and it include fines and, in certain cases, disqualification against them.

Based on the analyses performed, the organizational model adopted by the Bank will be updated during the year 2012, integrating the areas of risk identification and management.

Rules for the transparency of banking, financial operations and services. Correct conduct between intermediaries and customers (Bank of Italy 29 July 2009).

The Bank of Italy has implemented the Consumer Credit Directive, publishing on 16th February 2011 in the Official Gazette an update to section VII on transparency guidelines, modifying paragraph 8 section II on new calculation criteria of APRC and integrating section XI on organizational facilities.
Mediocredito, consistently with its traditional strategic orientation (as a bank for medium-sized enterprises and financer and consultant for projects), does not work in the field of consumer credit, so in terms of transparency of operations and services, 2011 banking activity has focused on the correct definition of organizational principals and implementation and verification of operational processes.
During the course of the year, organizational processes have been the subject of careful analysis and testing, in order to assess:

- the product range offered (with attention to the complexity of the products, marketing technique adopted and different categories of customers);
- the exhaustiveness of the information packages;
- the degree of training for the commercial network.

ICAAP Process and Basel II (Bank of Italy Circular no. 263/06)

During the course of 2011 policies and related operational changes have been implemented that were defined in 2010 as part of the reviewing of the Basel II project - Credit Risk Mitigation, developed by the Bank in order to adapt its management and signalling structure to new prudential regulations dictated by the supervising authorities (Circular no. 263 of 27 December 2006 "New regulations for the prudential supervision of banks").

Policies, made on the basis of experience gained in the early years whilst adopting the legislation, dictated the guidelines of the Bank to comply with prudential rules and to ensure the operational and organizational safeguards of each stage of the process. The process describes the individual operational steps, identifying the relevant process owners and process managers. For each operational flow specific control points for level I and II are also identified.

In particular 2011 was the first full year under the operational phase of "Surveillance through provider", with regard to the surveillance of the estimated value of real estate as collateral for outstanding loans and leases.

First Pillar
Regarding the first pillar, Mediocredito has continued to adopt a simplified version of the standardised approach. Such methodology foresees sub-divisions in "portfolios" regarding the exposure of the bank and the application of a specific weighting factor to each portfolio.
The Bank has continued to perfect measures of Credit Risk Mitigation (CRM) in relation to the "exposures secured by real estate property" portfolio. The structure comprises of organizational

facilities - activities aimed at identifying and implementing the process stages, and operational facilities/procedures - consisting of ways of activating an automated system for appraising the value of real estate (a service offered by an external provider) which is used in conjunction with real estate estimates carried out by the Technical Office of the Bank (an organizational unit which is autonomous and independent from the main business).

Second Pillar

In 2010 the Bank continued the in-depth analysis of the whole Internal Capital Adequacy Assessment Process (ICAAP).

As for previous years, it carried out this activity by reiterating the process at quarterly intervals to check and possibly improve the overall structure of the process, test the methodologies used to quantify measurable risks and to assess the results of the process both in terms of overall capital absorption and individual risk. This was done to verify that asset resources are able to bear up to unexpected losses deriving from risks for which minimum asset needs have not been established. The basic purpose of ICAAP is to determine Total Capital and check its capacity (in current as well as prospective terms) in regards to covering all relevant risks to which the Bank is exposed.

Out of these activities the following conclusions have been made:

- confirmation of the procedure for the ICAAP Process and relative regulations both in terms of sphere of competence assigned to bodies and corporate functions, and of operational stages and information flow in relation to the size and nature of Bank activities;
- attention to interest rates and liquidity risks, also as a consequence of the regulatory updates issued by Bank of Italy in December 2010 and also in consideration of the tense situation on the financial markets in 2011.

Third Pillar

In the course of 2011, the Bank has prepared and published the report relating to the third pillar of the Basel II frame work, i.e. public disclosure, as at 31/12/2010.

In preparing the document, the Bank used and confirmed the internal procedure (proposed in 2009) aimed at guaranteeing the quality of information disclosed. It's the responsibility of the Bank to ensure that the information it discloses is complete, precise and reliable.

The choices made by Mediocredito to comply with disclosure requirements have been approved by the body carrying out supervisory functions, while the body carrying out management functions has been given the task to adopt all necessary measures to comply with the requirements. Finally, the controlling body verifies the adequacy of the adopted procedures.

Disclosures relative to the regulatory capital and capital absorption are also published in part F of the Notes to Accounts, in the format prescribed by the Bank of Italy while further information in relation to the different types of risk is provided in part E of the Notes to accounts.

In detail, the informative document has been integrated with information regarding securitization operations; following the securitization operation that aims to increment the level of liquidity of the Bank (the sole purpose of the operation is to make financial assets eligible for refinancing with the European Central Bank).

Anti-money laundering regulation (Legislative Decree 231/2007)

Bank of Italy - on March 10, 2011, issued a special provision concerning the implementing of organizational provisions, procedures and internal controls aimed at preventing the use of intermediaries for money laundering and terrorist financing, in accordance with legislative decree n. 231 of 21 November 2007. The measure, which came into force on 1 September 2011, points to a clear convergence between the anti-money laundering regulations and other regulatory provisions, and for that reason it establishes a risk-based approach. In this context, the action of preventing and fighting money laundering takes place through the introduction of safeguards to ensure the full knowledge of the client, the traceability of financial transactions and identification of suspicious transactions.
To adequately oversee the risk protection the Bank (as required by regulation) specifically assigned the Compliance Office an “Anti Money Laundering Function”: a function responsible for handling money laundering risks. This helped to assign the same organizational function for all of the responsibility areas concerned with a second level control in terms of regulation.

In compliance with the provisions described and in consideration of the pre-selected governance models, the Bank has chosen a model of money laundering risk prevention and management identifying the skills and responsibilities of the administrative and control bodies involved.

In detail these are:

- the President of the Board of Directors is responsible for reporting any suspicious transactions. He assesses the information received and communicates to the Financial Intelligence Unit if any suspicions are founded;
- the General Manager is responsible to implement any necessary measures to ensure the effective management of money laundering risk. This role includes ensuring that the AML function has the adequate resources to perform the task (through the provision of adequate training) and access to all the Bank’s activities and information considered to be relevant for the fulfilment of its mandate - both at Headquarters and in the peripheral structures;
- The Bank has set up a special anti-money laundering regulation which contains the statutory provisions, the internal procedures for the prevention and management of money-laundering risk and describes by the corporate responsibility of all organs and structures.

Provisions on remuneration and incentive policies and practices for banks and banking groups (Bank of Italy Circular of 31/03/2011)

The new "Provisions on remuneration and incentive policies and practices for banks and banking groups" (from now onward referred to as "provisions") were issued by the Bank of Italy through directive 2010/76/UE of 24 November 2010 (known as CRD 3).
In line with the EU approach, these provisions of the Bank of Italy form an integral part of the organization and corporate governance rules that have already been issued by the Bank of Italy and are designed to ensure compliance with the standards of fairness and transparency and the effective management of conflicts of interest.
Considering the aim of the regulations, the Bank during the course of the year has:

- set up a screening process for the compliance on remuneration policies and incentives adopted, aimed at highlighting the gap between existing policies and objectives of the provisions;
- Updated its own remuneration policies and incentive system;
- carried out the self-assessment to identify the relevant staff at the Bank;
- prepared a detailed qualitative and quantitative information prospect for the Shareholders' Meeting on April 29, 2011

Transparency regulation (Legislative Decree 195/2007)

With regard to Article 154-bis and 154-ter of the Consolidated Law, the Bank, which has issued bonds listed on the Luxembourg Stock Exchange in the sphere of the EMTN programme, put into operation the transparency regulation.

Mediocredito – in 2008 – has implemented the necessary changes to the by-laws relating to the transparency regulations and has chosen Italy as it's "member state of origin" in accordance to Law 262/2005 on savings. It has additionally appointed for an unlimited period the manager responsible for preparing the financial documents of the Bank.

Regulation on dormant deposits (Presidential Decree. 116/2007)

With the issuing of Presidential Decree no. 116 of 22 June 2007 (published in the Official Gazette no.178 of 2 August 2007), implementing Article 1, paragraph 343, of law no. 266 of 23 December 2005, a special fund has been created by the Economic and Finance Minister, dedicated to compensate savers who have suffered damages from investments on the financial markets. The fund is replenished with the sum "of current accounts and banking accounts" defined as "dormant" (not used by clients for more than ten years).
To protect the owners of such sums, which for Mediocredito means solely matured certificates of deposit, the Bank has complied with the provisions of the law in a timely manner.

Privacy regulation (Legislative Decree 196/2003 and subsequent amendments).

With two recent legislative initiatives, the Government has changed the layout of the Decree. N. 196/2003 - Regulations regarding personal data protection ("Privacy Regulation").
With Article 40 of Legislative Decree No. 201/2011, known as the "Reduction of administrative burdens for businesses", the scope of national legislation has been aligned to the one of the European Community so that legal persons, entities and associations are no longer benefiting from privacy protections. In fact, the definitions of "Personal data" and "concerned" relates exclusively to individuals.
Instead, with the Legislative Decree 9 February 2012, n. 5, on "Urgent provisions for simplification and Development" (published in the Official Gazette of 9 February 2012, n. 33) repealed the part of the Code which provided for the keeping of an updated document on security (DPS), expected as one of the minimum measures that the data holder is obliged to adopt when data processing is carried out by electronic means (Article 34, paragraph 1, letter g).
Following these changes the Bank has changed is privacy process:

- keeping in mind that the requirement to provide information and to obtain consent to process personal data is only necessary for individuals;
- eliminating the operational guidelines relating to the security policy document, confirming only that part of the security measures provided for by art. 34 of the Privacy Code.

Safety regulation (Legislative Decree 81/2008)

The organizational and management model on health and safety at work, developed in 2010, became fully operational during the year 2011.
The model, as well as defining and identifying areas of enforcement for the regulations, designs (even defining the operational tools) the process (actors involved, assignment of roles and responsibilities, information flows, forms, aspects of sanction, etc..) for the protection of health and safety of workers.
Specifically, the model provides:

- Identification and assessment of risk areas. To each area/sensitive process were associated the relative risks/offences, so as to compile a checklist of key business risks in terms of safety and health;
- an appropriate business organization dedicated to the implementation of the organizational and management model, with the identification of the people involved in the process and their respective roles, functions and responsibilities;
- the flow of internal communication with special templates made for the individual people involved;
- the establishment of a supervisory board, with the aim of verifying the functionality and efficiency of the organizational and management model and also through the monitoring of "sensitive processes" and the respect of the powers and duties assigned to every single role. The Supervisory Board will report regularly to the Board of Directors on the implementation of the model and the possible identification of critical issues related to it;
- a specific "Ethical code for health and safety" and a system of sanctions.

In terms of safety, our Bank has always been careful to guarantee health and safety arrangements regarding training and information related to personnel, providing training courses based on first aid, fire evacuation procedures, and providing additional information such as naming people responsible for health and safety procedures. Over the business period the following activities have been highlighted:

- personnel turnover is high in the first aid teams and fire safety/evacuation teams owing to resignations or transfers;
- employees are now provided suitable safety gear when working on potentially hazardous client sites;
- checkups were arranged by a physician to follow-up on accidents and to assess working conditions and environmental impact. Nothing out of the ordinary was observed in this regard;
- the routine evacuation exercise was conducted in our offices in Trento in conformity to regulations.

Report on Corporate Governance and the Ownership Structure

(Legislative Decree 58/1998, Article 123-bis and "Supervisory Provisions Concerning Bank's Organization and Corporate Governance" emanating from the Bank of Italy on 4 March 2008)

Article 123-bis of the Consolidated Act on Finance specifies that the report on operations of companies issuing securities, admitted to trading on a regulated market, contains a specific section on corporate governance and proprietary structures. Paragraph 5 of the same article allows companies not issuing shares that are admitted to trading on a regulated market or in multilateral trading systems, to omit the publication of information regarding paragraphs 1 and 2, excepting those of paragraph 2, letter b). Mediocredito Trentino – Alto Adige S.p.A. (although falling within the bounds of paragraph 5) provides, in line with the Bank's size and operational and organizational characteristics, a brief report with reference to the application of supervising authorities arrangements besides information, foreseen as obligatory, referring to paragraph 2, letter b), regarding management of risks and internal control system main features existing in relation to the financial information process.
We want to stress that the Bank has in place a specific process for corporate governance which complies with supervisory regulations issued by the Bank of Italy (Circular no. 264010 of 04/03/2008 "Supervisory Provisions Concerning Bank's Organization and Corporate Governance").
In more details, the project for corporate governance is based on the necessary statutory provisions and regulations and the drawing up of a "Corporate Governance Project" document, which is inspired by the traditional model of governance in function of reduced complexity and costs and organizational impacts related to it.
In the Corporate Governance Project are established the rights of the shareholders, the proprietary structure, the statutes and internal regulations pertaining to the Board of Directors and the Board of Auditors, the system of internal controls and risk management, remuneration and compliance

policies, the role of the manager for preparing the company's financial reports and the organizational model as for Legislative Decree 231/2001.
The Bank has also enforced a limitation on the delegation system in order to encourage maximum involvement of the Board of Directors (Institution of strategic supervision) in the operational management of the Bank.

a) Drawing up of a "Corporate Governance Project" document: ownership structure

INFORMATION ON COMPANY OWNERSHIP Pursuant to Article 123 bis of the Italian Consolidated Finance Act		
1.	Structure of capital stock Ordinary shares	Ordinary shares
2.	Restrictions on the transfer of securities	No
3.	Major shareholdings	Yes
4.	Securities giving special rights	No
5.	Employee equity participation: mechanism for exercising voting rights	No
6.	Restrictions on voting rights	No
7.	Shareholder agreements	Yes
8.	Appointment and replacement of the Directors and statutory amendments	Yes
9.	Delegations of powers to increase share capital and authorisations of share buyback	No
10.	Change-of-control clauses	No
11.	Indemnities for Directors in the case of resignation, dismissal or cessation of relations	No

b) Update and review of the internal regulations and the internal control and risk management system also with respect to information reported in compliance with paragraph 2, letter b of Article 123-bis of Legislative Decree 58/1998

With respect to provisions of paragraph 2, letter b) of Article 123-bis of legislative Decree 58/1998 (Consolidated Act on Finance), in which the bank is required to document information regarding the main characteristics of existing risk management and internal audit systems used in relation to the financial reporting process, the following is detailed.
The risk management and internal audit system used in relation to the financial reporting process refers to administrative and accounting procedures (and to relative controls) which feed into/relate to the financial statements and which fall under the competence of the manager in charge. The role of the manager in charge, jointly with the definition of respective tasks, powers and means, is ruled by the internal regulations of the Bank which has inserted this body in the widest system context of its internal controls in which other units of control and management operate in synergy, such as the Board of Auditors, the Control Committee, the
Credit Risk Management Committee and the ALCO Committee and the Compliance Function.

In keeping with its own size and operational features, the Bank prepares and applies traditional administrative and accounting procedures which are deemed adequate for allowing the monitoring and mitigation of accounting risks, that is risks linked to specific events and transactions which could generate a mistake in accounting data from which accounting reports and financial statements originate. The integrated system of control departments (within which an important amount of qualified and professionally prepared personnel gravitates) and the presence of regulations and operative procedures provide an adequate safeguard for reaching the aims of reliability and compliance of the financial reports.

In particular, the system in question is affected by a simple organizational bank structure characterised by limited size and by territorial and business sector concentration: the organizational structure, in fact, foresees a substantial concentration of middle and back office activity in the administrative area where accounting and accounting control take place, under the direction of the appointed manager. For key and non key processes, this means a series of accounting and quality checks (adequately documented), arranging a sequence of functions (mostly automated) for the survey of accounting anomalies which are monitored on a daily basis and corrected in close partnership with the supervising Warning Office and the specialised department of Planning and Control, these also link in the administrative area, which operate with the respective systems for checking and viewing information. Employees within this department organize suitable documentation supporting accounting entries and for the preparation of the annual report and accounts. They verify that the information deriving from the other two areas of the bank (business and legal) are validated by officially recognised people. The same functions routinely carry out control and validation activities on an ongoing basis, mostly on the key processes of disbursement, re-payment and credit valuation within the finance department (liquidity, funding and derivatives). The activities of monitoring and control are shared by the manager in charge with the departments of Internal Auditing and Compliance, Risk Management along with the Board of Auditors. Finally, the General Management carries out the function of organizational intervention arranging new control points or operational/functional strengthening where shortcomings are highlighted as part of the process of risk safeguard. The formalization and circulation of information relating to the controls carried out and to any shortcomings noticed, is mostly concentrated (for reasons of operative efficiency in a small sized bank) within the responsibility of the Internal Auditing Service.

Following on from the organizational and statutory adjustments tied to the institution of the manager in charge, applying the law on savings (Law 262/05), the Bank has started to redesigning procedures and controls so as to make them similar to generally recognised models accepted at an international level (CoSO Framework and CObIT). The operation and analysis perimeter has been designed around a significant component of financial reporting both in quantitative and qualitative terms. With regard to the suitability of the IT system, we would like to stress that the Bank had decided to outsource the IT Audit service to "Federazione Trentina delle Cooperative" already in 2010, which has the suitable resources and skills and ensures the compliance of the methodology of analysis and evaluation to the CobiT standards as requested by the International Association of Information System Audit (ISACA).

EXPECTED BUSINESS TREND AND R&D ACTIVITIES

In addition to the economical crisis of the financial markets, which exploded in the second half of 2008, was added the negative influence of the sovereign debt crisis of some countries during the second half of 2011. One of these countries included Italy, destroying any small signs of recovery and confidence that had begun to characterize in the financial markets and in relationships between financial institutions during 2010 and the first part of 2011. The situation continues to make banking activities critical and risky, narrowing operating opportunity in terms of margins and credit risk: in these conditions, the early months of 2012 show some signs of improvement. However, it becomes exceedingly difficult to identify stable and reliable predictions on the evolution of Western countries, the Euro and Italy in particular.

Undoubtedly we can confirm that, at least for 2012, critical issues in terms of competitiveness of our production system, promotion of investments and recovery of the employment will not cease.

For matters related to the Bank this will determine ambitious scenarios, both in terms of stabilization of the portfolio and profitability, in a context of an expected high level of deteriorating credit and in the presence of strong concerns about the economy in addition to expected weak demand and a policy of granting credit, still characterised by particular attention to the creditworthiness of customers and to the spread.

Funding costs will be maintained at levels compatible with a balanced business financing policy, thanks to a massive intervention in the medium term by the European Central Bank, starting at the end of 2011. Mediocredito joined the Long Term Refinancing Operation in March 2012 obtaining funds for €300m. This made it possible to move deadlines of liabilities and maintain the capacity to supply new credit for 2012.

In order to acquire a suitable portfolio of highly liquid assets, the Bank has adhered to the new project of the self-securitization of assets promoted by Cassa Centrale Banca which should reach completion during the year, producing around €150m of eligible titles. This will allow greater flexibility in the management of the Bank’s financial needs for the current year and for meeting the strategy of diversification of sources outlined in the 2011-2013 industrial plan, with the hope that gradually the financial markets bring back adequate operating margins especially in the bond sector in which the Bank has always traditionally been present as part to the EMTN programme. In this regard it's worth mentioning that in March 2012, the Bank was authorised by the Bank of Italy to practice to the public, services and investment activities with the aim to revive the retail fund supply channel through direct and indirect placement of bonds in issue and the extension of services to corporate customers (operating in the area of derivatives on interest rates and advice on investment).

Maintenance profitability will also benefit from ongoing improvement in the dynamics of the commissions, consistent with recent regulatory developments in the field, and from the substantial stability of personnel costs and other operating costs.

The Bank’s development in the near future will be managed as part of a renewed strategy in synergy with private partners, aimed at identifying market segmentation and product that enhances the full strengths of the different actors and with public partners to enhance the considerable potential synergies in several specialised sectors arising from the complex involvement - directly or through subsidiaries or associated companies - of the two autonomous provinces in various sectors.
From an organizational perspective, after the change of the corporate information system and recent adjustments to the organizational structure for the entering in operation of the control functions, there are no significant interventions except for the adjustments caused by regulatory changes and the launch of new products and channels.
In terms of instrumental equipment, the acquisition of the new premises for the branch of Treviso will be completed in early 2012. In parallel, the project for compliance with best distributed computing infrastructure technologies will be completed. With regard to the corporate information system, we will continue the necessary upgrade to the operational needs and efficiency in some strategic areas.

PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

Dear Shareholders,

The net profit for the business period 2011 equals €6,549,121.39, of which €50,117.92 is non-distributable under article 6 c. 2 Legislative Decree. 38/2005 (Decree IAS).

The Bank of Italy has recently sent a letter to brokers regarding policies for the distribution of profits and payment of remuneration by calling attention to the need to adopt policies that will maintain current and future capital adequacy conditions consistent with the overall risks assumed.

The Board of Directors, considering the level of capitalization and overall risk profile of the Bank believes that its capital may be regarded as adequate, for its size and quality, even going forward and it is therefore not necessary to adopt restrictive policies on distribution of profits.

We therefore propose the following allocation of net income:

Income for the year	**€**	**6,549,121.39**
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005 (Decree IAS)	€	50,117.92
Distributable amount	**€**	**6,499,003.47**
- 5% to the legal reserve	€	324,950.17
- at the disposal of the Board of Directors for undertakings as per Article 21 of the By-laws	€	300,000.00
- dividend to distribute to shareholders (Euro 0,052 for the no 112.470.400 shares, which corresponds to 10.00% annually of their nominal value)	€	5,848,460.80
- further allocation to the extraordinary reserve	€	25,592.50

We propose to begin paying dividends starting from 11 June 2012.

Following the aforementioned distribution, the equity as at 31.12.2011 is as follows:

- capital stock	€	58,484,608.00
- additional paid-in capital	€	29,841,458.06
- legal reserve	€	18,808,619.98
- statutory reserve	€	53,927,304.65
- valuation reserve	€	1,465,653.45
- reserve from the reclassification of risk provision	€	18,936,305.62
- reserve from the FTA as per Legislative Decree 38/2005	€	2,273.855.22
- other reserves	€	50,117.92
Total	**€**	**183,787,922.90**

The Board of Directors

CERTIFICATION PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION ON ISSUERS

Certification of the Financial Statements for the period pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999 and its subsequent amendments and additions.

1. The undersigned Franco Senesi, chairman of the Board of Directors and Leo Nicolussi Paolaz, manager responsible for the preparation of Mediocredito Trentino – Alto Adige S.p.A.'s financial reports, in consideration of the requirements of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998 herewith attest to:
   - the appropriateness given the characteristics of the business and
   - the actual application,

   of the administrative and accounting procedures followed for formation of condensed financial statements during the business period 2011.

2. No significant matters arose in this respect. The parties however state that Mediocredito Trentino – Alto Adige S.p.A. is now subject to the obligation pursuant in Article 154-bis of Legislative Decree 58/98 of contemplating the figure of "Manager responsible for preparing the company's financial reports"; this is because the Bank (in the context of the EMTN programme) has issued bonds that are listed on the Luxemburg stock exchange whilst choosing Italy as country of origin. The assessment of the administrative and accounting procedure for preparing the financial reports for the business period closed on 31 December 2011 has been based on procedures consistent with the reference standards of the internal control system of the Bank. The Manager responsible for preparing the Company's financial documents – jointly with the other organization and control functions of the Bank– has also continued to carry out activities aimed at adopting a model for managing and controlling accounting procedures that also conforms to the generally accepted international reference standards.

3. The parties further declare that:
   3.1. The financial statements:
      a) have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union under EC Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002;
      b) agree with the results of the accounting records and entries;
      c) are such as to provide a true and accurate representation of the Statement of Financial Position, income statement and financial position of the Issuer;

   3.2. The report on operations includes a reliable analysis of the performance and the operating result as well as the position of the issuer together with a description of the main risks and uncertainties it is exposed to.

Trento, 22 March 2012

Il Presidente
del Consiglio di Amministrazione
Franco Senesi

Il Dirigente Preposto alla redazione dei
documenti contabili societari
Leo Nicolussi Paolaz

INDEPENDENT AUDITOR'S REPORT

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Mediocredito Trentino – Alto Adige SpA

1 We have audited the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2011, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholder's equity, cash flow statement and related notes. The directors of Mediocredito Trentino – Alto Adige SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 6 April 2011.

3 In our opinion, the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Mediocredito Trentino – Alto Adige SpA for the period then ended.

4 The directors of Mediocredito Trentino – Alto Adige SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the

PricewaterhouseCoopers SpA

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information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, with the financial statements, as required by law. To this end, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by the CONSOB. In our opinion, the report on operations and the information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998 presented in the specific section of the aforementioned report are consistent with the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2011.

Padua, 5 April 2012

PricewaterhouseCoopers SpA

Signed by
Alessandra Mingozzi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

AUDITORS' REPORT

Dear Shareholders,

Mediocredito Trentino – Alto Adige S.p.A. prepared the annual report for the business year 2011 in accordance with Legislative Decree No. 38 of 28 February 2005, adopting the international accounting principles outlined for drafting the individual annual reports of listed companies and banks.
The annual report of the Bank for the business year 2011 is made up of the statement of financial position, the income statement, the statement of changes in equity, the cash statement and the notes to the financial statements. The report on operations by the Board of Directors is also included.
Finally, the tables and the notes to financial statements were prepared according to instructions issued by the Bank of Italy as established under Circular No. 262 of 22 December 2005 and subsequent clarifications and amendments. The Board of Directors forwarded the annual report to the Board of Auditors in a timely manner.
The Board of Auditors states that the Bank, as an entity of public interest, is subjected to statutory auditing according to Decree No 39, 27 January 2010, implementing directive 2006/43/CE, and the appointed auditing company is PricewaterhouseCoopers S.p.A. This company has been entrusted with the task of auditing the annual reports of the Bank for the nine years 2010-2018, by resolution of the Shareholders' Meeting of 26 April 2010.

For comparative purposes, the financial statements show the equivalent figures for the business year 2010.

1. We have conducted our audit of the annual financial statements in accordance with the code of conduct of the Board of Auditors as laid down by the National Institute of Certified Public Accountants and Bookkeepers and under said principles we referred to all the laws currently in force in Italy which regulate the annual report that now include the new international accounting standards.
2. In the preparation of the annual report and accounts the Board of Directors made no allowances for exceptions to the application of the new IAS/IFRS principles and therefore a "statement of conformity" is included in the general part of the notes to financial statements. During the business year 2011 the Board of Directors met nine times and the Executive Committee eight times.
3. The statement of financial situation as at 31 December 2010 can be summed up as follows:

Statement of financial position				
Total assets			Euro	1,605,292,309.15
Debts and funds	Euro	1,415,355,925.45		
Capital and reserves	Euro	183,387,262.31	Euro	1,598,743,187.76
Income for the year			Euro	6,549,121.39

Income statement		
Net interest and other banking income	Euro	26,297,645.45
Value adjustments	Euro	(5,154,041.45)
Operating costs	Euro	(10,422,704.14)

Revenues from equity investments, tangible assets and intangible assets	Euro	(36,500.50)
Income taxes	Euro	(4,135,277.97)
Income for the year	Euro	6,549,121.39

4. Over the business year 2011 there have been equity changes owing to:
   - an increment of €335,609.59 in reserves from the profit of 2010 (part of the profit not distributed);
   - An overall decrease of €3,770,405.76 in valuation reserves of which €272,468.47 resulting from cash flow hedges and €3,497,937.28 from the valuation of securities available for sale;
   - The distribution of profit for a total €5,923,520.00;
   - An income for the year 2011 of €6,549,121.39.

   The equity of the Bank as at 31 December 2011 amounts to €189,936,383.70 and is made up as follows:

- Capital Stock – item 180:	Euro	58,484,608.00
- Additional paid-in capital – item 170:	Euro	29,841,458.06
- Reserve – item 160:	Euro	93,595,542.80
- Valuation Reserve – item 130:	Euro	1,465,653.45
- Income for the year – item 200	Euro	6,549,121.39

5. In accordance with the Bank of Italy's instructions, the regulatory capital shown in the financial statements as at 31 December 2011 was calculated using the "prudential filters" computed by applying the asymmetric approach. Overall the regulatory capital as at 31 December 2011 had decreased by €3,125,199 against the previous year reaching the amount of €182,543,679; the solvency ratio as at 31.12.2011 equals 14.29%.

   The Board of Auditors considers such capital base adequate, both in size and quality, for the risks taken and to allow future development of the Bank.
6. The Board of Auditors acknowledges the disclosures provided by the Board of Directors in relation to the adoption of the going concern basis in preparing the financial statements, the illustration of risk measurement and management systems and the level of risk exposure, the testing of assets for impairment and uncertainties in the use of estimations. More specifically, it has verified that the loans valuation method that was used is adequate in measuring the Bank's credit risk and that the loans adjustments coherently reflect the current risk. The Board of Auditors deem such disclosure and related procedures adequate to satisfy transparency requirements also with regard to the provisions of the concerted document of the supervising authorities, 3 March 2010.

   The valuation process of financial assets has produced the following results in relation to the income statement:

	Adjustments	**Write-offs**	**Net effect**
Loans and advances	-9,937,479.67	5,253,717.58	-4,683,762.09
Available-for-sale assets	-478,878.83	-	-478,878.83
Other operations (signature loans)	-	8,599.47	8,599.47
Totals	-10,416,358.50	5,262,317.05	-5,154,041.45

7. The Board of Auditors approved the criteria adopted for determining the amounts of Ires (Corporate income tax) and Irap (Regional tax on Industrial Activities) relating to the year.

The Board of Auditors acknowledges that in compliance with the new rules, the financial statements show current and deferred taxes in relation to the temporary differences between the book value of an asset or liability and its value for tax purpose, as better explained in the explanatory notes. The Board of Auditors, with reference to the provisions of Article 2426 of the Civil Code as modified by legislative Decree 6/2003 on the subject of "elimination of fiscal interference", acknowledge that neither adjustments were made nor provisions set aside in order to take advantage of fiscal benefits.

8. In compliance with the regulations of Legislative Decree 231/2001 on the subject of corporate administrative accountability in relation to offences committed by top managers or people under their direction or supervision, the Bank during 2011 has examined the organizational impact of the legislative decree issued on 7 July 2011. This decree introduces the liability of corporate bodies in relation to environmental crimes - new Article 25 - undecies of legislative decree 231/2001. The organizational model will be updated in 2012.
9. In compliance with the Bank of Italy's July 2004 regulations on the subject of business continuity and disaster recovery, in 2011 the Bank tested the functionality of disaster recovery with the outsourcer of the IT system managed by IBT/SIBT: the test did not give evidence of any malfunction.
10. Information pursuant to Article 10 of Law 72/83 on the subject of monetary revaluation of property is provided in the notes to financial statements relative to revaluated assets.
11. During the year, the Board of Auditors monitored the actions of the Administrative Board of the Bank as part of its duties. In 2011 the Board of Auditors held five meetings and oversaw the observance of the laws and by-laws governing all Shareholder meetings, Board of Directors meetings and also Executive Committee meetings. All meetings were held in compliance with the statutory requirements, laws and regulations governing the operation. The Board of Auditors also verified that no imprudent or reckless transactions, or transactions of possible conflicting interests, or of interests contrary to the resolutions of the Shareholders' Meeting, or which might threaten the integrity of the Shareholders' equity and minority rights were carried out.
12. The Board of Auditors oversaw the adequacy of the organizational structure, limited to those aspects within its competence, of the internal control system and of the management accounting system and also the dependability of the latter in giving a true and fair view of the operations of the Bank. To this regard, the Board of Auditors acknowledges the report written by the Manager in charge of preparing the company's financial documents of 22 Mach 2012, which was submitted to the Board of Directors as a step towards issue of the Certification Pursuant to Article 81-ter of Consob Regulation on Issuers. The Board of Auditors oversaw the observance of the Bank's sound management principles including carrying out, during the year, an assessment of the organizational system used by the offices in charge of monitoring credit risk, market risk, and liquidity risk which are inherent to banking activities. The Board of Auditors has followed the ICAAP process in relation to risk control and management, which shows that the Company's capital is adequate even in a stress scenario.

Finally, the Board of Auditors monitored compliance against legislative decree 231/2007 and the overall adequacy of the money-laundering risk protection for which, to the best of its knowledge, does not report any evidence which may constitute breach of the rules. After consulting the Board of Auditors, in 2011 the Board of Directors appointed the person responsible for anti-money laundering endorsing the organizational and procedural updates in accordance with legislations.

13. In 2011 no complaint under Article 2408 of the Civil Code (reprehensible acts) was submitted to the Board of Auditors.
14. The Board of Auditors has constantly kept in touch with the person in charge of the legal auditing, during which no relevant data or information has emerged.
15. The report on operations that accompany the financial statements is drafted in compliance with Article 2428 of the Civil Code. In the opinion of the Board of Auditors the annual report and accounts give an overall fair representation of the economic situation, the financial situation and the economic result of the Institution for the business year ending 31 December 2011 – as illustrated at length by the Board of Directors in the report on operations and in the Notes to Accounts and provided to Shareholders and third party entities with adequate information in relation to the Bank's transactions, not excluding transactions with related-party entities. The Board of Auditors can also confirm that the annual report and accounts include a description of the main risks and uncertainties to which the company is exposed. The report on operations by the Board of Directors includes all the main events that characterised the year and it also focuses on expected business trends.
16. Among the significant events subsequent to year end, the Board would like to point out that the Bank has renewed its EMTN (Euro Medium Term Note Programme) for issuance of bonds on the European market and has obtained from the Bank of Italy the authorisation to provide services and investment activities to the public as for article 1, c. 5, letters a), b) and f) legislative decree 58/1998 (TUF). In connection with this authorisation, the Bank has not yet begun to provide these mentioned services as they are still defining the related operating procedures.
17. The Board of Auditors acknowledges the review of the balance sheet at December 31, 2011 by the independent auditor PricewaterhouseCoopers SpA, which contains no critical aspects. Based on the work done as statutory auditor of the financial statements at December 31 2011, to date nothing has come to the attention of the auditor which suggests that there are significant deficiencies in the internal control system in relation to the process of financial reporting.

Dear Shareholders,

As a result of the above and considering the information provided by the auditing company PwC S.p.A. – information that shows the absence of critical aspects – the Board of Auditors state that there were no occurrences of infringements or non-compliance to the law and expresses its positive opinion to the approval of both the financial statements and the proposal for the allocation of the profits for the year expressed by the Board of Directors. Additionally, with specific reference to the recent note from the Bank of Italy on capitalization policies, the Board of Auditor does not foresee that the distribution policies and payment of remunerations adopted by the Board of Directors may be prejudicial to the abovementioned capital adequacy principles.
The Board of Auditors informs the Shareholders' Meeting that though the costs of the intangible assets recorded in the asset side of the Statement of Financial Position have not yet been entirely

amortised, there are sufficient reserves to cover the said costs and therefore the conditions that must be satisfied in order for dividends to be distributed has been met.

Trento, 5 April 2012

Il Collegio Sindacale

Stefan Klotzner – Presidente

Hansjörg Verdorfer – Sindaco effettivo

Renato Beltrami – Sindaco effettivo

Renato Beltrami

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Assets	31.12.2011	31.12.2010
10.	CASH AND CASH EQUIVALENTS	4,538	3,388
20.	FINANCIAL ASSETS HELD FOR TRADING	634,063	1,267,899
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	207,815,796	16,551,345
60.	LOANS AND ADVANCES TO BANKS	26,680,979	44,794,455
70.	LOANS AND ADVANCES TO CUSTOMERS	1,342,495,311	1,397,404,394
80.	HEDGING DERIVATIVES	-	130,696
100.	EQUITY INVESTMENTS	159,181	197,599
110.	PROPERTY, PLANT AND EQUIPMENT	10,821,514	9,092,192
120.	INTANGIBLE ASSETS	699,649	913,679
	of which:		
	- goodwill		
130.	TAX ASSETS	4,191,834	1,993,338
	(a) current	-	-
	(b) deferred	4,191,834	1,993,338
150.	OTHER ASSETS	11,789,444	6,348,467
	TOTAL ASSETS	**1,605,292,309**	**1,478,697,452**

The Statement of Financial Position was drawn up in Euro units with no decimal numbers, as figures were previously rounded. The algebraic sum of discrepancies due to rounding off is equal to +1 Euro and is booked to "other assets".

STATEMENT OF FINANCIAL POSITION

	Equity and liabilities	31.12.2011	31.12.2010
10.	DUE TO BANKS	414,854,657	414,189,127
20.	DUE TO CUSTOMERS	189,268,832	91,904,441
30.	DEBT SECURITIES IN ISSUE	754,610,027	716,109,195
40.	FINANCIAL LIABILITIES HELD FOR TRADING	1,106,903	91,838
50.	FINANCIAL LIABILITIES AT FAIR VALUE	38,955,811	46,896,452
60.	HEDGING DERIVATIVES	167,672	-
80.	TAX LIABILITIES	7,458,834	7,205,532
	(a) current	371,685	243,251
	(b) deferred	7,087,149	6,962,281
100.	OTHER LIABILITIES	5,323,734	5,959,328
110.	PROVISION FOR SEVERANCE INDEMNITY	1,678,887	1,495,320
120.	PROVISIONS FOR RISKS AND CHARGES	1,930,569	1,765,031
	(a) pension fund and similar provisions	-	-
	(b) other provisions	1,930,569	1,765,031
130.	VALUATION RESERVES	1,465,653	5,236,059
160.	RESERVES	93,595,543	93,259,933
170.	ADDITIONAL PAID-IN CAPITAL	29,841,458	29,841,458
180.	CAPITAL STOCK	58,484,608	58,484,608
200.	NET INCOME (LOSS) FOR THE YEAR (+/-)	6,549,121	6,259,130
	TOTAL EQUITY AND LIABILITIES	**1,605,292,309**	**1,478,697,452**

The Statement of Financial Position was drawn up in Euro units with no decimal numbers as figures were previously rounded. The algebraic sum of discrepancies due to rounding off is equal to +1 Euro and is booked to "other liabilities".

INCOME STATEMENT

	Captions	31.12.2011	31.12.2010
10	INTEREST INCOME AND SIMILAR REVENUES	48,619,564	41,935,898
20	INTEREST EXPENSES AND SIMILAR CHARGES	(25,245,090)	(18,305,116)
30	NET INTEREST INCOME	**23,374,474**	**23,630,782**
40	FEE AND COMMISSION INCOME	2,243,108	2,092,942
50	FEE AND COMMISSION EXPENSES	(238,673)	(285,814)
60	NET FEE AND COMMISSION INCOME	**2,004,435**	**1,807,128**
70	DIVIDENDS AND SIMILAR INCOME	145,710	165,099
80	NET TRADING INCOME	(22,205)	(31,732)
90	NET HEDGING GAINS (LOSSES)	-	-
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	492,000	-
	a) loans and advances	-	-
	b) financial assets available for sale	492,000	-
	c) financial assets held to maturity	-	-
	d) other financial liabilities	-	-
110	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	303,231	(74,969)
120	NET INTEREST AND OTHER BANKING INCOME	**26,297,645**	**25,496,308**
130	NET IMPAIRMENT ADJUSTMENTS ON:	(5,154,042)	(6,247,807)
	a) loans and advances	(4,683,762)	(5,756,486)
	b) financial assets available for sale	(478,879)	(479,205)
	c) financial assets held to maturity	-	-
	d) other financial transactions	8,599	(12,116)
140	NET INCOME FROM FINANCIAL ACTIVITIES	**21,143,603**	**19,248,501**
150	ADMINISTRATIVE COSTS:	(11,481,762)	(9,786,677)
	a) payroll	(6,914,912)	(6,735,042)
	b) other administrative costs	(4,566,849)	(3,051,635)
160	NET PROVISIONS FOR RISKS AND CHARGES	(113,694)	(250,007)
170	NET ADJUSTMENT TO PROPERTY, PLANT AND EQUIPMENT	(544,507)	(374,859)
180	NET ADJUSTMENT TO INTANGIBLE ASSETS	(317,444)	(297,849)
190	OTHER OPERATING CHARGES/INCOMES	2,034,703	723,446
200	OPERATING COSTS	**(10,422,704)**	**(9,985,946)**
210	PROFIT (LOSS) FROM EQUITY INVESTMENTS	(38,418)	(838)
240	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	1,918	172
250	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	**10,684,399**	**9,261,889**
260	INCOME TAXES ON CURRENT OPERATIONS	(4,135,278)	(3,002,759)
270	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**6,549,121**	**6,259,130**
290	**NET INCOME (LOSS) FOR THE YEAR**	**6,549,121**	**6,259,130**

The Income Statement was drawn up in Euro units with no decimal numbers as figures were previously rounded. The algebraic sum of discrepancies due to rounding off is equal to +1 Euro and is booked to “other operating charges/incomes”.

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2011	31.12.2010
10.	NET INCOME (LOSS) FOR THE YEAR	**6,549,121**	**6,259,130**

Other income components gross of tax

20.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**(3,497,937)**	**102,043**
	- Equity securities	(186,506)	(25,037)
	- Holdings in UCITS	48,250	127,079
	- Debt securities	(3,359,681)	-
60.	CASH FLOW HEDGES	**(272,468)**	**168,586**
110.	TOTAL OTHER POST TAX COMPONENTS OF INCOME	**(3,770,406)**	**270,628**
120.	TOTAL COMPREHENSIVE INCOME (lines 10+110)	**2,778,716**	**6,529,758**

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY 31/12/2010 – 31/12/2011

	Balance on 31.12.2010	Changes in opening balance	Balance on 1.1.2011	Allocation of the previous year's results		Change for the year								Equity as at 31.12.2011
							Transaction booked to equity							
				Reserves	Dividends and other allocations	Changes of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends [16]	Change in Capital Instruments	Change in equity instruments	Stock options	Total comprehensive income (Loss) for the year 2011	
Share capital:	58,484,608		58,484,608											**58,484,608**
a) ordinary shares	58,484,608		58,484,608											**58,484,608**
b) other shares	-		-											**-**
Additional paid-in capital reserves	29,841,458		29,841,458											**29,841,458**
Reserves:	93,259,933		93,259,933	349,958					-14,348					**93,595,543**
a) from profit	93,259,933		93,259,933	349,958					-14,348					**93,595,543**
- statutory reserves	18,169,996		18,169,996	313,674										**18,483,670**
- extraordinary reserves	53,879,776		53,879,776	36,284					-14,348					**53,901,712**
- other profit reserves [17]	21,210,161		21,210,161											**21,210,161**
b) other	-		-											-
Valuation reserves:	5,236,059		5,236,059										-3,770,406	**1,465,653**
a) assets available for sale	769,566		769,566										-3,497,937	**(2,728,372)**
b) financial flow hedge	148,162		148,162										-272,468	**(124,307)**
c) others	4,318,332		4,318,332											**4,318,332**
- property revaluation Law 413/91	745,631		745,631											**745,631**
- property revaluation Law 342/2000	3,572,701		3,572,701											**3,572,701**
Equity instruments	-		-											**-**
Treasury shares	-		-											**-**
Profit (Loss) for the year	6,259,130		6,259,130	-349,958	-5,923,520				+14,348				6,549,121	**6,549,121**
Net equity	**193,081,188**		**193,081,188**	**-**	**-5,923,520**				**-**				**2,778,716**	**189,936,384**

16 Data refers to the distribution, decided by the Ordinary Shareholders' Meeting of April 29, 2011, of reserves that were freed up during 2010 (Ris.ex. art. 6 c. 2 D.Lgs. 38/2005)

17 The "other profit reserves" include the FTA IAS/IFRS reserve (including the funds for general banking risks and for credit risk).

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY 31/12/2009 – 31/12/2010

	Balance on 31.12.2009	Changes in opening balance	Balance on 1.1.2010	Allocation of previous year’s results		Change for the year								Equity on 31.12.2010
				Reserves	Dividends & other allocations	Changes of reserves	Transaction booked to equity						Total compehensive income (Loss) for year 2010	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in Capital Instruments	Change in equity instruments	Stock options		
Share capital:	58,484,608	-	58,484,608											**58,484,608**
a) ordinary shares	58,484,608	-	58,484,608											**58,484,608**
b) other shares	-	-	-											**-**
Additional paid-in capital reserves	29,841,458	-	29,841,458											**29,841,458**
Reserves:	90,550,576	-	90,550,576	2,709,357										**93,259,933**
a) from profit	90,550,576	-	90,550,576	2,709,357										**93,259,933**
- statutory reserves	17,867,693	-	17,867,693	302,303										**18,169,996**
- extraordinary reserves	51,472,722	-	51,472,722	2,407,054										**53,879,776**
- other profit reserves[18]	21,210,161		21,210,161											**21,210,161**
- profit from employees leaving indemnity brought forward	-	-	-											**-**
b) others	-	-	-											**-**
Valuation reserves:	4.965,431	-	4,965,431										270,628	**5,236,059**
a) assets available for sale	667,524	-	667,524										102,043	**769,566**
b) financial flow hedge	-20,424	-	-20,424										168,586	**148,162**
c) others	4,318,332	-	4,318,332											**4,318,332**
- property revaluation Law 413/91	745,631	-	745,631											**745,631**
- property revaluation Law 342/2000	3,572,701	-	3,572,701											**3,572,701**
Equity instruments		-												**-**
Treasury shares		-												**-**
Profit (Loss) for the year	6,046,058	-	6,046,058	-2,709,357	-3,336,701								6,259,130	**6,259,130**
Net equity	**189,888,131**	**-**	**189,888,131**	**-**	**-3,336,701**								**6,529,758**	**193,081,188**

[18] The “other profit reserves” include the FTA IAS/IFRS reserve (including the funds for general banking risks and for credit risk).

CASH FLOW STATEMENT (INDIRECT METHOD)

A.	OPERATING ACTIVITIES	2011	2010
1.	**Operations**	**+16,553,136**	**+18,282,971**
-	Profit (loss) for the year	+6,549,121	+6,259,130
-	capital gains/losses on financial assets held for trading and on assets/liabilities at fair value	-313,163	+80,155
-	capital gains/losses on hedging activities	-	-
-	net value adjustments/write-backs due to impairment	+6,334,063	+6,703,579
-	net write-downs/write-backs on property, plant and equipment and intangible assets	+861,951	+672,708
-	net provision for risks and charges and other costs/revenues	+304,095	+346,755
-	unpaid duties and taxes	+4,135,278	+3,002,759
-	other adjustments	-1,318,209	+1,217,885
2.	**Cash flow generated/absorbed by financial assets**	**-135,317,036**	**+5,242,008**
-	financial assets held for trading	-	-
-	financial assets at fair value	-	-
-	financial assets available for sale	-195,605,544	-1,254,091
-	demand deposits with banks	-18,530,910	+24,776,201
-	loans and advances to banks: other loans and advances	+36,615,887	+1,127,231
-	loans and advances to customers	+41,640,646	-19,044,612
-	other assets	+562,885	-362,721
3.	**Cash flow generated/absorbed by financial liabilities**	**+127,063,898**	**-17,580,805**
-	amount due to banks: at sight	-3,441,767	-26,558,275
-	amount due to banks: loans and advances	+4,046,800	+2,705,025
-	amount due to customers	+96,218,404	+12,006,624
-	debt certificates in issue	+37,480,609	+50,226,814
-	financial liabilities held for trading	-	-
-	financial liabilities at fair value	-6,000,000	-50,000,000
-	other liabilities	-1,240,148	-5,960,993
	Net cash flow generated/absorbed by operating activities	**+8,299,998**	**+5,944,174**

B.	INVESTING ACTIVITIES		
1.	**Cash flow generated by**	**+1,918**	**+172**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of financial assets held to maturity	-	-
-	sale of property, plant and equipment	+1,918	+172
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-2,377,244**	**-2,607,084**
-	purchase of equity investments	-	-21,000
-	purchase of financial assets held to maturity	-	-
-	purchase of property, plant and equipment	-2,273,829	-2,461,595
-	purchase of intangible assets	-103,415	-124,489
-	purchase of company divisions	-	-
	Net cash flow generated/absorbed by operating activities	**-2,375,326**	**-2,606,912**

C.	FINANCING ACTIVITIES	2011	2010
-	issue/purchase of treasury shares		
-	issue/purchase of equity instruments		
-	distribution of dividends and other objectives	-5,923,520	-3,336,701
	Net liquidity generated/absorbed by financing activities	**-5,923,520**	**-3,336,701**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**+1,150**	**+561**

RECONCILIATION

Balance items	2011	2010
Cash and cash equivalent at the beginning of the period	**3,388**	**2,827**
Net liquidity generated/absorbed during the period	+1,150	+561
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	**4,538**	**3,388**

NOTES TO ACCOUNTS

PART A

ACCOUNTING POLICIES

A.1 GENERAL

SECTION 1 - STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The individual financial statements of Mediocredito Trentino – Alto Adige S.p.A. have been prepared in compliance with the applicable *International Accounting Standards Board ®* (IAS/IFRS) issued by the International Accounting Standard Board® and the relative interpretations of the *International Financial* Reporting *Interpretations Committee* (IFRIC) as endorsed by the European Commission under EU regulation 1606/2002. They were prepared according to instructions issued by the Bank of Italy in the exercise of its power, as these were established with Article 9 of Legislative Decree no. 38/2005, with Circular no. 262 of 22 December 2005 and with the subsequent amendment of 18 November 2009.

SECTION 2 – GENERAL PRINCIPLES OF PREPARATION

General aspects

The financial statements compose of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement[19] and the notes to accounts. They are also accompanied by a report on operations illustrating the economic results which were achieved and the Bank's financial position.
The financial statements are drawn up in Euros, while information in the Notes to Accounts is expressed in thousands of Euros, based on the application of the general principles set forth by IFRS 1: to this end, we refer to the prospective of the company as a going concern (par. 23), the accrual basis of accounting (par. 25 and 26), coherence in the presentation and classification of items (par. 27), the relevance and aggregation of items, the prohibition regarding offsetting, comparative information as well as the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 in the Notes to Accounts.
There were no departures from the application of the IASs/IFRSs.
For completeness, with regard to the formats defined by the Bank of Italy, the Notes to Accounts sometimes contain the titles for the sections that relate to the items which are not accompanied by an amount, either for the year the financial statements cover or for the previous year, whichever is deemed important for providing better information.

[19] The cash flow statement is calculated using the "indirect method", which means it is calculated by taking the company's net income and making a series of adjustments based on accounting conventions. Cash flow is split in cash flow deriving from operating activities, from investing activities and financing activities.

Going concern assumption

The Bank of Italy, Consob and Isvap coordination forum on applying IASs/FRSs with document no. 2 of 6 February 2009 "Disclosure in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties on the use of estimations", and also with document no. 4 of 3 March 2010 "Disclosure in financial reports on impairment of assets, clauses in debt contracts, debt restructuring and on the «fair value hierarchy»" has asked directors to make an especially accurate assessment of whether the going concern assumption is appropriate.
To this purpose paragraphs 23-24 of IAS 1 states that: "When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intend to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In making its assessment, when management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern".
The current conditions of the financial markets and the real economy and the negative forecasts being made in relation to the short-medium term, as for 2009-2010, require an especially accurate assessment of whether the going concern assumption is appropriate or not.
To this regard, the directors of Mediocredito Trentino – Alto Adige, after examining the risks and uncertainties that are correlated to the current macroeconomic context, confirm that they are reasonably certain that the Company will continue its operational existence in the foreseeable future and consequently have prepared the financial statements for the business year 2011 on the basis of the going concern assumption.
They also confirm that they have not observed either in the economic and financial structure or in the business trend any symptom that might cast doubts on the ongoing concern assumption and the actual income generating capacity.

SECTION 3 – EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

In the period following the closing of the 2011 financial year and the Statement of Financial Position date, we highlight the following:

- after the issue of Law 22 December 2011, n .214 stating "Urgent measures for growth, fairness and consolidation of public finances" - with which it introduced the ability to issue liabilities guaranteed by the State in order to restore and sustain funding over the medium - long term for Italian banks in the context of the financial crisis. Mediocredito has issued bonds, complying with the law in terms of quantities and characteristics, by placing them as collateral for ECB’s three year refinancing: this has enabled the Bank to find the correct balance between liquidity in the medium term and keeping the cost of funding at levels consistent with the profitability of loans;
- in March, the Bank has been authorised by the Bank of Italy to practice to the public, services and investment activities with the aim to revive the retail fund supply channel through direct and indirect placement of bonds in issue and the extension of services to corporate customers.

There are no other material events that have occurred such as to appreciably impinge on the Bank’s activities, economic results and portfolio risk.

SECTION 4 – OTHER ASPECTS

Parent company

Exemption from the obligation to prepare consolidated financial statements: the Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (assets as at 31/12/2011 of €2.8m) is not deemed significant to the improvement of the disclosures provided (IAS8 and paragraphs 26, 29, 30 and 44 of the "Framework for the Preparation and Presentation of Financial Statements" or “Framework”). The subsidiary owns a building the value of which, appropriately assessed, corresponds to market values and the equity investment is booked in the financial statements of the Bank to the amount of the net worth.

Auditing

The Bank as an entity of public interest is subjected to statutory auditing according to Decree No. 39, 27 January 2010, implementing directive 2006/43/CE, and the appointed auditing company is PricewaterhouseCoopers S.p.A. Said company had been entrusted with the task of auditing the annual reports of the Bank for the nine year period 2010-2018 by resolution of the Shareholders’ Meeting of 26 April 2010.

Risk and uncertainties due to the use of estimates

The Bank has prepared the completion of the estimation processes which give support to the value of registration of the most relevant valuation items recorded in the financial accounts as at 31 December 2011, as foreseen by the current accounting principles as well as reference regulations. Such processes are largely based on the estimated future possible recovery concerning the Statement of Financial Position values according to regulations dictated by the current norms and are carried out under the ongoing concern assumption, while leaving aside hypotheses about forced liquidation of items which are the subject of valuation. For this information we refer you to the report on operations and the Notes to Accounts, part E.

Checks carried out support the registered values of items mentioned on 31 December 2011, although the valuation processes, mostly linked to the credit portfolio, are considerably complex due to the current macro-economic and market context.

A.2 ILLUSTRATION OF MAIN ITEMS IN THE FINANCIAL STATEMENTS

SECTION 1 – FINANCIAL ASSETS HELD FOR TRADING

1.1 Classification criteria

This category includes financial assets that are held with the intention of generating profit in the short term, deriving from the change in the price of said instruments. This category also includes derivative instruments not held for hedging purposes and derivative instruments that are linked to assets or liabilities measured at fair value for management purposes.

1.2 Recognition criteria

Initial recognition of financial assets takes place on the date of settlement for debt and equity securities and on the date of subscription for derivative contracts. Upon initial recognition, financial assets held for trading are measured at cost, defined as the fair value of the instrument, without considering transaction costs or income directly attributable to the instrument.

1.3 Measurement criteria

Subsequent to initial recognition, financial assets held for trading are measured at fair value. If the fair value of a financial asset becomes negative, said asset is treated as a financial liability. Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models and values posted in recent comparable transactions.
Where the fair value of equity securities and the correlated derivative instruments may not be accurately determined according to the above guidelines, these are carried at cost.

1.4 Derecognition criteria

Financial assets in this category are derecognised when the contractual rights to cash flows deriving from the assets expire or when the financial assets have been disposed of and said disposal entails the substantial transfer of all related risks and benefits.

1.5 Income component recognition criteria

Interest income on securities and differentials and spreads on derivative contracts classified to this category, but which are linked to other assets measured at fair value for management purposes, are recognised on an accrual basis to the income statement items for interest, accounting for any commissions (up-front fees) paid or collected in one initial operation.
Profits and losses realised on the disposal or redemption and unrealised profits and losses on changes in the fair value of the trading portfolio are classified to item 80, "Net trading income", except for the share relative to derivative contracts that are linked to assets or liabilities measured at fair value for management purposes, which are entered to item 110, "Net change in financial assets and liabilities at fair value".

SECTION 2 – FINANCIAL ASSETS AVAILABLE FOR SALES

2.1 Classification criteria

This category includes non-derivative financial assets that have not been classified as loans and advances, assets held for trading or assets held to maturity.

Specifically, shareholdings that are not held for trading and may not be considered to establish a relationship of control, affiliation, or joint control are classified to this item.
Securities in the available-for-sale portfolio may in particular circumstances be transferred into the portfolio of securities held to maturity, whilst financial instruments originally classified to loans and advances and assets held to maturity may be transferred into the available-for-sale portfolio.

2.2 Recognition criteria

Upon initial recognition, assets in this category are entered at cost, which is defined as the fair value of the instrument, including transaction costs and income directly attributable to the instrument. If recognition occurs subsequent to reclassification from assets held to maturity, the value of initial recognition is equal to the fair value at the time of transfer. Interest-bearing instruments are entered at amortised cost according to the effective interest method.

2.3 Measurement criteria

Subsequent to initial recognition, securities in this category are measured at fair value when:

a) the fair value of instruments listed on active markets corresponds to the closing market price;
b) the fair value of instruments not listed on active markets corresponds to the current value of expected cash flows, calculated taking into account the various risk profiles inherent in the instruments being measured;
c) the fair value of other instruments not listed on active markets is established using a valuation technique that makes use of market inputs and includes recent arm's length transactions, reference to the current fair value of other instruments that are substantially

the same, discounted cash flow analysis, and the likes. If these estimates cannot be made reliably or if they are too costly (in relation to the type and amount of the equity investment) the equity investment must be measured at cost.

Tests to detect the existence of objective evidence of impairment are performed at the end of each financial year or half-yearly accounting period.

2.4 Derecognition criteria

Financial assets in this category are derecognised when the contractual rights to cash flows deriving from the assets expire or when the financial assets are disposed of with a substantial transfer of all risks and benefits of the financial assets.

2.5 Income component recognition criteria

Interest income, calculated according to the effective interest method, is entered to item 10, "interest income and similar revenues"; dividends are entered to item 70, "dividends and similar income"; profit and loss on the change in fair value are entered net of any relative tax effect to item 130 of equity, "valuation reserves", until the financial asset in question is sold or redeemed or impairment is detected.
If there is any objective evidence that the asset has undergone impairment, the accumulated profit or loss is transferred from item 130, "valuation reserves" to item 130 b), "Net impairment adjustments on financial assets available for sale". The amount of the transfer is equal to the difference between the book value (the cost of acquisition net of any impairment losses previously entered to income statement) and fair value.
A significant or lasting loss of value of equity investments is objective evidence of impairment.
In this event, the possible cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even if the financial asset has not been sold or otherwise disposed of. If the fall in fair value below cost is more than 30% or lasts for more than 24 months, the loss of value is considered to be lasting. If either threshold is exceeded, impairment of the instrument is recognised; if the thresholds are not exceeded but there are other indications of impairment, the loss of value must be corroborated by the outcome of specific analyses carried out in relation to the investment.
If the fair value of the financial instrument increases at a later date and the increase may be objectively correlated with an event that occurred subsequent to the event due to which the impairment loss was entered to the income statement, the loss is re-adjusted entering the corresponding amount to the same item (item 130b) of the income statement (in the case of loans or debt securities) and to equity (item 130) (in the case of equity securities). The amount of readjustment may under no circumstances exceed the amortised cost that the instrument would have had in the absence of previous adjustments.
In the event of gains on investments, unrealised profits and losses previously entered to reserves are transferred to profits/losses on the disposal of available-for-sale assets on the income statement.

SECTION 4 – FINANCIAL ASSETS HELD TO MATURITY

3.1 Classification criteria

This category includes debt securities with fixed or determinable payments and set maturities, which the company has the intention and capacity to hold until maturity. Equity securities are excluded from this category since they do not have set maturity dates and cash flows are not determined according to a pre-established scheme. If the company's intention or capacity changes making it no longer appropriate to carry an investment as held to maturity, then the asset is reclassified to available-for-sale assets.

3.2 Recognition criteria

Initial recognition of financial assets in this category takes place on the settlement date.
Upon initial recognition financial assets in this category are measured at fair value which is usually equal to the cost incurred, including transaction costs. If the asset is entered to this category upon reclassification from "Available-for-sale assets", the fair value of the asset on the date of reclassification is taken as the new amortised cost of the asset.

3.3 Measurement criteria

Subsequent to initial recognition, financial assets held to maturity are measured at amortised cost using the effective interest method.
Tests to detect the existence of objective evidence of impairment are performed at the end of each financial year or half-yearly accounting period. If such evidence is found, the amount of the loss is measured as the difference between the book value of the asset and the current value of its estimated future cash flows discounted at the effective original interest rate.

3.4 Derecognition criteria

Financial assets in this category are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets are disposed of with a substantial transfer of the relative risks and benefits.

3.5 Income component recognition criteria

Profits or losses on assets held to maturity are entered to item 100 c) of the income statement, "Gains (losses) on disposal or repurchase of financial assets held to maturity" when said assets are derecognised.
When there is objective evidence of impairment, the book value of the asset is reduced and the amount of the loss is entered to item 130 c) of the income statement, "Net impairment adjustments".

If the causes of the loss cease subsequent to an event that occurs after impairment has been recorded, then value readjustments are carried out and entered to the income statement. The amount of readjustment may not exceed the amortised cost that the instrument would have had in the absence of previous adjustments.

SECTION 4 – LOANS AND ADVANCES

4.1 Classification criteria

Loans consist of financial assets divided into two categories - customers and banks - and are characterised by fixed or determinable payments; they are not listed on active markets and are not classified as held for trading, available-for-sale or measured at fair value.
They include securities not listed on active markets acquired by underwriting or by private placement, and loans generated by finance lease transactions.

4.2 Recognition criteria

Loans and securities are entered to equity on the date of disbursement or acquisition. They may only be reclassified into the category of "Available-for-sale assets", whilst instruments originally classified to other categories may not be transferred to loans.
Upon initial recognition loans are entered at the amount disbursed or price of subscription, including margin costs and income that may be directly attributed to the individual loan or advance and may be quantified on the date of initial recognition, even if paid at a later date. The value at initial recognition does not include costs that are reimbursed by the debtor or internal administrative costs.

4.3 Measurement criteria

Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method; impairment tests are performed and the results (case-by-case or collective lump-sum reductions) are entered to the income statement. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset. This accounting method, which is based on financial logic, allows the economic impact of costs/income to be distributed throughout the loan's expected residual lifetime. Measurement of the loan portfolio is performed on the date the annual and half yearly financial statements are closed in order to detect the presence of objective evidence relating to possible impairment losses (impairment testing). Measurement may be on a case-by-case or collective basis.

Case-by-case measurement is conducted for items classified as doubtful loans and individual assets from other categories of impaired loans for which impairment is specifically and objectively

detected. This sort of measurement is conducted by referring to the estimated future cash flows and dates of collection. The loss amount is calculated as the difference between the book value of the loan when measurement is performed (amortised cost) and the current value of expected cash flows discounted at the loan's original effective interest rate.
The original effective interest rate of each loan remains unchanged over time unless the agreement has been restructured resulting in a change in the contractual interest rate and the loan ceases to bear the contractual interest for practical purposes.
Value adjustments are entered to the income statement.
The original value of loans is restored over subsequent financial years as long as the reasons that lead to the adjustment cease and provided that the readjustment is objectively linked to an event that occurs after the date of the original adjustment.
Value readjustments related to the passage of time are entered with value readjustments.
Value readjustments are entered to the income statement and the amount of readjustment may under no circumstances exceed the amortised cost that the instrument would have had in the absence of previous adjustments.
Loans that do not require case-by-case measurement, or if case-by-case-measurement has not led to adjustment, are instead subjected to collective measurement which is carried out based on categories that are homogeneous in terms of their credit risk profiles: agriculture, construction, manufacturing, consumers and public bodies, services, banks and watch list loans.
The percentages of loss over one year are calculated based on 5-year historical data sets.

Value adjustments are entered to the income statement.

4.4 Derecognition criteria

Transferred loans are derecognised only when the transfer entails the substantial transfer of all related risks and benefits.
Otherwise, if the risks and benefits of the transferred loans have been retained, said loans continue to be carried as assets, even though legal ownership of the loan has been effectively transferred. If it is impossible to determine whether risks and benefits have been substantially transferred, such loans are derecognised if no control of any sort has been retained over them. Otherwise, the fact that even partial control has been retained means that the loans must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the transferred loans and the changes in cash flows they provide.

Finally, transferred loans are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to a third party the above mentioned flows.

4.5 Income component recognition criteria

Interest income on loans and securities is entered to item 10, "Interest income and similar revenues".
Profits and losses on the disposal of loans and securities are entered to item 100, "Gains (losses) on disposal or repurchase of loans and advances".
Impairment losses and value readjustments to loans and securities are entered to item 130, "Net impairment adjustment on loans and advances".

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE

5.1 Classification criteria

This category includes assets that are intended for measurement at fair value with an impact on the income statement when:

- measurement at fair value allows the elimination or reduction of significant distortions in the accounting representation of financial instruments or between financial instruments and non-financial assets;
- the management and/or valuation of a group of financial instruments at fair value with an impact on the income statement is consistent with a documented risk management or investment strategy oriented along those lines by company management;
- the financial instrument in question contains an implicit derivative that has a significant impact on the cash flows of the host instrument and must be split off.

This category may not include equity instruments without a reliable fair value.

5.2 Recognition criteria

Upon initial recognition, financial instruments measured at fair value are entered at cost, defined as the fair value of the instrument, without considering transaction costs or revenues directly attributable to the instrument, which are entered to the income statement.

5.3 Measurement criteria

Subsequent to initial recognition, financial assets classified in this category are measured at fair value. For further information regarding the criteria according to which fair value is determined, please refer to the paragraph dealing with the measurement of financial assets held for trading. If it is not possible to arrive at a reliable assessment of the fair value of equity securities and the relative derivative instruments by technical valuation, such financial instruments are measured at cost and adjusted for impairment losses.

5.4 Derecognition criteria

Financial assets in this category are derecognised when the contractual rights to cash flows deriving from the assets expire or when the financial assets are disposed of with a substantial transfer of the relative risks and benefits.

5.5 Income component recognition criteria

Interest income on assets in this category are entered on an accrual basis to the income statement items relative to interest, accounting for any commissions (up-front fees) paid or received in one initial operation. Realised and unrealised profits and losses deriving from the change in the fair value of financial assets are entered to item 110, "Net change in financial assets and liabilities at fair value".

SECTION 6 – HEDGING DERIVATIVES

6.1 Classification criteria

The purpose of hedging operations is to neutralize potential losses that may be incurred on a certain element or group of elements and is attributable to a certain risk by means of profits earned on a different element or group of elements in the event that the risk in question should actually present itself.
A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged element is formally documented, if it is effective when hedging begins, and, prospectively, over the entire lifetime of the hedge.
It consequently becomes necessary to verify that the hedge by means of the derivative instrument is highly effective in offsetting changes in the fair value or expected cash flows of the hedged element both at the beginning of the operation and throughout its duration.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged instrument and the relative expected cash flows are offset by the respective values of the hedging instrument. Effectiveness may therefore be evaluated by comparing the above-mentioned changes, while taking into account the aim pursued by the company when the hedge was created.
A hedge is considered effective (within the limits set by the interval 80-125%) if the changes in the fair value of the hedging instrument almost completely neutralize the changes in the hedged instrument for each risk element hedged against.

6.2 Recognition criteria

There are two types of hedges:

- fair value hedges, which aim to cover the exposure to changes in the fair value of hedged assets or liabilities attributable to a specific risk. This type of hedge may be used to hedge against market risks inherent in fixed-rate bond issues;
- cash flow hedges, which aim to cover the exposure to the risk of changes in the expected future cash flows attributable to specific risks associated with items on the financial

statements. This type of hedge is specifically used to stabilize floating-rate interest flows on deposits

The items, "Hedging derivatives" under assets (Item 80) and liabilities (Item 60) on the statement of assets and liabilities correspond to the positive and negative values, respectively, of derivatives that are part of effective hedges.

6.3 Measurement criteria

Hedging derivatives are measured at fair value, specifically:

- in fair value hedges, the change in the fair value of the hedged element is offset by the change in the fair value of the hedging instrument. This offset is recognised by entering the changes in value in both the hedged element (as regards changes produced by the underlying risk factor) and the hedging instrument to the income statement. Any difference, which represents the partial inefficacy of the hedge, is consequently considered the net economic effect;
- in cash flow hedges, the hedged item continues to be measured according to the original method, whereas changes in the fair value of the derivative are entered to equity for the effective share of the hedge, and to the income statement, for the ineffective part of the hedge.

The effectiveness of hedges is verified at the outset and when the financial statements for the period are prepared.

If a hedge ceases to be effective, the related derivative contracts are classified as instruments held for trading and entered to Item 20, "Financial assets held for trading" or Item 40, "Financial liabilities held for trading", whereas changes in fair value are entered to Item 80 of the income statement, "Net trading income". The hedged financial instrument is measured according to the method used for the category in which it is classified.

6.4 Derecognition criteria

Hedged financial assets and liabilities are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets/liabilities are disposed of with a substantial transfer of the relative risks and benefits.

Furthermore, operations cease to be regarded as hedges and be accounted for accordingly if the hedge carried out through the derivative ceases or is no longer highly effective, or if the derivative expires, is sold, rescinded or exercised, or the hedged element is sold, expires or redeemed.

6.5 Income component recognition criteria

Income components are allocated to the relative items on the income statement according to the following indications:

- Accrued differentials on derivative instruments hedging against the interest rate risk (as well as interest on the hedged positions) are allocated to item 10, "Interest income and similar revenues" or 20, "Interest expense and similar charges";

- Capital gains and losses on the valuation of hedging derivatives and the positions covered by fair value hedges (which may be attributed to the risk covered) are allocated to item 90, "Net hedging gains (losses)";
- Capital gains and losses deriving from the valuation of derivative instruments used in cash flow hedges (for the effective share) are allocated to a specific valuation reserve (item 130, "valuation reserve") in equity, "Hedging of future cash flows", net of the deferred tax effect. The effective share of said capital gains and losses is entered to item 90 of the income statement, "Net hedging gains (losses)".

SECTION 7- EQUITY INVESTMENT

7.1 Classification criteria

According to IAS, the item "Equity investments" includes equity investments in subsidiaries, affiliates and jointly-controlled companies.
Subsidiaries are defined as companies for which more than half the voting rights are held either directly or indirectly, unless it may be shown that the possession thereof does not constitute control; control is defined as wielding the power to determine financial and management policies.
Jointly-controlled companies are defined as those for which control is shared with other parties according to a contract.
Affiliates are defined as companies, for which at least 20% of voting rights are held either directly or indirectly, or over which significant influence is possessed despite holding a lesser share of voting rights; significant influence is defined as the power to participate in determining financial and management policies, without having control or joint control.
The equity investment portfolio includes shareholdings in fully-owned subsidiaries and affiliates over which the Bank exercises influence equal to or greater than 20% of voting rights.
The remaining equity investments, i.e. not in subsidiaries and affiliates, are classified as available-for-sale financial assets and treated accordingly.

7.2 Recognition criteria

Equity investments are entered at cost, including accessory charges, when acquired.

7.3 Measurement criteria

Subsidiaries and affiliates are measured according to the net equity method and the impact thereof is entered to the income statement: according to this method, equity investments are initially entered at cost and the book value is increased or decreased to account for the Bank's share in the investee company's profits or losses realised after the date of acquisition. The Bank's share of the investee's profits for the year is entered to the income statement. Dividends received from an investee are entered against the book value of the equity investment. It may become necessary to make adjustments to the book value of equity investments when the share of the Bank's interest in an affiliate is modified.

If there is evidence that the value of an equity investment may have decreased, an estimate of the recovery value of the equity investment is made. If the recovery value is less than the book value, the relative difference is entered to item 210. "Profit (loss) from equity investments". To this item are also entered any future value readjustments.

7.4 Derecognition criteria

Equity investments are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets are disposed of with a substantial transfer of the relative risks and benefits.

7.5 Income component recognition criteria

Profits and losses realised by investor companies, impairment losses and the effects of measurement according to the net equity method are allocated to item 210 in the income statement, "Profit (loss) from equity investments", whereas dividends collected are entered against the book value of the equity investments...

SECTION 8 – PROPERTY, PLANT AND EQUIPMENT

8.1 Classification criteria

Property, plant and equipments include land, instrument real estate, real estate investments, plant, fixtures and furnishings, and all types of equipment.
This category consists of property, plant and equipment held for use in the production or provision of goods and services, to be leased to third parties, or for administrative purposes, and which are believed likely to be used for more than one accounting period.

8.2 Recognition criteria

Property, plant and equipment are initially entered at cost, which includes the price of purchase and any accessory charges that may be directly attributed to the acquisition and commissioning of the assets. Extraordinary maintenance expenses that entail increase in the future economic benefits of the asset are added to the book value of the asset, whereas other ordinary maintenance costs are entered to the income statement.

8.3 Measurement criteria

Property, plant and equipment, including non-instrumental real estate, are measured at cost, once any depreciation and impairment have been deducted. Upon first application, real estate is entered at cost, which is defined as past book value adjusted accordingly to specific monetary revaluation laws.

Tangible assets are systematically depreciated according to the straight-line basis over their useful-lives.
Land is not depreciated and is entered separately even when acquired with annexed buildings.
IAS16 does not provide for depreciation of land since land is an asset with an indefinite useful life; for fully owned properties (from the ground up), this has led to the need to separate the value of land from the annexed buildings by commissioning an expert appraisal.
If there is any evidence that shows that an asset has undergone impairment on the date when financial statements are closed, the asset's book value is compared with its recovery value. Any adjustments are entered to the income statement.
If the reasons that led to the recording of the loss cease to exist, a value readjustment is made, the amount of which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.

8.4 Derecognition criteria

Property, plant and equipment are derecognised when they have been disposed of, or when the assets have been permanently taken out of use and no future economic benefits are expected from disposal.

8.5 Criteria for the recognition of income

Income components are entered to the relative items on the income statement according to the following indications:

- Periodic depreciation, accumulated impairment losses, and value readjustments are allocated to item 170, "Net adjustments to property, plant and equipment".
- Profits and losses on the disposal of assets are allocated to item 240, "Gains (losses) on disposal of investments".

SECTION 9 – INTANGIBLE ASSETS

9.1 Classification criteria

The portfolio of intangible assets includes intangible factors of production with a useful life of several years, and consists largely of application software.

9.2 Recognition criteria

Said assets are entered at the price of purchase including accessory charges and increased by expenses incurred at a later date to raise their value or initial production capacity.

9.3 Measurement criteria

Intangible assets are amortised according to the straight-line method based on the estimated residual useful life of the assets.

If evidence is found indicating the existence of accumulated losses, intangible assets are tested for impairment and any losses in value are recorded; later value readjustments may not exceed the amount of the previously recorded impairment losses.

9.4 Derecognition criteria

Intangible assets are derecognised when their economic function has been fully exhausted.

9.5 Income component recognition criteria

Periodic amortization, accumulated impairment losses, and value readjustments are allocated to item 180, "Net adjustments to intangible assets".

SECTION 10 - NON-CURRENT ASSETS OR GROUPS OF ASSETS/LIABILITIES HELD FOR DISPOSAL

The item includes non-current assets held for sale and assets and liabilities related to groups held for disposal, the sale of which is likely to take place within one year from the date of classification, such as equity investments in subsidiaries, affiliates and jointly-controlled companies, tangible and intangible assets, and assets and liabilities related to company branches held for disposal.
They are entered under the items 140, "Non-current assets and groups of assets held for disposal" and 90, "Liabilities associated with assets held for disposal", respectively.
Assets and liabilities that fall into this category are measured at the lesser of their book value and fair value net of sales costs.
The balance of income and charges (dividends, interest, etc.), whether positive or negative, and the measurements of said assets/liabilities according to the above methods, net of the relative current and deferred taxes, is entered to item 280 of the income statement, "Gains (losses) on groups of assets held for disposal, net of taxes".

SECTION 11 – CURRENT AND DEFERRED TAXATION

11.1 Classification criteria

Items related to current taxes include payments in excess of sums actually owed (current assets) and debt obligations to be fulfilled (current liabilities) in relation to income taxes for the year.
The amount of current tax liabilities also takes into account the risks of charges due to tax disputes.
Deferred tax entries are calculated according to temporary differences, without time limits, between the value attributed to an asset or liability according to statutory standards and the corresponding tax values.

11.2 Recognition, measurement and derecognition criteria

The provision for taxation is determined according to a prudential estimate of current, prepaid, and deferred tax charges.
Prepaid and deferred taxes are accounted for at the level of equity with open balances and no offsetting entries, including the former under item 130, “Tax assets” and the second under item 80, “Tax liabilities”.

11.3 Income component recognition criteria

Current and deferred taxes are entered to item 260 of the income statement, “Income taxes on current operations”, except for taxes relative to items directly charged or credited to equity, net of taxes (profits or losses on available-for-sale financial assets, changes in the fair value of derivative instruments held as cash flow hedges).

SECTION 12 – PROVISIONS FOR RISKS AND CHARGES

12.1 Classification criteria

The provisions for risks and charges consist of sums allocated in relation to current obligations that originated in a past event for which is likely that economic resources will be disbursed to fulfil the obligation, provided that it is possible to estimate the amount to be disbursed in a reliable manner. These are consequently liabilities with uncertain timeframes and amounts.

12.2 Recognition, measurement and derecognition criteria

If the time factor is significant, allocations are discounted at current market rates. Provisions are entered to the income statement.
Provisions are only drawn down to pay the charges for which they were originally made. If it is no longer considered likely that the employment of resource will be required to fulfil the obligation, the allocation is reversed and reattributed to the income statement.

12.3 Criteria Income component recognition criteria

Allocations/reversals in relation to provisions for risks and charges are recognised under item 160, “Net provisions for risks and charges”.
The Bank only uses the item, “Provisions for risks and charges: b) other provisions”, which includes provisions for charges related to:
- personnel and third-parties for which it is likely that economic resources will be disbursed;
- risks of bankruptcy revocatory actions discounted with the zero coupon rate at the Statement of Financial Position date, estimating the average length of this type of legal procedures;
- charitable activities and donations allocated upon approval of the financial statements.

The allowances/recoveries in respect of provisions for risks and charges are allocated to the item 160. "Net provisions for risks and charges".

SECTION 13 - PAYABLES AND OUTSTANDING SECURITIES

13.1 Classification criteria

Amounts due to banks, customers, and outstanding securities including various forms of Interbank funding, customer deposits and sums collected through certificates of deposit and outstanding bonds net of any buybacks.

13.2 Recognition and derecognition criteria

Financial assets in this category are first recognised when the sums collected are received or when the debt securities are issued. Payables and outstanding securities are recognised at their fair value, adjusted as necessary by any charges and income that may be directly attributed to these liabilities. Fair value normally coincides with the sums collected or with the issue price of the securities.
Financial liabilities are derecognised when they have expired or been extinguished. They are also derecognised if previously issued securities are bought back.

13.3 Measurement criteria

Subsequent to initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest method.

13.4 Income component recognition criteria

Interest expenses are entered to item 20, “Interest expense and similar charges”.
Profits and losses on the repurchase of liabilities are entered to item 100, “Gains (losses) on disposal or repurchase.

SECTION 14 - FINANCIAL LIABILITIES HELD FOR TRADING

14.1 Classification criteria

This item includes the negative value of derivative contracts held for trading measured at fair value.

14.2 Recognition and derecognition criteria

The same criteria are applied, with the necessary adaptations, as are used for the recognition and derecognition of financial assets held for trading (see Section 1 – Financial assets held for trading).

14.3 Measurement criteria

The same criteria are applied, with the necessary adaptations, as are used for the measurement of financial assets held for trading (see Section 1 – Financial assets held for trading).

14.4 Income component recognition criteria

The same criteria are applied, with the necessary adaptations, as are used for the recognition of financial assets held for trading (see Section 1 – Financial assets held for trading).

SECTION 15 - FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

15.1 Classification criteria

This category includes financial liabilities that it is intended to measure at fair value with an impact on the income statement when:

- measurement at fair value allows the elimination or reduction of significant distortions in the accounting representation of the instruments;
- the management and/or measurement of a group of financial instruments at fair value with an impact on the income statement is consistent with a documented risk management or investment strategy oriented along those lines by company management;
- the financial instrument in question contains an implicit derivative that has a significant impact on the cash flows of the host instrument and must be split off;

The Bank has adopted measurement at fair value (the Fair Value Option) for bond issues hedged by derivative instruments with the aim of improving the information content of the Financial Statements and in order to eliminate the accounting mismatch in the recognition of components attributable to the interest margin (interest income and expenses) and in the recognition and measurement of profits and losses deriving from the measurement of hedged bonds according to the amortised cost method and instruments held as fair value hedges.
Equity instruments without a reliable fair value may not be classified to this category.

15.2 Recognition criteria

Fixed-rate funding instruments the market risk of which has been systematically hedged are entered to financial liabilities measured at fair value.
Upon initial recognition, financial instruments measured at fair value are entered at cost, defined as the fair value of the instrument, without considering transaction costs or revenues directly attributable to the instrument, which are entered to the income statement.

15.3 Measurement criteria

Subsequent to initial recognition, financial liabilities classified in this category are measured at fair value.

Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data. Some of these methods and models include: methods based on the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, and values posted in recent comparable transactions.

15.4 Derecognition criteria

Financial liabilities are derecognised when they are extinguished or when the contractual obligation has been fulfilled, rescinded, or has expired.

15.5 Income component recognition criteria

Interest expenses in this category are entered on an accrual basis to the income statement items relative to interest; accounting for any commissions (up-front fees) paid or received in one initial instalment.
Realised and unrealised profits and losses deriving from the change in the fair value of financial assets are entered to item 110, "Net change in financial assets and liabilities at fair value".

SECTION 16 – FOREIGN OPERATIONS

16.1 Classification criteria

Foreign operations consist of all assets and liabilities denominated in currencies other than the Euro.

16.2 Recognition criteria

Foreign operations are entered at the exchange rate on the date of the operation.

16.3 Measurement criteria

At the end of each accounting period, items in foreign currencies are given values as follows:

- monetary items are converted at the exchange rate on the Statement of Financial Position date;
- non-monetary items measured at historical cost are converted at the exchange rate on the date of the operation;
- -monetary items measured at fair value are converted using the exchange rates on the Statement of Financial Position date; in this case, exchange differences are entered:
  - to the income statement , if the asset or liability is classified to the trading portfolio;
  - to revaluation reserves if the asset is classified as available for sale.

16.4 Income component recognition criteria

Positive and negative exchange differences on foreign operations other than those designated at fair value and hedging operations are entered to item 80 of the income statement, "Net trading income".

SECTION 17 – OTHER INFORMATION

17.1 Provision for severance indemnities

Following the reform of supplementary pensions implemented by Legislative Decree No. 252 of 2005 those amounts of the severance indemnities that had accrued as at 31 December 2006 remain under the management of the Bank while amounts accruing starting from 1 January 2007 must either be paid into supplementary pension schemes or to the fund managed by INPS (according to the choice expressed by the employee).
The coming into force of the above mentioned reform made for a change in the way the fund was recorded both with regard to amounts accrued as at 31 December 2006 and to amounts accruing starting from 1 January 2007.
More in detail:

- Amounts accruing starting from 1 January 2007 go to a defined-contribution programme regardless of whether the employee opted for a supplementary pension scheme or for the fund managed by INPS. The Bank therefore records amounts paid into these funds as payroll without employing actuarial criteria;
- Amounts accrued as at 31 December 2006 go to a defined-benefit programme and are entered at the value calculated according to actuarial criteria in compliance with IAS 19. The liability in relation to the accrued severance indemnity is calculated on an actuarial basis with no pro-rata calculation of services rendered, as the service that must be measured has entirely accrued.

Classification, recognition, derecognition and measurement criteria
The provision for severance indemnities – for the amount accrued as at 31 December 2006 – is entered at the value calculated according to actuarial criteria provided in IAS 19 for defined-benefit programmes for employees and is certified by independent actuaries.
The Projected Unit Credit Method is used for discounting; this method involves predicting future disbursements according to historical and statistical analyses and the demographic curve and then discounting these flows according to a market interest rate. The discount rates are calculated according to the term structure of interest rates as obtained, by a bootstrap procedure, from the swap rate curve for the dates of measurement.
The amount that started accruing from 1 January 2007 is not added to the severance indemnities fund but rather it is paid into the provident funds and/or the treasury fund of INPS (Social Security).

Income component recognition criteria

The cost of the severance indemnity accrued over the period is booked to the income statement under item 150.a) "Payroll" and includes:

- the interest cost (the interest accrued on the benefit obligation over the period);
- all actuarial gains/losses, defined as the difference between the Statement of Financial Position value of the liability and the current value of the obligation at the end of the period.

Payments into the supplementary pension schemes are booked to the income statement under item 150.a) "Payroll" in relation to defined contribution programmes.

17.2 Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. Such costs, recorded in "Other assets" as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract, and amortization quotas are recorded in "Other maintenance charges".

17.3 Recognition of revenues

Revenues are recognised when they are received, or when it is likely that future benefits will be received or said benefits may be reliably quantified. Specifically:

- interest income is recognised on an accrual basis according to the contractual interest rate or the effective interest rate if the amortised cost method is applied;
- interest on arrears, when provided for by a contract, is recognised in the income statement only when it is actually collected;
- dividends are recognised to the income statement when it is resolved to distribute them, which coincides with when they are collected.

17.4 Provisions for guarantees and commitments

Allocations and write-downs due to the impairment of guarantees granted to the Bank are determined applying the same rate set for investment credit and entered to "Other liabilities" as established by the Bank of Italy.

17.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortization, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for

recalculation of the price to the net carrying amount of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability – or for a shorter period when certain conditions reoccur (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortization process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and, in this last case, if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets / liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortization plan and the effective interest rate for the entire life of the investment, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. Such commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate; thereby the effective interest rate associated to the transaction differs from contractual interest rate.

Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example commissions for distribution, for non use and for advance termination. Amortised cost does not include costs which the Bank would sustain independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of lending (e.g. activities related to the loan granting process, administrative management of syndicated loans) as well as commissions on services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction.

With reference to loans, fees paid to distribution networks are considered costs directly attributable to the financial instrument.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, while it does not consider legal and advisory/review expenses for the annual update of prospectuses.

17.6 Fair value measurements

This section deals with methods for determining fair value in relation to the types of assets and liabilities of the Bank.

For financial instruments, fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
When the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical independent arm's length transaction, motivated by normal business considerations, as at the measurement date.
IFRS 7 calls therefore for classifying instruments being measured at fair value according to a three levels "fair value hierarchy". In detail:
- Level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in the market (other than quotation prices);
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that use inputs that cannot be observed in the market.

The choice between these methodologies is not optional, since they must be applied according to a hierarchy.
The Bank's activities are considered quoted on an active market (level 1): equities and bonds quoted on a regulated market and also securities for which at least two recent executable prices are continuously available with a bid-ask spread under an interval deemed to be congruous.
The fair value of securities – in relation to which the FVO has been elected and executable prices are not continuously available on the market – and of interest rate hedging derivatives relating to FVO, is determined based on valuation models that mainly use inputs that can be observed in the market (level 2). These are Over The Counter, instruments which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as interest rate curves) adjusted to consider the credit quality of the issuer. Creditworthiness is measured with reference to the spread of the most recent bond issues which is taken as an indication of the current rating.

Finally, the fair value of some types of financial instruments (non-listed equity investments) has to be determined by resorting to valuations performed using inputs not identified from parameters observed on the market, which are also estimated using assumptions made by the person making the assessment (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is based on financial methods or the like, or on the purchase price should the measurement be objectively not feasible or economical (owing to the characteristics and size of the equity investment).

To integrate the above information in relation to individual Statement of Financial Position items, for assets and liabilities reported at amortised value, the fair value shown in the Notes to Accounts is calculated as follows:

- The fair value of loans and advances to customers and banks is calculated by discounting future cash flows on the basis of the market interest rate curve ruling at the Statement of Financial Position date. This is based on the discount rate adjustment approach in which the risk factors, which are represented by the PD and LGD parameters used for measuring portfolio impairment, are taken into consideration in the rate used to discount future cash flows;
- The fair value of bonds in issue is calculated by discounting future cash flows provided for in the contract on the basis of the market interest rate curve ruling at the Statement of Financial Position date adjusted to consider issuer risk;
- The fair value of on-demand assets and liabilities due to/from customers and banks is approximated by the book value.

A.3 FAIR VALUE DISCLOSURE

A.3.1 TRANSFERS BETWEEN PORTFOLIOS

In the course of 2011, the Bank did not make any transfer of financial assets between portfolios and therefore this table is not reported.

A.3.2 FAIR VALUE HIERARCHY

A.3.2. Accounting portfolios: breakdown by fair value levels

	2011			2010		
Financial assets/liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading		634			1,268	
2. Financial assets at fair value						
3. Financial assets available for sale	30,898	159,863	17,055	246	-	16,305
4. Hedging derivate assets		-			131	
Total	**30,898**	**160,497**	**17,055**	**246**	**1,399**	**16,305**
1. Financial liabilities held for trading		1,106			92	
2. Financial liabilities at fair value		38,956			46,896	
3. Hedging derivate liabilities		168				
Total		**40,230**			**46,988**	

A.3.2.2 Annual changes in financial assets at fair value (level 3)

	FINANCIAL ASSETS			
	Held for trading	**At fair value**	**Available for sale**	**Hedge derivatives**
1. Opening balance			**16,305**	
2. Increases			**1,902**	
2.1 Purchases			1.260	
2.2 Profits in:			606	
2.2.1 Income statement			492	
- of which: unrealised gain			492	
2.2.2 Equity			114	
2.3 Transfers from other levels			-	
2.4 Other increases[1]			36	
3. Decreases			**1,152**	
3.1 Sales			570	
3.2 Redemptions			-	
3.3 Losses in:			318	
3.3.1 Income statement			312	
- of which: unrealised losses			312	
3.3.2 Equity			6	
3.4 Transfer from other levels			-	
3.5 Other decreases[2]			264	
4. Closing balance			**17,055**	

[1] This originates from the reclassification to the income statement from negative reserves of impaired shares in Urbin S.p.A. under liquidation.

[2] This originates from the reclassification to the income statement from positive reserves from the sale of equity in SOA Nord Alpi S.p.A.

There are no values to report for the two tables required by Bank of Italy: A.3.2.3 “Annual changes in financial liabilities held at fair value (level 3)” and table A.3.3 «Information on so-called day one profit/loss”.

PART B INFORMATION ON THE STATEMENT OF FINANCIAL POSITIONS

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: composition

	2011	2010
a) Cash	5	3
b) Demand deposits with central banks	-	-
Total	**5**	**3**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: breakdown by sector

Items	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Financial assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other securities						
2. Equity securities						
3. Investments in UCITS						
4. Loans						
4.1 Repurchase agreement						
4.2 Other						
Total A						
B Derivative instruments						
1. Financial derivatives		634			1,268	
1.1 trading						
1.2 related to fair value option [1]		634			1,268	
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 related to fair value option						
2.3 others						
Total B		**634**			**1,268**	
Total (A+B)		**634**			**1,268**	

[1] These consist of interest swaps with banks as counterparties and are associated to bonds issued by the Bank for which the fair value option has been elected; fair value is calculated omitting value changes due to credit worthiness changes and amounts to €641,000 in 2011 against €1.411m in 2010.

2.2 Financial assets held for trading: breakdown by debtor/issuer

items	2011	2010
A. Financial assets (non-derivatives)		
1. Debt securities	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial corporations	-	-
- non-financial corporations	-	-
- others	-	-
3. Investments in UCITS	**-**	**-**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**-**	**-**
B. Derivative instruments	**634**	**1,268**
a) Banks	634	1,268
- fair value	634	1,268
b) Customers	-	-
- fair value	-	-
Total B	**634**	**1,268**
Total (A+B)	**634**	**1,268**

Financial assets held for trading: annual changes

	Trading derivatives	Trading derivatives related to fair value option	Total
A. Opening balance	**-**	**1,268**	**1,268**
B. Increases	**-**	**133**	**133**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	-	-	-
B4. Other changes	-	133	133
C. Decreases	**-**	**767**	**767**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	-	581	581
C4. Other changes	-	186	186
D. Closing balance	**-**	**634**	**634**

Items in "other changes" consist of changes to accrued expenses and deferred income in connection with these derivatives.

SECTION 4 – FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: breakdown by sector

Items	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	30,819	159,863	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	30,819	159,863	-	-	-	-
2. Equity instruments	79	-	8,643	246	-	7,964
2.1 Measured at fair value	79	-	8,064	246	-	6,916
2.2 Carried at cost [2]	-	-	579	-	-	1,049
3. Investments in UCITS	-	-	8,412	-	-	8,341
4. Loans	-	-	-	-	-	-
Total	**30,898**	**159,863**	**17,055**	**246**	**-**	**16,305**

1 These consist of €35m of government securities (Level 1) and €160m of bonds issued by banks (level 2) purchased by the Bank to provide adequate reserves of liquid assets eligible for ECB refinancing.

2 Unlisted equity instruments carried at cost amounted to €579,000 in 2011 and €1.049m in 2010: they consist of minority equity investments purchased at less than €1m for which fair value cannot be estimated in a reliable manner.

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items	2011	2010
1. Debt securities	**190,682**	**-**
a) Governments and central banks	30,819	-
b) Other public entities	-	-
c) Banks	159,863	-
d) Other issuers	-	-
2. Equity instrument	**8,722**	**8,210**
a) Banks	50	50
b) Other issuers	8,672	8,160
- insurance companies	-	-
- financial corporations	1,930	1,930
- non-financial corporations	6,742	6,230
- others	-	-
3. Investments in UCITS [1]	**8,412**	**8,341**
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**207,816**	**16,551**

1 This item is largely made up (€7.6m) of units of the closed-end investment fund "MC^2 Impresa" which invests mainly in unlisted financial instruments i.e. in shares, convertible bonds and other securities – mainly minority shareholdings but also majority shareholdings; it also includes portions of limited liability companies; furthermore it includes units of the closed-end real estate investment fund Clesio (€0.8m).

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity instruments	Investments in UCITS	Loans	Total
A. Opening balance	**-**	**8,210**	**8,341**	**-**	**16,551**
B. Increases	**196,295**	**1,824**	**78**	**-**	**198,197**
B1. Purchases	194,916	1,260	-	-	196,176
B2. Positive changes in fair value	661	36	-	-	697
B3. Write-backs	-	-	78	-	78
- through profit or loss	-		-	-	-
- in equity	-	-	78	-	78
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	718[1]	528[2]	-	-	1,246
C. Decreases	**5,613**	**1,312**	**7**	**-**	**6,932**
C1. Sales	-	570	-	-	570
C2. Redemptions	-	-	-	-	-
C3. Negative changes in fair value	5,613	-	7	-	5,620
C4. Impairments	-	479	-	-	479
- through profit or loss	-	*479*	-	-	*479*
- in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	-	264[3]	-	-	264
D. Closing balance	**190,682**	**8,722**	**8,412**	**-**	**207,816**

Further details on movements are provided in the Report on Operations.

[1] This consists of a change in the amortised cost.

[2] This originates for €36,000 from the reversal to income of negative reserve for impairment of shares in Urbin SpA in liquidation, and for €492,000 of gains from the sale of investments in SOA Nord Alpi S.p.A.(represented in the table "A.3.2.2 "Annual changes in financial assets at fair value (level 3)" under "2.2.1 Income Statement - of which: unrealised gains")

[3] This originates from reversal to income of positive reserve following the sale of investments in SOA Nord Alpi S.p.A.

Investments in equities classified as available for sale portfolio

	2011	2010
Hotel Lido Palace S.p.A.	-	58

The payment of the remaining €58,000 Euros for the shares in Hotel Lido Palace SpA was carried out during the month of April 2011 and is represented in Table "4.4 Financial assets available for sale: annual changes" in "B1. Purchases".

SECTION 6 – LOANS AND ADVANCES TO BANKS – ITEM 60

6.1 Break down of loans and advances to banks by sector

Type of transaction/Amounts	2011	2010
A. Deposits with central banks	**-**	**-**
1. Time deposit	-	-
2. For reserve requirements	-	-
3. Repurchase agreements	-	-
4. Other	-	-
B. Deposits with banks	**26,681**	**44,794**
1. Current accounts and demand deposits	20,107	1,576
2. Time deposit	1,525	13,081
3. Other loans:	8	5,017
3.1 Repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Others	8	5,017
4. Debt securities [1]	5,041	25,120
4.1 Structured securities	-	-
4.2 Other debt securities	5,041	25,120
Total (carrying value)	**26,681**	**44,794**
Total (fair value)	**26,681**	**44,705**

1 securities consist of bonds issued by co-operative banks and purchased by the Bank in order to finance the borrowers.

Mediocredito has met its obligatory reserve requirements with the Bank of Italy indirectly by means of Cassa Centrale Banca S.p.A., with which it holds a deposit made for this purpose, equal to €1.525 thousands as at 31 December 2011 and is included in item B.2..

SECTION 7 - LOANS AND ADVANCES TO BANKING CUSTOMERS– ITEM 70

7.1 Break down of loans and advances to banking customers by sector

Type of transaction/Amounts	2011		2010	
	Performing	Impaired	Performing	Impaired
1. Current accounts	2,470	-	2,413	-
2. Repurchase agreements	-	-	-	-
3. Mortgages	926,898	86,268	920,513	90,320
4. Credit cards, personal loans including "one-fifth of salary deducted loan"	-	-	-	-
5. Finance lease [1]	63,207	4,292	72,375	5,081
6. Factoring	-	-	-	-
7. Other loans[2]	246,389	12,940	298,135	8,505
8. Debt securities	31	-	62	-
8.1 Structured securities	-	-	-	-
8.2 Other debt securities	31	-	62	-
Total (carrying value)	**1,238,995**	**103,500**	**1,293,498**	**103,906**
Total (fair value)	**1,189,210**	**103,500**	**1,288,960**	**103,906**

[1] The amount is net of the portion disbursed in relation to third-party funds, which is included in the item "other operations" to the amount of €5.5m in 2011 and €6.0m in 2010.

[2] The amount also includes building leasing turnkey operations for the amount of €0.2m in 2011 and €2.2m in 2010.

7.2 Break down of loans and advances to banking customers by debtor/issuer

Type of transaction/Amounts	2011		2010	
	Performing	Impaired	Performing	Impaired
1. Debt securities issued by:	**31**	**-**	**62**	**-**
a) Governments	-	-	-	-
b) Other public entities	-	-	-	-
c) Other issuers	31	-	62	-
- non-financial corporations	31	-	62	-
- financial corporations	-	-	-	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans to:	**1,238,964**	**103,500**	**1,293,436**	**103,906**
a) Governments	100	-	100	-
b) Other public entities	93,379	-	92,306	-
c) Other issuers	1,145,485	103,500	1,201,030	103,906
- non-financial corporations	1,090,442	96,948	1,120,477	99,422
- financial corporations	25,076	4,400	48,352	1,875
- insurance companies	-	-	-	-
- others	29,967	2,152	32,201	2,609
Total	**1,238,995**	**103,500**	**1,293,498**	**103,906**

7.4 Finance lease

Items	31/12/2011			31/12/2010		
	Minimum lease payments	Present value of minimum lease payments	Deferred financial profits	Minimum lease payments	Present value of minimum lease payments	Deferred financial profits
Within 1 year	12,423	10,005	2,418	13,430	10,640	2,791
1 - 5 years	40,133	32,612	7,521	48,236	39,543	8,693
Over 5 years	30,198	26,372	3,826	32,899	28,598	4,302
Total	**82,754**	**68.989**	**13,765**	**94,565**	**78,781**	**15,786**

	Gross	Adjust.	Net	Gross	Adjust.	Net
Advances in the balance sheet	69,705	363	**69,342**	79,224	367	**78,857**

SECTION 8 – HEDGING DERIVATIVES – ITEM 80

8.1 Hedging derivatives: breakdown by hedges risk and fair value hierarchy

	FV 2011			NV 2011	FV 2010			NV 2010
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**131**	**-**	**50,000**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	131	-	50,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**131**	**-**	**50,000**

Legend:

NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Hedge derivatives refer to cash flow hedge on floating rate notes issued by the Bank. Such cash flow hedge is obtained by interest rate swaps hedging (floating to fixed swaps).

SECTION 10 – EQUITY INVESTMENTS – ITEM 100

10.1 Equity investments in subsidiaries, joint ventures or companies under significant influence: information on shareholders' equity

Denomination	Office	% held	% of votes
A. Subsidiaries			
1. Paradisidue S.r.l.	Trento	100.000	100.000
B. Joint ventures			
C. Companies under significant influence			
1. Essedi Strategie d'Impresa S.r.l.	Trento	31.869	31.869
2. Biorendena Spa	Pinzolo (TN)	20.000	20.000

10.2 Equity investments in subsidiaries, joint ventures or companies under significant influence: information on the accounts[1]

Denomination	Total assets	Total revenues	Net profit (Loss)	Equity [2]	Carrying values	Fair value [3]
A. Subsidiaries						
1. Paradisidue S.r.l.	2,804	346	7	23	23	
B. Joint ventures						
C. Companies under significant influence						
1. Essedi Strategie d'Impresa S.r.l.	1,209	648	30	189	60	
2. Biorendena S.p.a.	1,400	-	(22)	380	76	
Total	**5,413**	**994**	**15**	**592**	**159**	

1 Statement of Financial Position data as at 31/12/2011 for the subsidiary Paradisidue S.r.l., and as at 30/06/2011 for Essedi Strategie d'Impresa S.r.l. and 30/11/2011 for Biorendena S.p.A..

2 Equity includes year-end profit and loss result.

3 The fair value of companies under significant influence is not shown as they are unlisted companies.

10.3 Equity investments: annual changes

	2011	2010
A. Opening balance	**198**	**177**
B. Increases	**25**	**47**
B.1 Purchases	-	21
B.2 Write-backs	25	26
B.3 Revaluation	-	-
B.4 Other changes	-	-
C. Decreases	**64**	**26**
C.1 Sales	-	-
C.2 Write-downs	64	26
C.3 Other changes	-	-
D. Closing balance	**159**	**198**
E. Total revaluations	52	52
F. Total write-down	225	187

10.6 Commitments referred to investments in subsidiaries

The Bank has granted to the subsidiary Paradisidue S.r.l. a loan account with a credit limit of €3.000m – for which the amount of €2.470m was been withdrawn as at 31 December 2011 for the purpose of acquiring a building in the context of a bankruptcy proceeding.

10.6 Commitments referred to investments in companies under significant influence

Unpaid calls on shares (equity investment in Biorendena S.p.A.)	31

SECTION 11 – PROPERTY, PLANT AND EQUIPMENT – ITEM 110

11.1 Property, plant and equipment: breakdown of assets valued at cost

Assets/Amounts	2011	2010
A. Assets for operational use		
1.1 owned	**10,706**	**8,976**
a) land[1]	1,950	1,950
b) buildings[2]	6,414	5,706
c) furniture	1,162	679
d) IT equipment	189	125
e) others	991	516
1.2 purchased under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) IT equipment	-	-
e) others	-	-
Total A	**10,706**	**8,976**
B. Assets held for investment purposes		
2.1 owned	**116**	**116**
a) land[3]	116	116
b) buildings	-	-
2.2 purchased under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**116**	**116**
Total (A+B)	**10,822**	**9,092**

[1] This is the historical cost of the land, fully owned by the Bank, on which the registered office in Trento stands; under the fifty-eighth paragraph of IAS 16 land is accounted for separately.

[2] Subject to revaluation under special laws of which: €106.3 thousands under Law 576/75, €409.6 thousand under Law 72/83, €887.7 thousand under Law 413/91 and €4,410.7 thousand under Law 342/2000.

[3] This is a plot of land obtained as a result of debt recovery proceedings.

Depreciation of property, plant and equipment was calculated on the basis of the following annual depreciation charges which are deemed to adequately express the residual useful life of the assets.

Land............ not depreciated (indefinite useful life)
Lands incorporated from buildings owned............ not depreciated (indefinite useful life)
Buildings for operational use............ 3.00%

Movables, plant and machinery............12.00%
Air conditioning and various equipment............15.00%
Plants and lifts............ 7.50%
Furnishings............15.00%
Electronic equipment............20.00%
Cars and motor vehicles............25.00%
Telephones............12.50%

11.3 Assets for operational use: annual changes

	Land	Buildings	Furnishing	IT equipment	Others	Total
A. Gross opening balance	**1,950**	**9,716**	**2,234**	**584**	**1,871**	**16,355**
A.1 Net decreases	-	4,009	1,555	459	1,356	7,379
A.2 Net opening balance	**1,950**	**5,706**	**679**	**125**	**516**	**8,976**
B. Increases:	-	**985**	**1,009**	**148**	**645**	**2,787**
B.1 Purchases	-	985	600	102	587	2,274
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from property held for investment purposes	-	-	-	-	-	-
B.7 Other changes	-	-	409	46	58	513
C. Decreases:	**-**	**277**	**526**	**84**	**170**	**1,057**
C.1 Sales [1]	-	-	148	3	-	151
C.2 Depreciation	-	277	118	38	112	545
C.3 Impairment charges booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value changes booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	260	43	58	362
D. Net closing balance	**1,950**	**6,414**	**1,162**	**189**	**991**	**10,706**
D.1 Total net write-downs	-	4,286	1,264	451	1,409	7,410
D.2 Gross closing balance	**1,950**	**10,700**	**2,426**	**640**	**2,400**	**18,116**
E. Carried at cost	-	-	-	-	-	-

[1] Amounts in the "sales" entry refer to the transfer of fully amortised assets whose cash flow, coinciding with the capital gain realised equalling €2,000, is highlighted in the cash flow statement in the "Cash flow generated by sale of tangible assets" entry. For balancing purposes (for item "Total net write-downs") the change of the amortization fund related to such assets, of equal amount, has been shown in entry "B.7 – other increases".

All assets for operational use are carried at cost inclusive of monetary revaluation under special laws.

11.4 Property held for investment purposes: annual changes

No changes were recorded during the period in relation to property held for investment purposes (carried at cost). Gross opening balance, net opening balance, gross closing balance and net closing balance and also the valuation at fair value equal to €116,000.

11.5 Commitments to purchase tangible assets (IAS 16/74.c)

Contractual commitments for purchasing tangible assets concern:

- a preliminary agreement for the purchase of a portion of a building in Treviso - signed in March 2011 - which is intended to accommodate the Treviso branch of the Bank. The acquisition will be completed in early 2012 for a total investment (property, plant and furniture) amounting to approximately €1.2m;
- a tender signed with a company for the build of a new data centre in the headquarters in via Paradisi, Trento for a total of €180,000 (for building work and plants); the work will be completed by end of 2012;
- a tender signed for the rendering of the facade of the Bank’s headquarters in via Paradisi, 1 Trento; the work will be done in the first half of 2012 for an approximate cost of €200,000.

SECTION 12 – INTANGIBLE ASSETS – ITEM 120

12.1 Intangible assets: breakdown by type of assets

Assets/Amounts	2011		2010	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets	**700**	**-**	**914**	**-**
A.2.1 Assets carried at cost:	700	-	914	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	700	-	914	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**700**		**914**	**-**

Depreciation was calculated on the basis of the expected useful life at a percentage of 33.33% with regard to application software and on the basis of the duration of the outsourcing contract (5 years) with regard to the cost of software for the company's new IT system.

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: Generated internally		Other intangible assets: Other		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	**-**	**-**	**-**	**2,644**	**-**	**2,644**
A.1 Net decreases	-	-	-	1,730	-	1,730
A.2 Net opening balance	**-**	**-**	**-**	**914**	**-**	**914**
B. Increases	**-**	**-**	**-**	**103**	**-**	**103**
B.1 Purchases	-	-	-	103	-	103
B.2 Increase in intangible assets generated internally	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**317**	**-**	**317**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	317	-	317
- Amortizations		-	-	317	-	317
- Depreciations:	-	-	-	-	-	-
+ equity		-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value booked to:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**700**	**-**	**700**
D.1 Net adjustment values	-	-	-	2,047	-	2,047
E. Gross closing balance	**-**	**-**	**-**	**2,747**	**-**	**2,747**
F. Carried at cost	-	-	-	-	-	-

Intangible assets are carried at cost.

12.3 Intangible assets: Other information

The Bank does not have:

- Revaluated property, plant and equipment;
- Intangible assets acquired by way of public contributions;
- Intangible assets pledged as collateral for liabilities;
- Commitments to purchase intangible assets;
- Leased intangible assets.

SECTION 13 – TAX ASSETS AND TAX LIABILITIES - ITEM 130 OF ASSETS AND ITEM 80 OF LIABILITIES

13.1 Deferred tax assets: breakdown

	2011	2010
	4,192	**1,993**
A. With contra-entry to income statement	**2,328**	**1,991**
Payroll	41	41
Adjustment to/Impairment of loans deductible in future years	1,868	1,565
Depreciation of buildings for operational use	27	23
Other	392	362
B. With contra-entry to equity	**1,864**	**2**
Valuation of IRS Cash Flow Hedge	59	-
Financial assets held for sale at fair value	1,805	2

13.2 Deferred tax liabilities: breakdown

	2011	2010
	7,087	**6,962**
A. With contra-entry to income statement	**6,830**	**6,841**
Reserve for loan losses	5,530	5,530
Write-down of loans exceeding the tax deductibility limit	1,167	1,171
Depreciation of buildings for operational use	110	111
Change in employee leaving indemnity	23	29
B. With contra-entry to equity	**257**	**121**
Financial assets held for sale at fair value	257	53
Valuation of IRS Cash Flow Hedge	-	68

Percentages used in the calculation of deferred taxes:

IRES: 27.50%;
IRAP: 4.65%.

13.3 Change in deferred tax assets (with contra-entry to income statement)

	2011	2010
1. Opening balance	**1,991**	**1,135**
2. Increases	**495**	**959**
2.1 Deferred tax assets recognised during the year	491	959
a) related to previous years	-	-
b) due to change in accounting policies	-	-
c) write backs	-	-
d) others	491	959
2.2 New taxes or increases in tax rates	4	(0)
2.3 Other increases	-	-
3. Decreases	**158**	**103**
3.1 Deferred tax assets derecognised during the period	133	103
a) reversals	133	103
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	25[1]	-
4. Closing balance	**2,328**	**1,991**

[1] This amount represents the reversal of deferred tax assets recognised in 2010 against the impairment of a title available for sale, which in 2011 saw a recovery in value recorded with contra-entry to equity (see footnote to Table 18.1 Part C) net of related deferred taxes.

13.4 Change in deferred tax liabilities (with contra-entry to income statement)

	2011	2010
1. Opening balance	**6,841**	**6,868**
2. Increases	**0**	**0**
2.1 Deferred tax assets recognised during the period	-	-
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	-	-
2.2 New taxes or increases in tax rates	0	0
2.3 Other increases	-	-
3. Decreases	**11**	**27**
3.1 Deferred tax assets derecognised during the period	11	27
a) reversals	11	27
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**6,830**	**6,841**

13.5 Change in deferred tax assets (with contra-entry to equity)

	2011	2010
1. Opening balance	**2**	**56**
2. Increase	**1,863**	**2**
2.1 Deferred tax assets recognised during the period	1,863	2
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	1,863	2
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1**	**56**
3.1 Deferred tax assets derecognised during the period	1	56
a) reversals	1	56
b) written down as now considered unrecoverable	-	-
c) due to change in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**1,864**	**2**

13.6 Change in deferred tax liabilities (with contra-entry to equity)

	2011	2010
1. Opening balance	**121**	**39**
2. Increases	**228**	**82**
2.1 Deferred tax liabilities recognised during the period	224	82
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	224	82
2.2 New taxes or increases in tax rates	4	-
2.3 Other increases	-	-
3. Decreases	**92**	**-**
3.1 Deferred tax liabilities derecognised during the period	67	-
a) reversals	67	-
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	25[1]	-
4. Final balance	**257**	**121**

[1] This amount represents the reversal of deferred tax assets recognised in 2010 against the impairment of a title available for sale, which in 2011 saw a recovery in value recorded with contra-entry to equity (see footnote to Table 18.1 Part C) net of related deferred taxes.

13.7 Other information

The item "current tax liabilities" amounts to €372,000 and relates to the net balance of amounts paid to (€4.185m) and due to (€4.557m) the Revenue with regard to IRES and IRAP; in 2010 the balance included under "current tax assets" was of €243,000 (paid to for €4.028m, due to for €4.271m).

SECTION 15 – OTHER ASSETS – ITEMS 150

15.1 Other assets: breakdown

	2011	2010
Illiquid assets	10,043	1,600
Deposit for purchase new building for branch in Treviso	358	-
Amounts due from subsidiary Paradisidue Srl	295	-
Amounts due for unpaid commissions	215	198
Tax assets (indirect taxes and substitute tax)	212	435
Accrued income and prepayments	206	150
Various prepayments and advances	165	65
Other items with financing suspended	121	-
Amounts due in relation to invoices (issued and not)	113	424
Receivables for contributions	27	1,992
Leasehold improvements	14	19
Advances to suppliers for restoration of headquarters	-	992
Amounts due in relation to syndicated transactions	-	449
Other items	20	24
Total	**11,789**	**6,348**

LIABILITIES

SECTION 1 – AMOUNTS DUE TO BANKS – ITEM 10

1.1 Amounts due to banks: breakdown by sector

Type of transaction/Amounts		2011	2010
1.	**Amounts due to central banks**	**-**	**-**
2.	**Amounts due to banks**	**414,855**	**414,189**
2.1	Current accounts and demand deposits	-	3,442
2.2	Time deposits	79,439	115,396
2.3	Loans	335,416	295,351
	2.3.1 Repurchase agreements	-	-
	2.3.2 Others[1]	335,416	295,351
2.4	Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5	Other debts	-	-
	Total	**414,855**	**414,189**
	Fair value	**393,036**	**413,034**

[1] Item 2.3.2 includes the amount of €110m related to two loans (with duration of 3M and 3Y) received from the European Central Bank - brokered by Cassa Centrale Banca, as per the Bank of Italy’s indications in February 2012.

1.4 Amounts due to banks: debts subject to micro hedging

Among the Bank's liabilities there are no amounts due to banks that are subject to micro hedging, neither in 2011 nor in the previous year.

SECTION 2 – AMOUNTS DUE TO BANKING CUSTOMERS – ITEM 20

2.1 Amounts due to banking customers: breakdown by sector

Type of transaction/Amounts	2011	2010
1. Current accounts and demand deposits	2,318	1,117
2. Time deposit	70,783	9,139
3. Loans	58,648	21,860
3.1 Repurchase agreements	-	-
3.2 Others	58,648	21,860
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other amounts due[1]	57,520	59,788
Total	**189,269**	**91,904**
Fair value	**187,522**	**91,939**

1 Sub-item "Other amounts due" includes funds managed on behalf of third parties to the amount of €57,192 thousand in 2011 and €59,327 thousand in 2010.

SECTION 3 – DEBT SECURITIES IN ISSUE – ITEM 30

3.1 Debt securities in issue: breakdown by sector

Type of transaction/ Amounts	2011				2010			
	Book value	Fair value [2]			Book value	Fair value [2]		
		Lev. 1	Lev. 2	Lev. 3		Lev. 1	Lev. 2	Lev. 3
A. Securities								
1. Bonds	754,580		750,392		716,079		703,296	
1.1 structured	-		-		-		-	
1.2 others	754,580		750,392		716,079		703,296	
2. Other securities	30		30		30		30	
2.1 structured	-		-		-		-	
2.2 others [1]	30		30		30		30	
Total	**754,610**		**750,422**		**716,109**		**703,326**	

1 This item is made up of matured but not redeemed certificates of deposit (not cashed in by customers).

2 The Fair Value of debt securities in issue is classified under level 2 because it is determined using measurement models based on market parameters (interest rate curves) other than quotations of the financial instrument. This also refers to bonds that had been issued in the context of the EMTN programme and that are listed on the Luxemburg stock exchange which, according to the rules adopted by the Bank in relation to fair value hierarchy, does not make continuously available at least two recent executable prices with a bid-ask spread under an interval deemed to be congruous.

3.3 Debt securities in issue: securities subject to micro-hedging

	2011	2010
1. Debt securities subject to fair value hedging:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other risks	-	-
2. Debt securities subject to cash flow hedging:	**50,371**	**50,272**
a) interest rate risk [1]	50,371	50,272
b) exchange rate risk	-	-
c) other risks	-	-

1 In 2010, the amount is due to the amortised cost proportional to the share of bonds covered by the IRS under a cash flow hedge with a notional amount equal to €50m.

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amount	2011					2010				
	NV	FV			FV *	NV	FV			FV *
		Lev. 1	Lev. 2	Lev. 3			Lev. 1	Lev. 2	Lev. 3	
A. Financial liabilities										
1. Amounts due to banks										
2. Amounts due to banking customers										
3. Debt securities										
3.1 Bonds										
3.1.1 structured										
3.1.2 other bonds										
3.2 Other securities										
3.2.1 structured										
3.2.2 others										
Total A										
B. Derivative instruments										
1. Financial derivatives	**21,424**		**1,107**		**176**	**1,740**		**92**		**92**
1.1 held for trading	1,424		75		75	1,740		92		92
1.2 relating to fair value option	20,000		1,032		101					
1.3 others										
2. Credit derivatives										
2.1 held for trading										
2.2 relating to fair value option										
2.3 others										
Total B	**21,424**		**1,107**		**176**	**1,740**		**92**		**92**
Total (A+B)	**21,424**		**1,107**		**176**	**1,740**		**92**		**92**

Legend
FV = fair value
FV* =fair value calculated without including value changes due to change in creditworthiness of issuer since the date of issue
NV = nominal value or notional value

Trading financial liabilities: annual changes

	Trading derivatives	Trading derivatives relating to the fair value option	Total
A. Opening balance	**92**	**-**	**92**
B. Increases	**-**	**1,075**	**1,075**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	-	1,004	1,004
B4. Other changes	-	71	71
C. Decreases	**17**	**43**	**60**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	10	-	10
C4. Other changes	7	43	50
D. Closing balance	**75**	**1,032**	**1,107**

Item “other changes” consists of changes to accrued expenses and deferred income in connection with the said derivatives.

SECTION 5 – FINANCIAL LIABILITIES AT FAIR VALUE – ITEM 50

5.1 Financial liabilities at fair value: breakdown by sector

Type of transaction/Amount	2011					2010				
	NV	FV			FV *	NV	FV			FV *
		Lev 1	Lev 2	Lev 3			Lev 1	Lev 2	Lev 3	
1. Amount due to banks										
1.1 Structured										
1.2 Others										
2. Amount due to banking customers										
2.1 Structured										
2.2 Others										
3. Debt securities	**39,500**		**38,956**		**40,247**	**45,500**		**46,896**		**47,082**
3.1 Structured	29,500		29,178			29,500		30,579		
3.2 Others	10,000		9,778			16,000		16,317		
Total	**39,500**		**38,956**		**40,247**	**45,500**		**46,896**		**47,082**

Legend

Lev. = level

FV = fair value

FV* =fair value calculated without including value changes due to change in creditworthiness of issuer since the date of issue

NV = nominal value or notional value

The fair value changes, due to the change in creditworthiness of Mediocredito are negative and amounts to €1,292 thousand.

The Bank has adopted a measurement at fair value (the Fair Value Option) for €39.5m of bond issues hedged by derivative instruments with the aim of improving the information content of the Financial Statements and in order to eliminate the accounting mismatch in the recognition of components attributable to the interest margin (interest income and expenses) and in the recognition and measurement of profits and losses deriving from the measurement of hedged bonds according to the amortised cost method and instruments held as fair value hedges.

5.3 Financial liabilities at fair value: annual changes

	Amount due to banks	Amounts due to banking customers	Debt securities	Total
A. Opening balance	**-**	**-**	**46,896**	**46,896**
B. Increases	**-**	**-**	**62**	**62**
B1. Issues	-	-	-	-
B2. Sales	-	-	-	-
B3. Positive changes in fair value	-	-	-	-
B4. Other changes	-	-	62	62
C. Decreases	**-**	**-**	**8,002**	**8,002**
C1. Purchases	-	-	-	-
C2. Redemptions	-	-	6,000	6,000
C3. Negative changes in fair value	-	-	1,888	1,888
C4. Other changes	-	-	114	114
D. Closing balance	**-**	**-**	**38,956**	**38,956**

Item "other changes" consists of changes to accrued expenses and deferred income in connection with the said derivatives.

SECTION 6 – HEDGE DERIVATIVES – ITEM 60

6.1 Hedging derivatives: breakdown by type of coverage and hierarchical levels

	Fair Value 2011			NV	Fair Value 2010			NV
	Level 1	Level 2	Level 3	2011	Level 1	Level 2	Level 3	2010
A) Financial derivatives		**168**		**-**		**-**		**-**
1) Fair value		-						
2) Cash flows		168		-		-		-
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**168**		**-**		**-**		**-**

Legend

NV = nominal value or notional value

Hedging derivatives referred to cash flow hedges on floating rate bonds issued by the Bank, through interest rate swap.

6.2 Hedging derivatives: breakdown by type of contracts and underlying assets

Transaction/type of hedging	Fair value						Cash flows		Foreign investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Other risks				
1. Financial assets available for sale	-	-		-	-		-		
2. Loans and advances	-	-			-		-		
3. Financial assets held to maturity		-			-		-		
4. Portfolio						-			-
5. Other transactions								-	
Total assets	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-		-		-	168		
2. Portfolio							-		-
Total liabilities	**-**	**-**		**-**	**-**	**-**	**168**	**-**	**-**
1. Expected transactions									
2. Financial assets/liabilities portfolio									

SECTION 8 – TAX LIABILITIES – ITEM 80

See section 13 of Assets.

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: break down

	2011	2010
Items in processing [1]	1,540	777
Amounts due to suppliers	1,115	895
Amounts due to third parties [2]	1,092	2,658
Withholdings made as tax collection agent	485	519
Commission fees to be paid	378	417
Payables for contributions	359	336
Withholdings on employee compensation	236	231
Accrued liabilities and deferred income	41	28
Provision for guarantees issued	17	25
Other liabilities	61	73
	5,324	**5,959**

1 In 2011 this item included transfers yet to be credited to correspondents for the amount of €859 thousand.

2 They mainly refer to: €537,000 to be paid to participants in syndicated transactions led by Mediocredito, €204,000 for monetization of employees' leave credits, €253,000 for 2011 bonuses and €63,000 for rewarding the extra time of managerial staff. In 2010 were included contributions waiting to be returned to the beneficiaries as soon as received by the intermediary body, for an amount equal to €1.992m.

SECTION 11 – PROVISION FOR SEVERANCE INDEMNITIES – ITEM 110

11.1 Provision for severance indemnities: annual changes

	2011	2010
A. Opening balance	**1,495**	**1,593**
B. Increase	**184**	**92**
B.1 Provisions for the period[1]	184	92
B.2 Other increases	-	-
C. Decreases	**-**	**190**
C.1 Indemnities paid	-	190
C.2 Other decreases	-	-
D. Closing balance	**1,679**	**1,495**

1 These amounts corresponds to provisions shown in table 9.1 "Payroll: breakdown" of Part C "Information on the income statement" (€109,000) net of the substitute tax (€6,000).

11.2 Other information

Pursuant to IAS 19 paragraphs 64 and 65, the Provision for severance indemnities is calculated utilizing the "projected unit credit cost method" (also known as accrued benefits valuation method or as benefit method/working years).
According to this method, liability is calculated in proportion to the services already rendered at the Statement of Financial Position date with respect to those which could presumably be rendered in total.

To be more precise, the work of the actuary is articulated in the following phases:

- projection on the basis of a series of economic and financial hypotheses of the future amounts which could be disbursed to each employee in the case of retirement, death, disability, resignation, request for early payment, etc. The estimate also includes future revaluations as for art. 2120 of the Italian Civil Code;
- calculation of the average present value of the flows regarding the future payment on the basis of the adopted discount rate and of the probability that each amount has of being disbursed;
- assessment of the pension liabilities by relating the average present value of the flows regarding the future payment to the service already rendered by the employee at the date of valuation;
- identification of the provision valid under IAS – on the basis of the determined liabilities and amounts set aside in the reserve

According to IAS 19 paragraph 78 the discount rate must be selected so that, at the maturity dates of the amounts that are being calculated, it coincides with the guaranteed rate of return of bonds issued by leading companies and institutions.

SECTION 12 – PROVISIONS FOR RISKS AND CHARGES – ITEM 120

12.1 Provisions for risks and charges: breakdown

Item/Amounts	2011	2010
1 Post retirement benefit obligations	-	-
2. Other provisions for risks and charges	1,931	1,765
2.1 legal disputes	789	789
2.2 personnel expenses	150	150
2.3 others	992	826
Total	**1,931**	**1,765**

12.2 Provisions for risks and charges: annual changes

	Post retirement benefit obligations	Other funds	Total
A. Initial balance	**-**	**1,765**	**1,765**
B. Increases	**-**	**450**	**450**
B.1 Provisions for the period [1]	-	150	150
B.2 Changes over time	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases [2]	-	300	300
C. Decreases	-	**284**	**284**
C. 1 Use during the period [3]	-	248	248
C.2 Changes due to discount rate adjustments	-	-	-
C. .3 Other decreases [4]	**-**	36	36
D. Final balance	**-**	**1,931**	**1,931**

[1] This amount is made up entirely of provisions for the personnel incentive scheme for results obtained in 2011.

[2] This amount relates to the portion of the net income for the year that is at the disposal of the Board of Directors for undertakings as per Article 21 of the Bylaws.

[3] This amount is made up of €134 thousand for donations as for article 21 of the Bylaws, for €114,000 in provision for staff to fund the personnel incentive scheme based on results achieved in 2010.

[4] This amount relates to surplus provisions made for the personnel incentive scheme based on the results in 2010.

12.4 Provisions for risks and charges: other provisions

Item “legal disputes” is made up of sums set aside mainly in connection with revocatory actions under disputes.

Item “other” covers the total amount of the fund under Article 21 of the By-laws which is at the disposal of the Board of Directors for supporting initiatives in social-economic, research, study, charitable and promotional fields.

Item “personnel expenses” is made up of amounts set aside to cover the cost of the personnel incentive schemes.

SECTION 14 – EQUITY OF THE COMPANY – ITEMS 130, 150, 160, 170, 180, 190, 200

14.1 Capital stock" and "Treasury shares": breakdown

The capital stock, fully paid up, is set at an amount of €58,484,608, represented by 112,470,400 ordinary shares of €0.52 each.

14.2 Capital stock – Number of shares: annual changes

Item/Types	Ordinary	Other
A. Shares in issue at the beginning of the year	112,470,400	-
- fully paid up	112,470,400	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	**112,470,400**	**-**
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- business mergers	-	-
- conversion of bonds	-	-
- exercise of warrant	-	-
- other	-	-
- on a free basis:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of companies	-	-
C.4 Other changes	-	-
D. Shares in issue at the end of the year	**112,470,400**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares in issue at the end of the year	112,470,400	-
- fully paid up	112,470,400	-
- not fully paid up	-	-

14.4 Income reserves: Other information

Relating to this section, please see the "Statement of changes in equity".

The following table shows the nature and purpose of each reserve included in the equity, as per paragraph 76 of IAS 1 letter b) and Article 2427, paragraph 7-bis of the Civil Code.

Nature/Description	Amount	Possible use	Available amount
Capital reserves:	**29,841**		**29,841**
- Additional paid in capital [1]	29,841	A-B-C	29,841
Income reserves:	**93,596**		**93,596**
- Legal reserve [2]	18,484	A-B-C	18,484
- Extraordinary reserve	53,902	A-B-C	53,902
- Reserve under Leg. Decree. 38/2005	2,274	A-B	2,274
- Other reserves	18,936	A-B-C	18,936
Valuation reserves:	**1,466**		**1,466**
- Valuation reserve under Laws 413/91 e 342/2000	4,318	A-B	4.318
- Valuation reserve under Leg. Decree 38/2005: revaluation of AFS	(2,728)		(2.728)
- Valuation reserve under Leg. Decree 38/2005: cash flow hedges	(124)		(124)
Total	**124,903**		**124,903**

Legend:

A: for increases of the capital stock
B: to cover losses
C: for distribution to the Shareholders

[1] According to Article 2431 of the Civil Code the whole amount of this reserve can be distributed only on condition that the legal reserve has reached the limit set forth by Article 2430 of the Civil Code.

[2] The user of the legal reserve must comply with the limits set forth by Article 2430 of the Civil Code. The amount unavailable for distribution, equal to 20% of the capital, is equal to €11.697m.

OTHER INFORMATION

1. Guarantees issued and commitments

Operations	2011	2010
1) Financial guarantees given to	**1,036**	**1,033**
a) Banks [1]	1,036	1,033
b) Banking customers	-	-
2) Commercial guarantees given to	**9,830**	**7,762**
a) Banks	-	-
b) Banking customers	9,830	7,762
3) Irrevocable commitments to disburse funds	**13,681**	**12,544**
a) Banks		
i) a certain usage		
ii) a uncertain usage		
b) Banking customers	13,681	12,544
i) a certain usage	31	31
ii) a uncertain usage	13,650	12,513
4) Commitments underlying credit derivatives: sales of protection		
5) Assets used to guarantee third party obligations		
6) Other commitments		
Total	**24,547**	**21,339**

1 The item also includes €3,000 paid to the Interbank Deposit Protection Fund for estimated interventions not yet approved, this amount is represented amongst guarantees to banks in compliance with the provisions of the Bank of Italy Circular no. 262/2005 § 2.7.25.

2. Assets used to guarantee own liabilities and commitments

Portfolio	2011	2010
1. Financial assets held for training	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	144,531	-
4. Financial assets held to maturity	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	-	-
7. Property, plant and equipment	-	-

Eurosystem credit operations

The Bank has entered into two liability funding operations with the counterparty Cassa Centrale Banca (which acts as a broker for refinancing at the ECB) for a total face value of €110m, guaranteed by securities classified as financial assets available for sale (Item 3. Table 2.), of which:

- €28.0m is guaranteed by securities for a nominal value of €40.0m issued by banking counterparties and classified as portfolio available for sale for an operation concluded on 12.01.2011 (due to expire on 03.01.2012);
- €82.0m is guaranteed by securities for a nominal value of €104.8m issued by banking counterparties and classified as portfolio available for sale for an operation concluded on 22.12.2011 (due to expire on 29.01.2015).

As required by IFRS 7 § 14 we state the following:

a) With the abovementioned contracts, the Bank has transferred the securities used as a guarantee in the property of Cassa Centrale Banca. Such securities, with their full value and related appurtenances, act as full guarantee for the funding, and any other amounts due to Cassa Centrale Banca arising from the financing operation, although not liquid or payable, arising before or after disbursement;
b) the value of the guarantee deposit is determined by deducting from the market value, the haircut defined by the European Central Bank ("haircut") for the specific activities, as well as an additional haircut defined Cassa Centrale Banca, which acts as a broker.

Own liabilities guaranteed by loans to customers

The Bank has entered into several contracts of assignation of debts (relative to public works financing) with the EIB in order to guarantee two loans signed on 28 November 2005 and 9 December 2008 respectively.

According to the requirements of IFRS 7.14 we state that:

a) the total book value of the financial assets pledged as collateral amounts to €41.4m in relation to the contract signed on 28 November 2005 and to €26.0m in relation to the contract signed on 9 December 2008;

b) by signing the above mentioned contracts the Bank irrevocably assigned with recourse to the EIB amounts it is owed by the municipalities as a guarantee of the full and punctual execution of its financial obligation towards the EIB arising from the loan contracts. The object of the said contracts of assignation of debts is an amount equal to 110% of the remaining amount of the loan granted by the EIB after each partial repayment made by the Bank in accordance with the terms of the contract;

c) according to the contract signed on 28 November 2005, the assignation of debts would take effect only in the case of a default from the Bank to fulfil its obligations to the EIB arising from the said loan contract (which is recorded under the liabilities side of the Statement of Financial Position of the Bank); the contracts of assignation of debts are therefore "subject to condition precedent";

d) according to the contract signed on 9 December 2008 the assignation of debts, for the sole purpose of guarantee, takes effect immediately and remains so until the guaranteed obligations are entirely fulfilled. The EIB has also given the Bank, which remains exposed to credit risk in connection with the amounts it is owed by the municipalities, power of attorney for the management of the said credit and (except in case of breach of contract on the part of the Bank) title to the credit will automatically be given back to Bank when it is cashed in.

Own liabilities guaranteed by securities not reported in the balance sheet

At the year's end, the Bank does not have any liabilities guaranteed by securities that are not reported in the balance sheet.
For the purpose of better information we report that during the year the Bank has used securities acquired as part of a "self-securitization" transaction to guarantee no. 23 borrowings from Cassa Centrale Banca acting as an agent for refinancing with the European Central Bank.

4. Management and intermediation on behalf of third parties

Type of services	2011	2010
1. Trading of financial instruments on behalf of third parties	**-**	**-**
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Portfolio management	-	-
a) individual	-	-
b) collective	-	-
3. Custody and administration of securities	**379,251**	**208,523**
a) third-party securities on deposit as custodian bank portfolio (excluding management schemes)	-	-
1. securities issued by the Bank preparing the accounts	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding management schemes)	56,463	48,389
1. securities issued by the Bank preparing the accounts	38,390	41,900
2. other securities	18,073	6,489
c)) third-party securities on deposit with third parties	12,087	3,440
d) own securities on deposit with third parties [1]	310,700	156,694
4. Other transactions	**2,846**	**3,244**
Of which Transactions on behalf of the Autonomous Provinces	*2,172*	*2,570*
Risk funds set up by various entities	*572*	*572*
Management of state contributions under Law 488/92	*102*	*101*

[1] This item includes Senior and Junior securities originating from the securitization operation and lodged with Montetitoli S.p.A. for the overall amount of €95,710 thousands.

PART C INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST – ITEMS 10 AND 20

1.1 Interest income and similar revenues: breakdown

	Items/Technical forms	Debt securities[1]	Loans2	Other assets[3]	Total 2011	Total 2010
1	Financial assets held for trading	-	-	766	766	1,035
2	Financial assets available for sale	1,933	-	-	1,933	-
3	Financial assets held to maturity	-	-	-	-	-
4	Loans to banks	223	527	-	750	623
5	Loans to banking customers	3	45,168	-	45,171	40,278
6	Financial assets held at fair value	-	-	-	-	-
7	Hedging derivatives			-	-	-
8	Other assets			-	-	-
	Total	**2,159**	**45,695**	**766**	**48,620**	**41,936**

Changes in connection with interest income – against the comparison accounting period (2010) – are shown in the Report on Operations in the section "Income statement's dynamics", to which we refer you.

We also state that:

[1] Interest income on debt securities consist of:
- paid coupons of bonds issued by banks (see item "loans and advances to banks") and non-banking concerns (see item "loans and advances to customers") that the Bank purchased for the purpose of financing the issuers and hence classified as credits
- paid coupons government bonds and bonds issued by banks (see item "assets available for sale") purchased by the Bank with the intention of using them as collateral for loans by the European Central Bank.

Their balances are shown on tables 6.1 and 7.1 of Part B – Sections 6 and 7 respectively.

[2] Interest on financing in connection with item "loans and advances to banks" include amounts accrued on current accounts and demand deposits: their balances are shown on table 6.1 of Part B – Section 6.

[3] Interest income accrued on other assets relates to amounts collected in relation to the positive balance of differentials on derivatives relating to fair value option which are recorded under item 20. of the asset side and 40. of the liability side in the Statement of Financial Position.

Interest income on impaired assets equals to €2.131m (against €2.306m m in 2010).
It was calculated referring to interest accrued in the course of the whole period in relation to operations with customers which were classified in the categories of impaired loans (doubtful loans, substandard loans, loans past due and restructured loans) as at 31 December 2011.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in currency

	2011	2010
Interest income from financial assets denominated in currency	34	39

1.3.2 Interest income on finance lease transactions

	2011	2010
Deferred financial income	13,765	15,785
Potential rent recorded as revenues for the period	(670)	(1,075)

1.4 Interest expenses and similar charges: breakdown

Items/Technical Forms		Debits	Securities[1]	Other Liabilities[2]	Total 2011	Total 2010
1.	Amount due to central bank	-		-	-	-
2.	Amount due to banks	7,155		-	7,155	5,760
3.	Amount due to banking customers	2.,53		-	2,153	258
4.	Debt securities in issue		14,317	-	14,317	10,127
5.	Financial liabilities held for trading	-	-	-	-	-
6.	Financial liabilities valued at fair value	-	1,523	-	1,523	2,047
7.	Other liabilities			-	-	-
8.	Hedge derivatives			97	97	113
	Total	**9,308**	**15,840**	**97**	**25,245**	**18,305**

Changes in connection with interest expenses, against the accounting period 2010, are shown in the Report on Operations in the section "Income statement's dynamics", to which we refer you.

We also state that:

[1] interest expenses accrued on securities relates to bonds issued by the Bank and classified under item 30. (fourth line) and item 50. (sixth line) of the liability side of the Statement of Financial Position. Interest expenses have been calculated – in relation to items recognised at amortised cost – using the Actual Cost method.

[2] interest expenses accrued on other liabilities relate to amounts accrued in relation to the negative balance of differentials on hedging derivatives recorded under item 60. of the liability side of the Statement of Financial Position.

1.5 Interest expense and similar charges: differentials on hedging transactions

Items/amounts	2011	2010
A. Positive differentials on hedging transactions:	-	-
B. Negative differentials on hedging transactions:	97	113
C. Balance (A-B)	**97**	**113**

1.6 Interest expenses and similar charges: Other information

1.6.1 Interest expense on liabilities denominated in currency

	2011	2010
Interest expense on liabilities denominated in currency	10	8

SECTION 2 - FEES & COMMISSIONS – ITEMS 40 & 50

2.1 Fee and commission income: breakdown

Type of service/Amount	2011	2010
a) guarantees issued	60	30
b) credit derivatives		
c) management, brokerage and consultancy services:	120	61
1. trading of financial instruments		
2. dealing in currency		
3. portfolio management		
3.1 individual		
3.2 collective		
4. safekeeping and administration of securities		
5. custodian bank		
6. placement of securities		
7. orders collection and transmission		
8. consultancy	120	61
8.1 investments		
8.2 structured finance	120	61
9. distribution of third party services		
9.1 portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2 insurance products		
9.3 other products		
d) collection and payment services	4	6
e) securitization servicing		
f) services for factoring transactions		
g) tax collection services		
h management of multilateral trading facilities		
i) management of current accounts		
j) other services [1]	2,059	1,996
Total	**2,243**	**2,093**

Changes of single items against the data for the accounting period 2010 are illustrated and motivated in the Report on Operations in the section "Income statement dynamics", to which we refer you.

1 This item is mainly made up of commissions for advisory activities for the closed-end fund "MC^2 Impresa" for €270 thousand, consisting of various commissions on loans granted for €816 thousands and of commissions for corporate finance activities for €962 thousands.

2.3 Fee and commission expense: breakdown

Services/Amounts	2011	2010
a) guarantees received	17	20
b) credit derivatives		
c) management and brokerage services:	13	11
1. trading of financial instruments		
2. dealing in currency		
3. portfolio management:		
3.1 own portfolio		
3.2 delegated		
4. safekeeping and administration of securities	13	11
5. placement of financial instruments		
6. door-to-door distribution of financial instruments, products and services		
d) collection and payment services	4	4
e) other services [1]	205	251
	239	**286**

Changes of single items against the data for the accounting period 2010 are illustrated and motivated in the Report on Operations in the section "Income statement dynamics", to which we refer you.

[1] This item is largely made up from commissions for the service of collection of financing applications for €162 thousand.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income; breakdown

Items/Incomes	2011		2010	
	dividends	Income from units in investment funds.	dividends	Income from units in investment funds.
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	146	-	165	-
C. Financial assets held at fair value	-	-	-	-
D. Investment securities	-		-	
Total	**146**	**-**	**165**	**-**

The amount of €146 thousand consists mainly of dividends received from Enercoop S.r.l. (€86,000) and SOA Nord Alpi S.p.A. (€23,000). The makeup of the residual amount and also the changes with respect to 2010 are illustrated in the Report on Operations in the section "Income statement dynamics" to which we refer you.

SECTION 4 – NET TRADING INCOME – ITEM 80

4.1 Net trading income: breakdown

Transactions/Income items	Capital gains (A)	Trading profit (B)	Capital losses (C) [1]	Trading losses (D) [2]	Net balance [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 Investments in UCITS.	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Amount due	-	-	-	-	-
2.3 others	-	-	-	-	-
3. Other financial assets and liabilities: exchange difference					**1**
4. Derivatives	**10**	**-**	**-**	**33**	**(23)**
4.1 Financial derivatives:	10	-	-	33	(23)
- On debt securities and interest rates	10	-	-	33	(23)
- On equity instruments and share indices	-	-	-	-	-
- On currencies and gold					-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**10**	**-**	**-**	**33**	**(22)**

1 The item "capital losses" includes negative fair value changes accrued on derivative contracts classified as "held for trading" at 31/12/2011.

2 The item "trading losses" includes negative differentials accrued on swap contracts classified as "held for trading" (Circular of the Bank of Italy 262/2005 chapter 2 – paragraph 3).

SECTION 6 – GAINS (LOSSES) FROM DISPOSAL/REPURCHASES – ITEM 100

6.1 Gains (losses) from disposal or repurchase: breakdown

Items/Income items	2011			2010		
	Gains	Losses	Net profit	Gains	Losses	Net profit
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to banking customers	-	-	-	-	-	-
3. Financial assets available for sale	492	-	492	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity securities [1]	492	-	492	-	-	-
3.3 Investments in UCITS	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**492**	**-**	**492**	**-**	**-**	**-**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to banking customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

[1] The amounts reported in item 3.2 relate to the sale of equity securities in SOA Nord Alpi S.p.A.

SECTION 7 – NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE – ITEM 110[1]

7.1 Net change in financial assets and liabilities valued at fair value – breakdown

Transactions / Income items	Capital Gains (A)	Gains from Disposal (B)	Capital Losses (C)	Losses from Disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	-
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Investments in UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**1,888**	**-**	**-**	**-**	**1,888**
2.1 Debt securities[2]	1,888	-	-	-	1,888
2.2 Amounts due to banks	-	-	-	-	-
2.3 Amounts due to banking customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences					-
4. Credit and financial derivatives [3]	-	-	1,585	-	(1,585)
Total	**1,888**	**-**	**1,585**	**-**	**303**

1 This item includes securities that were issued and for which the fair value option has been elected and the valuation of derivatives to them associated.

2 Amounts in connection with capital gains and losses are shown in table "Financial liabilities valued at fair value: annual changes" items C.3 and B.3.

3 The amount in connection with capital losses can be calculated as the algebraic sum of items C.3 of table "Trading financial assets: annual changes" (€581 thousand) and B.3 of table "Trading financial liabilities: annual changes" (€129,000) and C.3 of table "Trading financial liabilities: annual changes" (€1,004 thousand) which refer to financial derivatives relating to the fair value option.

SECTION 8 – NET IMPAIRMENT ADJUSTMENT – ITEM 130

8.1 Net value adjustments for impairment of loans: breakdown [1]

Transactions/Income items	Write-downs (1)			Write-backs (2)				Total 2011	Total 2010
	Specific			Specific[3]		Portfolio			
	Write-offs [1]	Others	Portfolio[2]	A	B	A	B[2]		
A. Loans and advances to banks	-	-	(0)	-	-	-	-	0	(1)
- loans	-	-	(0)	-	-	-	-	0	(1)
- debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to banking customers	(14)	(9,001)	(203)	2,217	2,317	-	-	(4,684)	(5,756)
- loans	(14)	(9,001)	(203)	2,217	2,317	-	-	(4,684)	(5,756)
- debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(14)**	**(9,001)**	**(203)**	**2,217**	**2,317**	**-**	**-**	**(4,684)**	**(5,756)**

Legend

A= from interests

B= other write-backs

1 The item "write-downs – specific - write-offs" (€14,000) coincides with the "loan losses" item in the table "Item 130: net impairment adjustment" shown in the report on operations.

2 The amount shown under item "Loans and advances to customers – loans – portfolio write downs" (€203,000) differs from what is displayed in the Report on operations in the section devoted to the dynamics of the income statement, Table 130. "Value adjustments and write-back" – portfolio -net effect (€391,000 of write-backs) - (we refer to the amount shown in the column "net effect" because in the table shown in the Report on operations portfolio write downs/write backs are shown with reference to portfolios while in this table the amounts shown are those based on the classification of customers by category). The difference equals €593 thousand and relates to write-downs on impaired loans which is shown under "Specific write-down – Other" (in compliance with the provisions of Circular 262/2005 by the Bank of Italy).

3 The total value of specific write backs equals €4,535 thousand (€2,217thousand + 2,317 thousand), net from the transaction of €593 thousand described in note 1, and it corresponds to the sum of the value reported in the Report on operations in the section devoted to the dynamics of the income statement, Table 130. "Value adjustments and write-back - analytical valuation – adjustments" (€3,591 thousand) and "income from transactions concluded in the previous year- write backs" (€350 thousand).

8.2 Net value adjustments for impairment of financial assets available for sale: breakdown

Transactions/Income items	Write-downs (1)		Write-backs (2)		Total 2011 (3)=(1)-(2)	Total 2010[1] (3)=(1)-(2)
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(479)			(479)	(24)
C. Investments in UCITS	-	-		-	-	(455)
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to banking customers	-	-	-	-	-	-
F. Total	**-**	**(479)**	**-**	**-**	**(479)**	**(479)**

Legend

A= from interests

B= other write-backs

[1] In 2010, write-offs were erroneously exposed to the full amount under "B. Equity securities ", we corrected by reclassifying the impairment on shares of the closed-end fund MC2 Company in "C. Investments in UCITS" for €455,000.

8.4 Net value adjustments for impairment of other financial transactions: breakdown

Transactions/Income items	Write-downs (1)			Write-backs (2)				Total 2011 (3)=(1)-(2)	Total 2010 (3)=(1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees issued	-	-	-	-	-	-	9	9	(12)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**	**(12)**

Legend

A= interests

B= other write-backs

SECTION 9 – ADMINISTRATIVE COSTS – ITEMS 150

9.1 Payroll: breakdown

Type of expenses/Amounts	Total 2011	Total 2010
1) Employees	**6,470**	**6,259**
a) wages and salaries	4,353	4,242
b) social insurance	1,183	1,140
c) severance indemnities [1]	281	274
d) social security contributions	-	-
e) provision for severance indemnities [2]	190	97
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g)) payments to external supplementary pension funds:	165	161
- defined contribution [3]	165	161
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	298	345
2) Other personnel currently employed	-	-
3) Directors and Auditors	445	476
4) Retired personnel	-	-
5) Cost recovery in relation to employees transferred to other companies	-	-
6) Cost recovery in relation to third party employees transferred to the company	-	-
Total	**6,915**	**6,735**

1 In accordance with implementing rules issued by the Bank of Italy, this item is made up of amounts of severance indemnities paid out directly to INPS (National Social Security Institute) and to other externally defined contribution funds to the amounts of €281 thousand in 2011 and €274 thousand in 2010.

2 In 2011 this item was made up of interest cost (€28.000) and actuarial losses for (€162.000); in 2010 such amounts corresponded respectively to €27,000 and €70,000.

3 This amount includes contributions to the supplementary pension schemes.

9.2 Average number of employees by category[1]

	2011	2010
Employees:	**77**	**78**
a) executives	4	4
b) total managers	35	35
- of which: third and forth level managers	16	14
c) remaining employees	38	39
Other personnel	-	-

[1] The annual average is obtained by calculating weighted average of employees where the weight consists of the number of months worked over the year. For employees with a part-time contract the weight commonly used is 50%.

In order to give a better representation of the workforce within the Bank in the following table we show the average number of employees calculated taking into account the actual number of hours for each part-time contract.

	2011	2010
Employees:	**81.8**	**81.8**
a) executives	4.0	4.0
b) total managers	36.1	35.5
- of which: third and forth level managers	15.8	14.3
c) remaining employees	41.7	42.2
Other personnel	-	-

9.4 Other employees benefits

	2011	2010
Training courses and travel expenses [1]	49	116
Insurance policies	113	112
Lunch vouchers	74	72
Benefits in kind	20	18
Other short term benefits	42	27
Total	**298**	**345**

[1] In 2011, the "training courses and travel expenses" no longer includes the more analytical and documented reimbursement of costs for accommodation and meals incurred by employees for business, classified, for €68.000, included in "other administrative expenses" based on the clarifications provided by the Bank of Italy in February 2012.

9.5 Other administrative expenses: breakdown

	2011	2010
1. IT costs	**591**	**579**
- outsourcing costs	394	394
- Other EDP (Electronic Data Processing) costs	197	185
2. Property related expenses	**521**	**523**
a) rental expenses	165	166
- property rental expenses	*165*	*166*
b) other expenses	356	357
- office cleaning	*100*	*103*
- building service charges	*22*	*19*
- maintenance and repair costs	*54*	*54*
- electricity, heating, water	*87*	*87*
- motor vehicles maintenance	*93*	*94*
3. Purchase of non professional goods and services	**336**	**337**
- books, magazines, subscriptions	36	34
- information and cadastral services	72	66
- stationery, printing supplies, storage mediums	21	19
- surveillance	83	81
- databases and value-added networks	75	55
- post and telephones	49	82
4. Purchase of professional services	**745**	**839**
- legal and procedural costs	429	530
- professional fees	316	309
5. Insurance premiums	**69**	**64**
- insurance for the company bodies	32	39
- other insurance policies	37	25
6. Advertising expenses	**157**	**188**
- advertising and sponsorships	130	166
- entertainment and gifts	27	22
7. indirect taxes and duties	**1,836**	**336**
- substitute tax	118	160
- registration tax and dues	1,688	145
- local tax on real estate	22	16
- other taxes and duties (advertising, occupation of public property, trash removal)	8	15
8. Other	**312**	**186**
- subscriptions and memberships [1]	198	154
- other expenses [2]	114	32
Total	**4,567**	**3,052**

1 It is mainly due to the subscription to ABI, Consob and to the "Federazione Trentina delle Cooperative".
2 See note 1 in previous page

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 160

10.1 Net provisions for risks and charges: breakdown

	Total 2011	Total 2010
Provision for employee incentive system [1]	(114)	(102)
Provision for a revocatory action under dispute	-	(148)
Total	**(114)**	**(250)**

[1] This item has been deducted from the reattribution to the income statement of excessive amounts that had been set aside for the personnel incentive schemes in 2010 (€36,000)

SECTION 11 – NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT – ITEM 170

11.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Tangible assets				
A.1 Owned	(545)	-	-	(545)
- For operational use	(545)	-	-	(545)
- For investments	-	-	-	-
A.2 Held under finance lease	-	-	-	-
- For operational use	-	-	-	-
- For investments	-	-	-	-
Total	**(545)**	**-**	**-**	**(545)**

SECTION 12 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – ITEM 180

12.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(317)	-	-	(317)
- Generated internally by the company	-	-	-	-
- others	(317)	-	-	(317)
A.2 Purchased under finance lease	-	-	-	-
Total	**(317)**	**-**	**-**	**(317)**

SECTION 13 – OTHER OPERATING CHARGES/INCOME – ITEM 190

13.1 Other operating expense: breakdown

	Total 2011	Total 2010
Securitization costs refunded to the SPV company	(269)	(285)
SPV on-going operating expenses	(55)	(39)
Amortization of leasehold improvement	(5)	(5)
Sundry operating expenses	(10)	(3)
Total	**(339)**	**(332)**

13.2 Other operating income: breakdown

	Total 2011	Total 2010
Recovery of registration tax on leasing contracts	1.670	130
Servicer commission income in relation to securitization	269	285
Recovery of legal expenses	244	431
Recovery of substitute tax and stamp-duty	119	160
Sundry operating income	71	49
Total	**2,373**	**1,055**

SECTION 14 – PROFIT (LOSS) FROM EQUITY INVESTMENTS – ITEM 210

14.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	2011	2010
A. Incomes	**26**	**25**
1. Revaluations	-	-
2. Profit on disposal	-	-
3. Write-backs[1]	26	-
4. Other incomes	-	-
B. Charges	**(64)**	**(26)**
1. Write-downs[2]	(64)	(26)
2. Adjustments due to impairment	-	-
3. Loss from disposal	-	-
4. Other charges	-	-
Net result	**(38)**	**(1)**

[1] Incomes recorded as a result of the application of the equity method to the valuation of equity investments refer for €7 thousand to the subsidiary Paradisidue S.r.l. and for €19 thousand to the company under significant influence of the bank Essedi Strategie d'Impresa S.r.l.

[2] Losses recorded as a result of the application of the equity method to the valuation of equity investments refer entirely to the affiliated company Biorendena S.p.A..

SECTION 17 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 240

17.1 Gains (losses) on disposal of investments: breakdown

Income items/amounts	2011	2010
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	2	-
- Gains on disposal [1]	2	0
- Losses on disposal [2]	0	-
Net result	**2**	**0**

[1] This item relates to the sale of tangible assets completely amortised and of limited value for €2,008 (€112 in 2010).

[2] In 2011, the losses are from the sale of fully depreciated property and equipment for a modest value - €90.

SECTION 18 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 260

18.1 Income taxes on current operations: breakdown

Items/Amounts	Total 2011	Total 2010
1. Current taxes (-)	-4,508	-3,886
2. Change in current taxes of previous periods (+/-)	-	-
3. Decrease in current taxes of the period (+)	-	-
4. Change in deferred tax assets (+/-)	+362	+856
5. Change in deferred tax liabilities (+/-)	+11	+27
6. Income taxes for the period (-) (-1+/-2+3+/-4+/-5)	**-4,135**	**-3,003**

1 The amount under item "Change in deferred tax assets " (€362 thousand) differs from the one reported in Table 13.3 "Change in deferred tax assets (with contra-entry to income statement)" as the sum of items "2.Increases" (€495 thousand) and "3. Decreases" (€158 thousand) for an amount equal to €25 thousand. This amount appears under item "3.3 Other decreases" in the same table. The amount is related to the reversal of deferred tax assets – recorded in 2010 with reference to the impairment of a title available for sale in return for tax liabilities recognised on that occasion in return for available for sale evaluation reserve - due to a recovery in equity value recorded in 2011 on the same title. This change is shown in Table 13.6 "Change in deferred tax liabilities (with contra-entry to equity)" under item "3.3 Other decreases".

18.2 Reconciliation between theoretical tax charge and actual tax charge

Items/Amounts		Taxable income	*Of which*	%
Current profit before taxes **(item 250 CE)**		**10,684**		
Corporate income tax (IRES) –theoretical values:		**(2,938)**		**27.50%**
IRES variation due to decreases in the taxable income		381		27.50%
1/18 depreciation of previous periods			*90*	
95% dividends			*174*	
Employees costs not deducted from the previous years			*42*	
Other decreases			*75*	
IRES variation due to increases in the taxable income		(933)		27.50%
non-deductible interest expense			*(278)*	
Loan write-downs exceeding the tax deductibility limit - 0,30%			*(393)*	
net adjustments on equity investments and AFS securities			*(149)*	
Other increases			*(113)*	
A. Actual tax charge – current corporate income tax (IRES)		**(3,490)**		
Increases in deferred tax assets		469		27.50%
Decreases in deferred tax assets		(133)		27.50%
Increases in deferred tax liabilities		-		
Decreases in deferred tax liabilities		10		27.50%
B. Total effect of deferred corporate income tax (IRES)		**346**		
C. Total actual IRES charge (A+B)		**(3,144)**		**29.43%**
Regional tax on industrial activities IRAP – theoretical tax rate **(difference between revenues and expenses allowed as a deduction)**		**(993)**		**4.65%**
IRAP variation due to a decrease in production value		114		4.65%
Detraction of personnel expenses (disables)			*92*	
Other decreases			*22*	
IRAP variation due to an increase in production value		(139)		4.65%
4% non-deductible interests			*(47)*	
substitute tax for recovery of lease contracts			*(70)*	
Other increases			*(22)*	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)		**(1,018)**		
Increases in deferred tax assets		25		4.65%
Decreases in deferred tax assets		-		4.65%
Increases in deferred tax liabilities		-		4.65%
Decreases in deferred tax liabilities		1		4.65%
E. Total effect of deferred regional tax on industrial activities (IRAP)		**26**		
F. Total actual IRAP charge	**(D+E)**	**(992)**		**9.28%**
Total current taxes IRES/IRAP **(item 260 CE)**	**(A+D)**	**(4,508)**		
Total actual tax charges IRES/IRAP **(item 260 CE)**	**(C+F)**	**(4,135)**		**38.70%**

SECTION 20 – OTHER INFORMATION

Parent company: exemption from the requirement of drawing up the consolidated Statement of Financial Position

The Bank, in compliance with the legislation in force (Legislative Decree No. 356/1990) and with the regulations of the supervising authorities, is the parent company of "Gruppo Bancario Mediocredito Trentino – Alto Adige" duly registered with the Banking Group Register and made up of the parent company and by its 100% controlled subsidiary Paradisidue S.r.l.
The Bank does not compile the Consolidated Statement of Financial Position because any consolidation of the subsidiary Paradisidue S.r.l. (total assets €2.8m as at 31.12.2011) in the Statement of Financial Position of Mediocredito would be irrelevant with regards to providing a true picture of the economic situation, financial position and economic performance of the Parent company (IAS 8 and sections 26, 29, 30 and 44 of the IASB Framework for the presentation and preparation of financial statements, the so-called "Framework").
The subsidiary owns a building the appraised value of which is aligned with market values and the equity investment is booked to equity in the Statement of Financial Position of the Bank. Additionally, since the volume of business of its subsidiary is below the set threshold Mediocredito is not required to submit to the Bank of Italy consolidated disclosures under the existing supervisory regulations.

SECTION 21 – EARNINGS PER SHARE

21.1 Average number of ordinary shares on dilution of the capital stock

During the business period 2011 there was no dilution of the capital stock of Mediocredito as neither the number of its shares nor their nominal value changed.
The profit per share amounted to 0.0582 and is distributable for 0.0578

Earnings per share

	2011	2010
Profit per share	0.0582	0.0557
Diluted profit per share	0.0582	0.0557

PART D

COMPREHENSIVE INCOME

Analytical statement of comprehensive income

	Items	Gross amount	Tax	Net amount
10.	NET INCOME (LOSS) FOR THE YEAR			**6,549**
Other income components				
20.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**(5,072)**	**1,574**	**(3,498)**
	a) fair value changes	(4,843)	1.562	(3,281)
	b) reversal to income statement	(228)	12	(216)
	- adjustments due to impairment	36	(2)	34
	- capital gains/losses	(264)	14	(250)
	c) other changes	-	-	-
60.	CASH FLOW HEDGES	**(399)**	**127**	**(272)**
	a) fair value changes	(399)	127	(272)
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
110.	TOTAL OTHER INCOME COMPONENTS	**(5,471)**	**1,701**	**(3,770)**
120.	TOTAL COMPREHENSIVE INCOME (item 10+110)			**2,779**

PART E
INFORMATION ON RISKS AND RELATED HEDGING POLICY

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

The credit risks to which the Bank is exposed derive mainly from the typical activity of granting middle to long term financing to businesses, in different technical forms and assisted in terms of suitable guarantees.
However we point out that at the date of this annual report the Bank was not exposed either directly or indirectly to the credit products of the ABS (Asset Backed Securities) and CDO (Collaterised Debt Obligation) type linked to sub-prime and Alt-A loans or to financial products that the market perceives as risky.

2. Credit risk management policy

2.1 Organizational aspects

The process of taking on and controlling credit risks is presided by the Credit Service which supervises the processes of credit granting, disbursement, management and monitoring and defines rules, instruments and criteria for assessing creditworthiness, besides assisting the Market Service units in preliminary risk evaluation.
The Bank grants credit on the basis of a detailed monographic analysis of the company seeking financing which takes into account not only its economic-financial situation but also its position on the market, productive structure, management, forecasted business plan and guarantees.
The credit portfolio is monitored by the Credit Analysis and Control Department and the most problematic loans in the portfolio by the Legal Department; the Compliance and Risk Management Supporting Office cooperates with the Directors (also inside the Credit Risk Management Committee) to implement and monitor credit risk policies.

2.2 Management, measurement and control systems

Policies aimed at maintaining portfolio integrity are carried out through an intense and systematic monitoring action, above all with regards to those most at risk, by the Credit Analysis and Control Department through direct contact with the clients of the Bank and/or the acquisition and assessment of annual reports, financial accounts or other documents sometimes also jointly with Territorial Units. These policies then find their synthesis in the frequent meetings of the Committee for Managing Credit Risk, an organization which has the task of providing guidelines as well as examining the outcome of specific operations carried out by the Offices in charge.

Operational methods, have been in place already for a few year, designed to increase speed in identifying efficiency in managing loans characterised by a worsening risk profile; such

methods allow the submission of positions that are believed could deteriorate in the future (even though repayments are currently regular) to the attention of the Committee for Managing Credit Risk.
Subjects reported to the Credit Risk Management Committee include:
- Loan control and monitoring activities
- Expired loans analysis
- Restructured loans analysis
- Analysis and control of possibly problematic performing loans
- Collection of doubtful loans

Within the context of loan control and monitoring are also shown:
- the yearly outcome of the appraisal by the Credit Analysis and Control Department (generated with aid from an automated process) with regards to compliance with financial covenants that had accompanied the granting of the loan;
- the yearly outcome of the appraisal by the Credit Analysis and Control Department, relating to factors that could indicate a possible worsening of the credit profile of the debtor; such appraisals would be limited to a few specific performing loans and mainly consist of an analysis of data of the risks registry and of accounting data from the latest approved financial statements and/or consolidated financial statements.

2.3 Credit risk mitigation techniques

Regarding the incidence of guarantees which assist the credit portfolio, a great part of the risk is accompanied by guarantees so that the risk is either reduced (contracts in which a third party is responsible for the payment in favour of public bodies or when there is a bank guarantee) or normal (liens on assets, ownership of real estate in the case of leasing operations, other operations that accompany various types of collateral and / or intervention of guarantee funds), such guarantees are often integrated with others of a distaining nature or by endorsement.

As regards the management of mortgage loans for the purposes of risk mitigation, it is noted that during the second half of 2010, policies and mapping of business' processes related to the use of real estate as collateral for loans have been revised.

In the examined period, disbursements in relation to less guaranteed operations (defined, on the basis of an internal classification, as "full risk", but often assisted by guarantees, at least partial, or by covenants) amount to €118.5m in 2011 (€119.5m in 2010). As at 31 December 2011 the ratio of said operations to performing loans due to expire came to 21.26% (17.0% at the end of 2010), a ratio in line with the set limits (21.0%); although it has to be considered that in the "full risk" internal classification includes project financing for the energy sector and for the installation of cableways, which are supported by a *«Security Package»*. These projects alone count for 7.23% of the "full risk" to performing loans ratio as at 31 December 2011 (3.3% at 31.12.2010).
Considering the breakdown by sector of loans and in the absence of a particular risk concentration in sectors other than the building sector, the bank does not fix specific

operational limits excepting for the traditional attention to the risk that is inherent in the building industry" [20].

With reference to this "sector" disbursement came to €5.7m in 2011 (€10.6m in 2010) and overall amounts equalled 10.7% of the total at 31 December 2011, down from 12.0% as at 31 December 2010 and below the set limits for the financial year 2011.

A breakdown by geographical area shows that credit to the building industry went to Trentino (7.5%), Alto Adige (6.8%), Veneto (14.3%), Emilia (15.9%), Lombardy (11.2%) and to other areas (14.7%).

In relation to "significant risk", we highlight a loan belonging to the category of loans to local public entities for €18.4, one loan to the Italian Government for €30.8m and 5 loans to banks in the north-east for €180.5m: loans to governments and banks are linked to the already mentioned Bank's strategy to equip themselves with adequate reserves of liquid assets, eligible from refinancing from the Central Bank.

2.4 Impaired financial assets

The situations which present some level of anomaly are initially monitored by the Credit Service – aided by the local commercial units - which undertakes all timely management actions with the aim of achieving a return to normality. In the case of a particular deterioration in the relationship, transference occurs to the Legal Department which looks to manage the re-entry phase, possibly through the initiation of legal proceedings. The Legal Department therefore presides over a large part of substandard loans and all doubtful loans.

The most significant cases are bought to the attention of the Credit Risk Managing Committee at its periodic meetings (at least every two months); this Committee then decides if the situation of expired loans is reported to the Credit Risk Management Committee. These are broken down by severity and duration into:

- Expired Status "Normal";
- Expired Status "Past due 90";
- Expired Status "Past due 180";
- Expired Status "Substandard".

Every six months, the organizational units that make up the Credit Risk Management Committee in coordination with the General Management evaluate whether there are tangible elements signalling possible losses of value of a lasting nature (impairment test). This valuation procedure entails an in-depth examination of the impaired loans using the methods and the criteria illustrated in Part A – Accounting policies.

Regarding risk's indicator of the portfolio developed by the Bank of Italy[21] it is reported that the crisis of 2008 brought a general worsening of the indicator, that can be noticed both

[20] As defined on the basis of the internal classification criteria which allow a more punctual identification of the "sector" and the risks that it entails; this is achieved by referring to operations of a building nature in the strict sense of the term (i.e. for purchasing and/or constructing buildings which are then to be sold or rented).

when analyzing data for the system as a whole and when considering only non-financial companies in the north-east (type of customers and geographical area of reference 'Bank's business). Mediocredito's rates of decay in 2008 and 2009 where higher than the system, returning in 2010 to an average value and lower rates of decay both in terms of numbers and amounts when considering only the firms in the north-east. In 2011, data fell to levels well below both when considering the system as a whole and in an even more pronounced manner when considering only firms in the north-east.

[21] Please note that the Bank of Italy has substantially changed the procedure for calculating decay rates' data and that historical data has been recalculated and adapted to the new framework developed since April 2011. Any revisions are mainly related to the implementation of the economical activities' classification (ATECO) and some additional informative sections.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purpose of quantitative disclosure on credit quality and in compliance with the new provisions of the Bank of Italy, the expression "credit exposures" does not include equity instruments and units in investment funds, while the expression "exposures" does include them.

A.1 Impaired and performing credit exposures: amounts, value adjustments, changes, economic and geographical distribution

A.1.1 Distribution of credit exposures by portfolio and quality (book values)

Portfolio/Quality	Doubtful	Substandard	Restructured	Expired exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-	634	634
2. Financial assets available for sale	-	-	-	-	190,682	190,682
3. Financial assets held to maturity	-	-	-	-	-	-
4. Loans and advances to Banks	-	-	-	-	26,681	26,681
5. Loans and advances to banking customers	54,354	41,481	5,704	1,961	1,238,995	1,342,495
6. Financial assets valued at fair value	-	-	-	-	-	-
7. Financial assets being sold	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total 2011	**54,354**	**41,481**	**5,704**	**1,961**	**1,456,992**	**1,560,492**
Total 2010	**54,478**	**40,527**	**6,455**	**2,446**	**1,339,691**	**1,443,597**

A.1.2 Distribution of credit exposures by portfolio and quality (gross and net values)

Portfolio/quality	Impaired loans			Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	
1. Financial assets held for trading	-	-	-			634	634
2. Financial assets available for sale	-	-	-	190,682	-	190,682	190,682
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	26,711	30	26,681	26,681
5. Loans and advances to banking customers	137,229	33,729	103,500	1,244,177	5.182	1,238,995	1,342,495
6. Financial assets held at fair value	-	-	-			-	-
7. Financial assets to be sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-			-	-
Total 2011	**137,229**	**33,729**	**103,500**	**1,461,570**	**5,212**	**1,456,992**	**1,560,492**
Total 2010	**133,680**	**29,774**	**103,906**	**1,343,302**	**5,009**	**1,339,691**	**1,443,597**

Detailed information on performing loans

Gross exposure for expired performing loans by period overdue

Portfolio/quality	Regular credits	Period overdue			
		Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year
4. Loans and advances to banks	26,673	-	-	-	38
5. Loans and advances to banking customers					
Of which	*1,176,215*	*48,602*	*17,611*	-	*1,749*
Subject to renegotiation under collective agreements [2]	*8,513*	*3,148*	-	-	-
Other exposures	*1,167,702*	*45,454*	*17,611*	-	*1,749*

Details of amounts overdue for performing loans by period overdue

Portfolio/quality	Gross exposure	Period overdue			
		Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year
4. Loans and advances to banks	26,711	3	-	3	33
5. Loans and advances to banking customers	1,244,177	11,207	282	41	9
Of which					
Subject to renegotiation under collective agreements [2]	*11,661*	*15*	-	-	-
Other exposures	*1,232,516*	*11,192*	*282*	*41*	*9*

1 The entire exposure refers to renegotiation under the "collective suspension of debts of small to medium business agreed between the Ministry of Economy and Finance and the Italian Banks Association as well as the association of business' representatives" on the 3rd of August 2009 and the following "Agreement for loans to medium-small businesses" on the 16th of February 2011 which extended the deadlines.

A.1.3 3 Balance and off-balance sheet credit exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURES				
a) Doubtful loans	-	-		-
b) Substandard loans	-	-		-
c) Restructured exposures	-	-		-
d) Expired exposures	-	-		-
e) Other assets	186,574		30	186,544
Of which financial assets available for sale[1]	*159,863*		*-*	*159,863*
Loans to bank	*26,711*		*30*	*26,681*
TOTAL A	**186,574**	**-**	**30**	**186,544**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	-	-		-
b) Other	1,670		-	1,670
Of which derivatives	*634*	*-*	*-*	*634*
Guarantees issued[2]	*1,036*	*-*	*-*	*1,036*
TOTAL B	**1,670**	**-**	**-**	**1,670**

[1] This refers to bank bonds eligible for ECB refinancing. For details please refer to the report on operations chapter "Securities portfolio."

[2] This item includes also include €3 thousand towards Interbank Deposit Protection Fund for estimated interventions not yet approved; this amount is reported amongst loans to banks in accordance with what is stated in the Bank of Italy's circular n. 262/2005 § 2.7.25.

A.1.6 Balance-sheet and off-Balance sheet credit exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURES				
a) Doubtful loans	80,316	25,962		54,354
b) Substandard loans	48,556	7,075		41,481
c) Restructured exposures	6,391	687		5,704
d) Expired exposures	1,966	5		1,961
e) Other assets	1,274,997		5,182	1,269,815
Of which loans to customers	*1,244,177*		*5,182*	*1,238,995*
Financial assets available for sale[1]	*30,819*		*-*	*30,819*
TOTAL A	**1,412,226**	**33,729**	**5,182**	**1,373,315**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	-	-		-
b) other	23,496		17	23,479
Of which commitments	*13,650*		*-*	*13,650*
Guarantees issued	*9,846*		*17*	*9,830*
TOTAL B	**23,496**	**-**	**17**	**23,479**

[1] These are securities issued by the Italian Government eligible for ECB refinancing. For details please refer to the report on operations chapter "The securities portfolio".

A.1.7 Balance-sheet and off-Balance sheet credit exposure to customers: gross change in impaired exposure

Sources/Categories		Doubtful	Substandard	Restructured exposures	Expired exposures
A.	**Opening balance**	**76,505**	**47,769**	**6,948**	**2,457**
	- of which: exposures sold and not de-recognised	-	-	-	-
B. Increases		**12,645**	**32,810**	**4,490**	**3,705**
B.1	transfers from performing loans	1,907	24,183	2,865	3,630
B.2	transfers from other categories of impaired loans	9,565	5,796	1,358	-
B.3	other increases [1]	1,173	2,831	267	75
C.	**Decreases**	**8,834**	**32,023**	**5,047**	**4,196**
C.1	transfers to performing loans	28	10,017	212	989
C.2	derecognised items	788	85	-	-
C.3	recoveries [1]	8,011	11,860	710	649
C.4	sale proceeds	-	-	-	-
C.5	transfers to other categories of impaired loans	-	10,036	4,125	2,557
C.6	other decreases	7	25	-	1
D.	**Closing balance**	**80,316**	**48,556**	**6,391**	**1,966**
	- of which: exposures sold and not de-recognised	-	-	-	-

[1] In the doubtful loans column the amount includes €350 thousand related to cashing in of doubtful loans expired in the previous year as directed by the Bank of Italy (Letter "Financial statements and supervisory reports" – February 2012).

A.1.8 Balance-sheet credit exposures to customers: change in overall impairments

Sources/Categories		Doubtful	Substandard	Restructured exposures	Expired exposures	Performing loans	
A.	**Opening balance**	**22,027**	**7,242**	**493**	**12**	**4,979**	
	- of which: exposures sold and not de-recognised	-	-	-	-	-	
B.	**Increases**	**7,661**	**1,476**	**470**	**-**	**203**	
B.1	write-downs	7,311	1,231	470	-	203	
B.2	transfers from other categories of impaired loans	-	245	-	-	-	
B.3	other increases [1]	350	-	-	-	-	
C.	**Decreases**	**3,726**	**1,643**	**276**	**7**	**0**	
C.1	write-backs from valuations	2,504	1,558	31	7	-	
C.2	collection write-backs [1]	434	-	-	-	-	
C.3	write-offs	787	85	-	-	0	
C.4	transfers to other categories of impaired loans	-	-	245	-	-	
C.5	other decreases	-	-	-	-	-	
D.	**Closing balance**	**25,962**	**7,075**	**687**	**5**	**5,182**	
	- of which: exposures sold and not de-recognised	-	-	-	-	**-**	
Capital gains on closed positions						-	
Losses due to below market rates		-	-	(3)	-		
Total net credit adjustment		**(4,373)**	**327**	**(442)**	**7**	**(203)**	**(4,684)**[2]

[1] In the doubtful loans column the amount includes €350 thousand related to cashing in of doubtful loans expired in the previous year as directed by the Bank of Italy (Letter "Financial statements and supervisory reports" – February 2012).

[2] This amount corresponds to the one in table 8.1 part C.

A.2 Breakdown of balance sheet and off-balance sheet exposures by class of external and internal rating

A.2.1 Breakdown of balance sheet and off-balance sheet exposures by class of external rating

This table is not provided because in the credit portfolio of the Bank – mainly made up of loans to small and medium sized enterprises – externally rated exposures are quite negligible.
However, we mention financial derivative contracts which exclusively have credit institutions as counterparts. In particular, the overall notional amount of €90.9m is thus distributed: €69.5m with counterparts rated BBB+/Baa1, €20.0m with counterparts rated BBB/Baa2, €1.4m with counterparts rated A3.

A.2.2 Breakdown of balance sheet and off-balance sheet exposures by class of internal rating

At present the Bank does not have an internal rating system of its lending portfolio. However, the Bank traditionally performs an in-depth monographic analysis of the economic, financial and sectorial situation of each customer to whom it grants credit.

A.3 Breakdown of secured exposures by type of guarantee

A.3.2 Secured balance-sheet credit exposures to customers

	Net exposure	Collaterals (1)			Guarantees (2)									Total (1)+(2)
					Credit derivatives					Engagements				
						Other derivatives								
		Properties	Securities	Other assets	Credit link notes	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured Balance sheet credit exposures														
1.1 fully secured	837,768	736,295	7,062	770	-	-	-	-	-	-	11,129	15,433	148,886	919,575
- of which impaired	85,636	96,151	-	-	-	-	-	-	-	-	3,215	931	15,194	115,491
1.2 partially secured	171,291	48,596	1,489	302	-	-	-	-	-	-	-	30,496	14,726	95,609
- of which impaired	9,577	9,253	250	-	-	-	-	-	-	-	-	466	811	10,780
1. Secured off-Balance sheet credit exposures														
1.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	3,319	-	134	54	-	-	-	-	-	-	-	-	1,526	1,714
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of loans

B.1 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by main business sector

Exposures/Counterparties	Governments			Other public entities			Financial corporations			Insurers			Non-financial corporations			Others		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Doubtful													53,215	25,788		1,139	174	
A.2 Substandard							4,400	1,228					36,415	5,728		666	119	
A.3 Restructured exposures													5,408	687		296	0	
A.4 Expired exposures													1,910	5		51	0	
A.5 Other exposures	30,920			93,379		48	25,076		19				1,090,473		5,087	29,967		28
Total A	**30,920**			**93,379**		**48**	**29,476**	**1,228**	**19**				**1,187,421**	**32,208**	**5,087**	**32,119**	**293**	**28**
B. Off-balance sheet exposures																		
B.1 doubtful																		
B.2 Substandard																		
B.3 Other impaired assets																		
B.4 Other exposures							4,990		2				18,465		14	25		
Total B							**4,990**		**2**				**18,465**		**14**	**25**		
Total (A+B) (2011)	**30,920**			**93,379**		**48**	**34,466**	**1,228**	**21**				**1,205,886**	**32,206**	**5,101**	**32,144**	**293**	**28**
Total (A+B) (2010)	**100**			**92,306**		**371**	**53,801**	**882**	**139**				**1,236,662**	**28,542**	**4,367**	**34,810**	**350**	**128**

B.2 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by area (book value)[22]

Exposures/Geographical areas	Italy		*Of which North-East*		*Of which Other areas*		Other European countries		America	
	Net exposures	Total write-downs	*Net exposures*	*Total write-downs*	*Net exposures*	*Total write-downs*	Net exposures	Total write-downs	Net exposures	Total write-downs
Exposures/Geographical areas	Italy		*Of which North-East*		*Of which Other areas*		Other European countries		America	
	Net exposures	Total write-downs	*Net exposures*	*Total write-downs*	*Net exposures*	*Total write-downs*	Net exposures	Total write-downs	Net exposures	Total write-downs
A. Balance sheet exposures										
A.1 Doubtful	54,354	25,962	*35,326*	*17,207*	*19,028*	*8,756*	-	-	-	-
A.2 Substandard	41,475	7,074	*34,316*	*4,953*	*7,159*	*2,120*	6	1	-	-
A.3 Structured exposures	5,704	687	*2,768*	*208*	*2,936*	*479*	-	-	-	-
A.4 Expired exposures	1,961	5	*1,648*	*4*	*313*	*1*	-	-	-	-
A.5 Other exposures	1,265,892	5,173	*1,020,917*	*4,079*	*244,975*	*1,094*	3,763	9	160	0
Total A	**1,369,386**	**38,901**	***1,094,976***	***26,451***	***274,411***	***12,450***	**3,769**	**10**	**160**	**0**
B. Off-balance sheet exposures										
B.1 Doubtful	-	-	-	-	-	-	-	-	-	-
B.2 Substandard	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	23,479	17	*12,233*	*13*	*11,246*	*4*	-	-	-	-
Total B	**23,479**	**17**	***12,233***	***13***	***11,246***	***4***	**-**	**-**	**-**	**-**
Total (A+B) 2011	**1,392,865**	**38,916**	***1,107.209***	***26,463***	***285,656***	***12,454***	**3,769**	**10**	**160**	**0**
Total (A+B) 2001	**1,413,642**	**34,761**	***1,168,501***	***24,519***	***242,842***	***10,243***	**3,829**	**16**	**240**	**1**

[22] The data represented here is slightly different from the one in the breakdown by geographical area in the Report on Operations. This is due to the fact that the Bank of Italy criteria, used in the note, requires the geographical breakdown to be based on the counterparty's area of residence, while the method used in the report on operations uses the area of destination of the investment.

B.3 Breakdown of balance-sheet and off-balance-sheet credit exposures to banks by area (book value)

Exposures/Geographical areas	Italy		*Of which North-East*		*Of which Other areas*		Other European countries		America	
	Net exposures	Total write-downs	*Net exposures*	*Total write-downs*	*Net exposures*	*Total write-downs*	Net exposures	Total write-downs	Net exposures	Total write-downs
A. Balance sheet exposures										
A.1 Doubtful	-	-	-	-	-	-	-	-	-	-
A.2 Substandard	-	-	-	-	-	-	-	-	-	-
A.3 Structured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Expired exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	186,536	-	-	-	-	-	-	-	8	30
Total A	**186,536**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**
B. Off-balance sheet exposures										
B.1 Doubtful	-	-	-	-	-	-	-	-	-	-
B.2 Substandard	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,670	-	-	-	-	-	-	-	-	-
Total B	**1,670**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2011	**188,206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**
Total (A+B) 2010	**47,219**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**

B.4 Significant risks

	2011	2010
a) Amount		
a.1 book value	229,728	19,738
a.2 weighted value	184,216	3,948
b) Number	7	1

C. SALES AND SECURITIZATION TRANSACTIONS

C.1 Securitization transactions

QUALITATIVE INFORMATION

In order to increase the liquidity of its assets, at the end of 2009 the Bank took part in the multi-originator securitization transaction that was arranged and managed by Cassa Centrale Banca pursuant to Law 130/99 and was called "Cassa Centrale Finance 3.".
The sole purpose of the transaction is to enable securities to be used as collateral for loans from the European Central Bank.
As the Bank repurchased all the Senior and Junior notes issued by the SPV, this operation takes the form of self securitization and in compliance with regulations by the Bank of Italy such operations do not have to be shown in the tables of the Notes to Accounts of part E, section C "securitization and sale transactions".
A description of this transaction is provided in the section dealing with liquidity risk.

SECTION 2 – MARKET RISK

2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING PORTFOLIO

The Bank owns very few assets classified in the regulatory trading portfolio both with regard to numbers and amounts: they consist of two derivatives (IRS) which have been included in the trading portfolio even though they are linked with loans to customers. The measurement of the interest rate risk of these operations is carried out in the context of the Asset & Liability Management process of the overall portfolio.
We stress that in keeping with its risk profile the Bank was not exposed either directly or indirectly to the credit products of the ABS (Asset Backed Securities) and CDO (Collaterised Debt Obligation) type linked to sub-prime and Alt-A loans or to financial products that the market perceives as risky, at the date of this annual report and accounts.
Price risk is not measured because the Bank does not own any financial instrument sensitive to price risk (equities or UCITS) that are classified in the regulatory trading portfolio.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING PORTFOLIO

Qualitative information

A. General aspects, management processes and methods of measuring interest rate risk

The interest risk sustained by the Bank in relation to its banking portfolio largely ensues from the main service it performs as an intermediary, active in the process of maturity transformation and is mainly due to the imbalance between asset and liability items in terms of amortization with regard to amount and maturity, financial duration and type of interest rate.
In accordance with the instructions of the Board of Directors, set out in the risk profiles adopted parallel to the annual operational budget, the financial planning, control and risk management is the structure charged with monitoring and controlling the interest rate risk to which the banking portfolio is exposed.
The interest rate risk is measured and controlled using the processes and methods set forth by the Asset & Liability Management procedure: we refer in particular to Duration Gap Analysis (which measures the sensitivity of the market value of shareholders' equity to changes in interest rate i.e. it examines the sensitivity of future economic results), to Maturity Gap Analysis (which measures the sensitivity of the maturing interest margin and in particular highlights base risk exposure) and to Simulation Analysis (which measures changes to financial flows and to the economic results for the period in scenarios characterised by a different interest rate).
The management of this financial risk is carried out monthly by the General Management and through the quarterly meetings of the Asset/Liability Committee; a periodical report is submitted to the Board of Directors.

B. Fair value hedging

The Bank has not carried out any fair value hedging activities. However, hedging management techniques were used to mitigate interest rate risk.
In relation to this, the Bank has entered into interest rate swap transactions to transform fixed rate bonds (mainly step-up bonds) or non-structured bonds into floaters over the latter business periods, in order to keep the risk profile (re-pricing) of borrowing operations in line with those of lending operations, given that the latter are traditionally characterised by a floating-rate.
As we have already mentioned, these hedging transactions are not recorded using the hedge accounting method but rather in connection to the adoption of the fair value option for bond issues hedged by derivatives instruments.

C. Cash flow hedging

During 2011, the Bank has not initiated interest rate swap hedging transactions in order to stabilize floating-rate funding costs.
The total notional value as at 31 December 2011 of the only operation registered - recorded using the hedge accounting method- amounts to €50.0m.

Quantitative information

Banking portfolio: internal models and other methods of sensitivity analysis

As we have already mentioned, the Bank uses asset liability management techniques to measure the impact that changes in the interest rates structure could have on the expected financial margin and on the market value of the equity in relation to the overall portfolio of the Bank.
The Asset/Liability Management System estimates the change over a year (within the context of the maturity gap model) that a shift in the interest rate yield curve would have on the financial margin. The model groups the assets and liabilities into a series of time intervals (initially shorter and then increasingly longer intervals) for determining when assets and liabilities will re-price. The algebraic sum of the items of each "time bucket" is the basis on which the effect on the interest margin of a rate change (specifically given an instantaneous and parallel shift in general market rates of plus/minus 100 basis points) will be simulated. The duration gap method is used to compare the price sensitivity of the Bank's total assets with the price sensitivity of its total liabilities to assess whether the market value of assets or liabilities alters more when rates change.
The following table shows the effects (calculated with the maturity gap model) on the interest margin and on the net income.

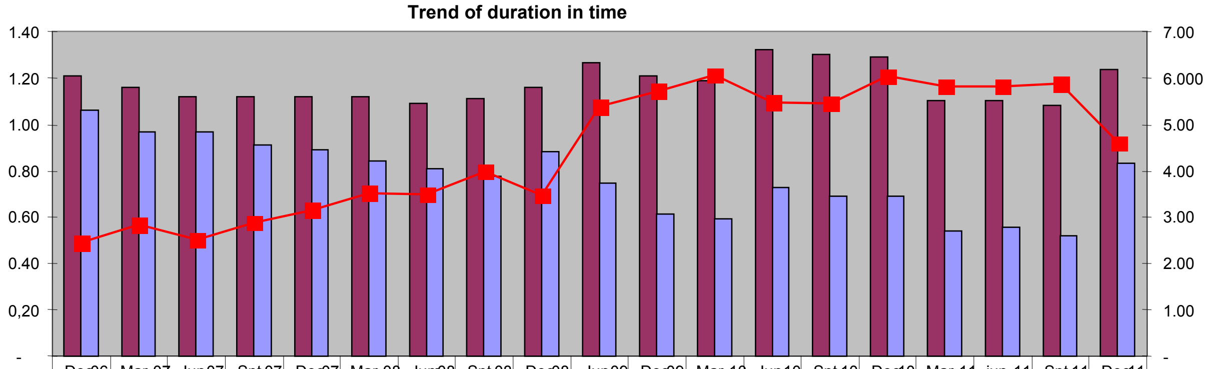
Volatility of the net interest income and of net income calculated using the Gap model (thousands of Euro)

Instantaneous and parallel shifts in the interest rate yield curve	+100 bp	-100 bp
Net interest income change	+464	-464
Net income change	+284	-284

The analysis of the effect of interest margin shows a reduction in the volatility (- / +840 in December 2010, amounting to -45%), in addition to a reversal of the sign compared to 2010 due to the presence of more liabilities whose sensitivity to changes in market interest rates is significantly less.

The duration gap method is used to compare the price sensitivity of the Bank's total assets with the price sensitivity of its total liabilities to assess whether the market value of assets or liabilities changes more when rates change.

The following tables and graph show the sensitivity data relative to the business periods 2006-2011:



	Dec-06	Mar-07	Jun-07	Spt-07	Dec-07	Mar-08	Jun-08	Spt-08	Dec-08	Jun-09	Dec-09	Mar-10	Jun-10	Spt-10	Dec-10	Mar-11	jun-11	Spt-11	Dec-11
Assets	1.21	1.16	1.12	1.12	1.12	1.12	1.09	1.11	1.16	1.27	1.21	1.19	1.32	1.30	1.29	1.10	1.10	1.08	1.24
Liabilities	1.06	0.97	0.97	0.91	0.89	0.84	0.81	0.78	0.88	0.75	0.61	0.59	0.73	0.69	0.69	0.54	0.56	0.52	0.83
Portfolio	2.45	2.85	2.53	2.88	3.15	3.52	3.49	3.99	3.48	5.38	5.72	6.06	5.49	5.47	6.04	5.83	5.83	5.87	4.59

The model provides the following measurement of the volatility of the net equity market value as at 31.12.2011, given an instantaneous and parallel shift in general market rates of plus/minus 100 basis points.

Volatility of the market value of equity (thousands of Euro)

Instantaneous and parallel shift in the interest rate yield curve	+100 bp	-100 bp
Changes in the net Shareholders' equity	- 7,812	+ 7,812

The models for assessing interest rate risk show an exposure level for asset value in decline with respect to 2010, mainly in connection with the abovementioned phenomenon.

Price risk – Banking portfolio

In keeping with its risk profile the Bank did not engage in purely speculative transactions and therefore exposure of its securities portfolio to price risk is not deemed significant for the evaluation of the Bank's situation.

With regard to merchant banking, the Bank engaged in equity investment activities in relation to the purchase of minority shareholdings in industrial companies.

The role of the Bank in these investee companies is that of strategic shareholder and the selection and assessment of initiatives is carried out, on the basis of internal procedures, by a specific specialised unit subject and reviewed by the Investment Committee specifically created for this purpose. Investment operations are deliberated by the Board of Directors after ascertaining that they comply with the prudential limitations set forth by the supervising authorities.

Analogously for other Statement of Financial Position items, an in-depth valuation process assisted by adequate documentation (impairment test) is undertaken every six months to ascertain whether there is any concrete evidence of lasting losses of value.

Specific procedures are followed for managing the price risk of classified debt securities, mainly in the portfolio of assets available for sale. During 2011 we purchased banks securities in the form of government bonds, which are eligible for refinancing with the European Central Bank. For the evaluation of such activities, the Bank has internal policies that define the criteria and methodologies for determining the current fair value and the operational and size limits of the portfolio in question.

2.3 EXCHANGE RISK

Qualitative information

Foreign currency lending transactions pertain to the Bank's main non-trading activity and are marginal items against the overall portfolio: they are financed with short-term foreign currency deposits with correspondent banks in the same amounts as the loans granted to customers, thus covering the exchange rate risk.
The management of the exchange rate risk relates to a very limited number of exposures in relation to the main currencies: only Swiss francs and US Dollars in the business period 2011.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currency					
	US Dollar	Sterling	Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial assets	**138**				**1,277**	
A.1 Debit securities						
A.2 Equity securities						
A.3 Loans to banks	0				15	
A.4 Loans to customers	138				1,262	
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**132**				**1,260**	
C.1 Amount due to banks	132				1,260	
C.2 Amount due to customers						
C.3 Debt securities in issue						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
Total assets	**138**				**1,277**	
Total liabilities	**132**				**1,260**	
Difference (+/-)	**+6**				**+17**	

2.4 FINANCIAL DERIVATIVES

A. Financial derivatives

A.1 Regulatory trading portfolio: notional values at the end of period and average

Derivative instrument types/Underlyings	2011		2010	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate	1,424	-	1,740	-
a) Options				
b) Swap[1]	1,424		1,740	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes		-		-
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Gold and currencies		-		-
a) Options				
b) Forward				
c) Futures				
d) Cross currency swap				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**1,424**	**-**	**1,740**	**-**
Average amounts	**1,622**		**1,930**	

[1] Interest rate swaps associated with lending transactions but classified in the trading portfolio.

A.2 Banking portfolio: notional values at the end of period and average

A.2.1 Hedging derivatives

Derivative instrument types/Underlyings	2011		2010	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	50,000	-	50,000	-
a) Options				
b) Swap[1]	50,000		50,000	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes		-		-
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Gold and currencies		-		-
a) Options				
b) Forward				
c) Futures				
d) Cross currency swap				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**50,000**	**-**	**50,000**	**-**
Average amounts	**50,000**		**29,330**	

1 Interest rate swaps hedging interest rate risk on floating rate funding liabilities (floating rate notes issued by the Bank and passive loans) i.e. "floating to fixed swaps".

A.2.2 Other derivatives

Derivative instrument types/Underlyings	2011		2010	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	39,500	-	45,500	-
a) Options				
b) Swap[1]	39,500		45,500	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes		-		-
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Currencies and gold		-		-
a) Options				
b) Forward				
c) Futures				
d) Cross currency swap				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**39,500**	**-**	**45,500**	**-**
Average values	**39,500**		**45,500**	

[1] This item refers to interest rate swaps hedging the interest rate risk on bonds issued by the Bank and for which the fair value option has been elected.

A.3 Financial derivatives: positive fair value – breakdown by product

Derivative instrument types/Underlyings	Positive fair value			
	2011		2010	
	Over the counter	Clearing house	Over the counter	Clearing house
A Regulatory trading portfolio		-	-	-
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Banking portfolio-hedging derivatives	-	-	131	-
a) Options				
b) Interest rate swap	-		131	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C. Banking portfolio-other derivatives	634	-	1,268	-
a) Options				
b) Interest rate swap [1]	634		1,268	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**634**	**-**	**1,399**	**-**

[1] Interest rate swaps hedging the interest rate risk on bonds issued by the Bank, for which the fair value option has been elected and which are therefore classified as available for trading financial assets.

A.4 Financial derivatives: negative fair value – breakdown by product

Derivative instrument types/Underlyings	Negative fair value			
	2011		2010	
	Over the counter	Clearing house	Over the counter	Clearing house
A. Regulatory trading portfolio	75	-	92	-
a) Options				
b) Interest rate swap	75		92	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Banking portfolio – hedging derivatives	168	-	-	-
a) Options				
b) Interest rate swap	168		-	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C. Banking portfolio – other derivatives	1,032	-	-	-
a) Options				
b) Interest rate swap [1]	1,032		-	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**1,275**	**-**	**92**	**-**

1 Interest rate swaps hedging the interest rate risk on bonds issued by the Bank and for which the fair value option has been elected and which are therefore classified as financial liabilities held for trading.

A.5 OTC Financial Derivatives - Regulatory trading portfolio: notional amounts, positive fair and negative fair value by counterparty - contracts not included in netting agreements

Contracts not included in netting agreements	Government and central banks	Other public entities	Banks	Financial corporations	Insurers	Non-financial corporations	Others
1) Debt securities and interest rates							
- notional value			1,424				
- positive fair value			-				
- negative fair value			75				
- future exposure			7				
2) Equity instruments and stock indexes							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3) Currencies and gold							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
4) Other instruments							
- notional values							
- positive fair value							
- negative fair value							
- future exposure							

A.7 OTC financial derivatives – banking portfolio: notional amounts, positive and negative fair value by counterparty – contracts not included in netting agreements

Contracts not included in netting agreements	Government and central banks	Other public entities	Banks	Financial corporations	Insurers	Non-financial corporations	Others
1) Debt securities and interest rates							
- notional value			89,500				
- positive fair value			634				
- negative fair value			1,200				
- future exposure			300				
2) Equity instruments and stock indexes							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3) Currencies and gold							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
4) Other instruments							
- notional values							
- positive fair value							
- negative fair value							
- future exposure							

A.9 OTC financial derivatives – residual life: notional values

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading portfolio	**-**	**1,424**	**-**	**1,424**
A.1 Financial derivative contracts on debt securities and interest rates	-	1,424	-	1,424
A.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
A.3 Financial derivative contracts on exchange rates and gold	-	-	-	-
A.4 Financial derivative contracts on other values	-	-	-	-
B. Banking portfolio	**29,500**	**60,000**	**-**	**89,500**
B.1 Financial derivative contracts on debt securities and interest rates	29,500	60,000	-	89,500
B.2 Financial derivative contracts on equity securities and stock indexes	-	-	-	-
B.3 Financial derivative contracts on exchange rates and gold	-	-	-	-
B.4 Financial derivative contracts on other values	-	-	-	-
Total 2011	**29,500**	**61,424**	**-**	**90,924**
Total 2010	**6,000**	**91,240**	**-**	**97,240**

A.10 OTC financial derivatives: counterparty risk/financial risk – Internal models

The Bank does not use EPE (Expected Positive Exposure) internal models to assess counterparty risk and therefore does not compile this table (it does however compile tables from A.3 to A.7).

SECTION 3 – LIQUIDITY RISK

Qualitative information

A. General aspects, management processes and methods of measuring liquidity risk

The liquidity risk originates from the time-mismatch between positive and negative cash flows in relation to both the short and a medium-long time frame. This could cause the Bank to fail to meet its payment obligations due to the inability to raise new funds and / or sell its assets on the market, or to be forced to sustain very high costs to meet these commitments.
The sources of liquidity risk to which the Bank is exposed are represented mainly by the processes of financing/collecting and loans.
The measurement and management of the liquidity risk is carried out by means of financial planning tools (in particular Liquidity Gap Analysis in the context of the ALM system that through simulations generates a maturity ladder of all the cash flow generated, with or without the effect of the new volumes) which choose the most suitable funding policies in the medium-long term. The programme is updated each year and constitutes an attractive funding channel besides an effective tool for managing liquidity risk.
The Bank continues to pay special attention in order to keep a substantial equilibrium between the duration of borrowing and lending, and to diversifying the sources and types of funds it raises so as to mitigate non-systemic liquidity tensions.
Following the 4th update of Bank of Italy's Circular n. 263/2006 the Bank has implemented organizational and operational integrations to the process of management and governance of liquidity risk and the Board of Directors has approved the scheme.

Applying the provisions on a pro rata basis and taking into account the operational size and organizational complexity, the nature of business and type of services offered, the scheme provides:

- tasks for governing bodies with particular focus on the role of the ALCO Committee (Assets & Liabilities Committee);
- a liquidity risk tolerance threshold in the short term and for structural liquidity, obtained by identifying measurement indicators, attention indicators and operating limits (maturity ladder, cover ratio LCR, NSFR (Net Stable Funding Ratio), maturity transformation indicator);
- risk mitigation tools;
- contingency funding plans: stress testing and contingency plan to deal with adverse situations in raising funds;
- formalization of the existing management system of internal funds transfer pricing;
- reporting between the corporate structures and bodies.

The rules for managing liquidity risk are based on two principles:

- **Short-term liquidity management**, aiming to ensure the ability to meet its foreseen and unforeseen payment obligations by maintaining a sustainable balance between incoming and outgoing cash flows in the short-term (1 year). Short term liquidity management is an essential condition for the normal operational continuity of the bank. Typical actions taken for this purpose are:

- to manage access to the Market for Interbank Deposits, to the collection on demand or short-term constraint collection, to the European Central Bank;
- to manage cash disbursements to be made and to monitor the consistency and degree of utilization of cash reserves.

- **Management of structural liquidity**, aiming to maintain an appropriate balance between passivity and activity in the medium / long term (over 1 year) in order to avoid pressures on sources, current and future in the short-term. Typical actions taken for this purpose are related to:
  - management of maturity transformations;
  - increase of stable funding sources;
  - diversification of liquidity sources and optimization of funding costs.

In particular the monitoring of the Bank's liquidity position is achieved by checking both the interval mismatches (interval gap) and the cumulative mismatches (cumulative gap) on different time frames of the maturity ladder (7 days, 1 month and 3 months for the short term and beyond 1 year for the structural liquidity) by reports produced by the planning and control function.

The liquidity report is dynamic i.e. it summarizes the liquidity needs and its ability to cover them in monthly periods, quantified using stress scenarios based on liquidity profiles. The Bank is aware that the validity of the stress tests should be considered within the (particularly adverse) working context (by testing the resilience); therefore the Bank has decided to emphasize stress tests providing extreme but plausible scenarios, in light of current market conditions.
The preliminary analysis activities for the definition of the scenarios were carried out by evaluating the following factors:

- objectives of the strategic plan 2011-2013;
- the current economic climate and possible changes in the time frame of reference;
- difficult access to stable forms of financing in the medium / long term;
- a ratings downgrade with simultaneous increase in the cost of funding;
- Changes in the of the corporate and / or its shareholders' agreements;
- Increase of unsolved and default positions.

We also evaluated other factors not exclusively related to liquidity risk, in particular to those regarded as a triggering factor for the liquidity risk in the short term and also the possible impact of organizational/operational dysfunctions that do not allow the use of short-term forms of funding such as MID.
We therefore prepared a *Maturity Ladder* with a heavily stressed scenario in which all passive cash flows are considered non-renewable and simultaneously we assume a freeze on new volumes of assets (with the exception of exposures). We also conservatively consider 10% of expected cash flows on loans are unpaid.

Regarding the Transformation of Deadlines, Mediocredito has always adopted a careful policy of *mismatching* compensation with the primary objective being to monitor the in and out cash flows and the transformation of deadlines within sustainable limits. This objective is achieved by correlating the average duration of funding with that of loans. Results are periodically analysed within the ALCO Committee which submits annually to the Board of Directors the tolerance thresholds and risk indicators to adopt and the amount of cash reserves to maintain.

2011 was characterised by penalizing premium risk and spreads on bank bond issues. Until the summer of 2011 they appeared to gradually decline from the peaks reached in 2008, but reached extremely high levels following the sovereign debt crisis of some European countries, including Italy. The new wave of liquidity crisis in the financial and banking sector was once again, kept at bay by the monetary policies of the Central Bank that aimed to provide virtually unlimited liquidity to the system, including in the medium term.
In light of these considerations, the Bank has aimed to further strengthen the ties of cooperation, in particular with its public and private partners, but also with leading domestic and international financial operators.
The fulfilment of financial needs has also made use of short-term sources of funding. Their presence on the Interbank deposit market (MID), although sparse on long-term maturities, has been consistent with the objective of maintaining links with the historical counterparts and maintaining credit lines. The term deposit product, offered to a select number of carefully chosen corporate and financial counterparties, has allowed the Bank to segment the funding market. In parallel, during March 2012 the Bank completed the process for the authorisation by the Bank of Italy to offer investments directly to the public, to get into the retail market and sell its own bonds directly to customers and retail customers. The issuance program on the Euromarket was renewed in 2011 and the acquisition of securities eligible for €195 million euros, coupled to the securitization of loans (with a residual amount eligible at the end of year 72 million Euro) allowed to mitigate the liquidity risk.

As at 31 December 2011 the situation of eligible securities was the following:

Type of issuer	2011	
	Available	Constrained
Governments	35,000	-
Co-operative credit banks	-	50,000
Other banks	15,200	94,800
Senior notes from securitization transactions	72,389	-
Total	**122,589**	**144,800**

Securitization transactions

In order to increase the liquidity of its assets, the Bank has taken part in the multi originator securitization transaction that was arranged and managed by Cassa Centrale Banca, pursuant to Law 130/99 and was called "Cassa Centrale Finance 3." The sole purpose of the transaction is to enable securities to be used as collateral for loans from the European Central Bank by Mediocredito and Casse Rurali – Co-operative credit banks.

The transaction was finalised in the last quarter of 2009 and entailed the transfer by the Bank of a portfolio of performing loans to a Special Purpose Vehicle: the loan portfolio was characterised by a historically assessed low risk and mainly consisted of mortgage agricultural loans granted to regional operators and included subsidies from the Autonomous Province of Trento and of some commercial mortgages granted to prime regional operators.

The Special Purpose Vehicle in its turn issued Senior rated and listed notes and Junior notes. Both types of notes were purchased pro rata by the Bank which will use the class Senior notes as guarantee in refinancing operations with the ECB.

The Bank acts as a servicer in this operation collecting payments due on the underlying assets.

According to IAS 39 § 15-23 and AG 34-52, this operation is not of a non-recourse nature (so-called no derecognition) because the Bank basically maintains all risks and benefits of the securitised portfolio. The securitised loans therefore remain in the Statement of Financial Position of the Bank and until this condition is met, all corresponding capital and income between the Bank and the SPV cancel each other out from an accounting point of view, including derivative contracts signed between the Bank and the SPV.

As the Bank repurchased all the Senior and Junior notes issued by the SPV, the operation takes the form of self securitization.

The overall gross nominal value of the assigned loans are equal to €425.3m out of which €116.6m refer to the Bank; in correspondence with such loans, Senior notes in the amount of €368.5m and Junior notes in the amount of €56.8m were issued (€93.3m and €23.3m respectively in relation to the Bank).

The table below sums up the main features of the notes.

Notes	Classes	Rating	ISIN Number	Dates of issue.	*Payment Dates*	Maturity Dates	Interest date
Class A	Senior	AAA	IT0004561632	22.12.2009	29/04 – 29/10	31/10/2049	6ME+14
Class B	Junior	No rating	IT0004561665	22.12.2009	29/04 – 29/10	31/10/2049	Var.

The Class A notes were issued in a dematerialised form and were wholly and exclusively deposited with Monte Titoli S.p.A., listed on the Irish Stock Exchange. The Class B notes were divided into tranches, each tranche being an amount proportional to the amount of the loans that were respectively transferred by each individual bank. The transferring banks have entirely underwritten the Class A and Class B notes thus nullifying any flow of cash between the Bank and the SPV.
The two different types of notes have a different degree of subordination in relation to priority of payments, both with regard to principal and interest.
Repayment of the notes will occur in a pass through form i.e. in relation to each collection period for each flow of funds to the SPV, and will be used to keep up with disbursements (both with regard to principal and interest) that will have to be made on the date of the following payment.
Class B notes (the so-called Junior issue) are not rated and are subordinated to Class A notes in relation to repayments.
These types of notes do not feature a fixed coupon and are remunerated only if there are residual funds after covering all period costs (cost and interest for Class A Senior).
The repayment of the principal of Class B notes is last in the hierarchy of payments both in the case of prepayment and of payment on the regular redemption dates of the notes.
This operation also features a liquidity line of €25.7m (out of which €10.4m is in relation to the Bank). To cover against interest rate risk the SPV has signed a basis swap contract with J. P. Morgan Securities LTD (for the floating rate portfolio) and an interest rate swap with Mediocredito Trentino Alto Adige S.p.A. (for the fixed rate portfolio).

In relation to the internal systems for measuring and controlling securitization risk the following applies:
- the Bank acts as servicer with regard to the loan portfolio it transferred according to the criteria specified in the servicing contract; specifically it handles the management, administration and collection of advances and also credit recovery; the Bank performs this role (for which it receives a commission) following a procedure that allows the coordinating all related activities and availing itself of its competent company structures;
- according to the servicing contract, each securitization portfolio is constantly monitored; monthly, quarterly and half-yearly reports are prepared for the SPV company and the counterparties of the operation on the basis of the monitoring outcome, showing the status of the loans and the trend of collections;
- in relation to its disclosures to the SPV company, the Bank has provided to publish an assignment notice on the Official Gazette of 15 December 2009 (notice page 144);
- in relation to the privacy law, the Bank has provided to inform the individual assigned debtors with a specific notification.

The following subjects were involved in their respective roles:

- *Arranger*: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa.
- Vehicle company: Cassa Centrale Finance 3 S.r.l., a limited liability company incorporated under Law 130/99 on Securitization, with its registered office in Rome at Largo Chigi 5; the company is registered with the Business register of Rome's Chamber of Commerce with No. 05652970962 and it is enrolled in the register held by the Bank of Italy pursuant to Article 106 of the Banking Act with No. 39334, ABI code 33370; we confirm that the Bank does not hold any interest nor do its employees hold any corporate position in SPV Cassa Centrale Finance 3 S.r.l. whose quotas are entirely held by the foundation under Dutch law "Stichting Babele" – Amsterdam (Netherlands) Claude Debussylaan 24.
- Back up Servicer: Cassa Centrale Banca, Credito Cooperativo del Nord Est Spa
- Account Bank: Cassa Centrale Banca, Credito Cooperativo del Nord Est Spa
- Agent Bank: Deutsche Bank Milan
- Corporate Servicer Provider: FIS Spa, Rome
- Rating Agency: Moody's Investors Service
- Legal Advisor: Orrick, Herrington & Sutcliffe – Roma
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- SPV's Auditors: Deloitte and Touche Spa

Quantitative information

1. Breakdown of financial assets and liabilities by residual contractual maturity (foreign currency denominated items are shown separately)

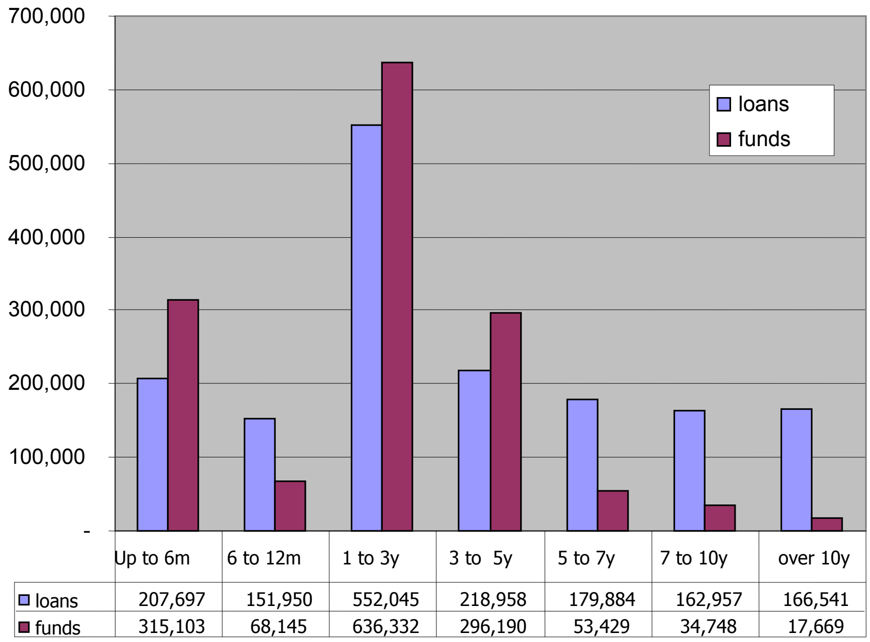
Items/Maturities	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undetermined duration
Balance sheet assets	**62,434**	**686**	**884**	**5,008**	**51,248**	**87,436**	**151,951**	**771,002**	**509,382**	**-**
A.1 Government securities	-	-	-	-	356	278	634	15,000	20,000	-
A.2 Other debt securities	-	43	-	-	2,108	2,183	9,258	160,000	-	-
A.3 Units in UCITS.	8,412	-	-	-	-	-	-	-	-	-
A.4 Loans	54,022	643	884	5,008	48,785	84,976	142,059	596,002	489,382	-
- banks	20,084	-	-	-	1,525	-	-	-	-	-
Of which dollars	*0*	-	-	-	-	-	-	-	-	-
Of which Swiss francs	*15*	-	-	-	-	-	-	-	-	-
- customers	33,938	643	884	5,008	47,260	84,976	142,059	596,002	489,382	-
Of which dollars	*1*	-	-	-	*1*	*22*	*22*	*137*	-	-
Of which Swiss francs	*10*	-	-	-	-	*89*	*89*	*585*	*791*	-
Balance sheet liabilities	**5,203**	**35,404**	**6.105**	**7,174**	**124,894**	**136,323**	**68,145**	**932,522**	**105,846**	**-**
B.1 Deposits and current accounts	3,916	35,404	6.000	7,174	47,599	8,343	54	42,686	1,363	-
- banks	1,598	-	6.000	7,174	44,614	-	-	20,053	-	-
Of which dollars	-	-	-	*132*	-	-	-	-	-	-
Of which Swiss francs	-	-	-	-	*1,260*	-	-	-	-	-
- customers	2,318	35,404	-	-	2,985	8,343	54	22,633	1,363	-
B.2 Debt securities	115	-	-	-	47,778	115,855	51,745	595,972	-	-
B.3 Other liabilities	1,173	-	104	-	29,517	12,125	16,346	293,865	104,483	-
Off balance sheet transactions	**14,757**	**-**	**-**	**-**	**1,443**	**1,048**	**3,318**	**4,222**	**7,976**	**-**
C.1 Physically settled financial derivatives	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives	75	-	-	-	1,443	1,048	1,866	-	-	-
- long positions	-	-	-	-	722	819	1,027	-	-	-
- short positions	75	-	-	-	722	229	840	-	-	-
C.3 Deposit to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	13,650	-	-	-	-	-	1,452	4,222	7,976	-
- long positions	-	-	-	-	-	-	1,452	4,222	7,976	-
- short positions	13,650	-	-	-	-	-	-	-	-	-
C.5 Written guarantees	1,033	-	-	-	-	-	-	-	-	-

For a better representation of flows generated by the Bank's operations, prevalently medium/long term ones and with an amortization plan, and of the related maturity transformation, we show in a graphical form the temporal distribution of cash flows, assets and liabilities, adopting number and scale of the most significant bands. In particular we highlight the following points in the graph below:

- a negative gap in the short-term band (up to 6 months) of about €107m partially compensated (in value) from a positive gap in the "up to 1 year" gap (+€83m; +€66m net of estimated flows on doubtful loans); liquidity mismatches are the allocation of reserves of liquid assets;

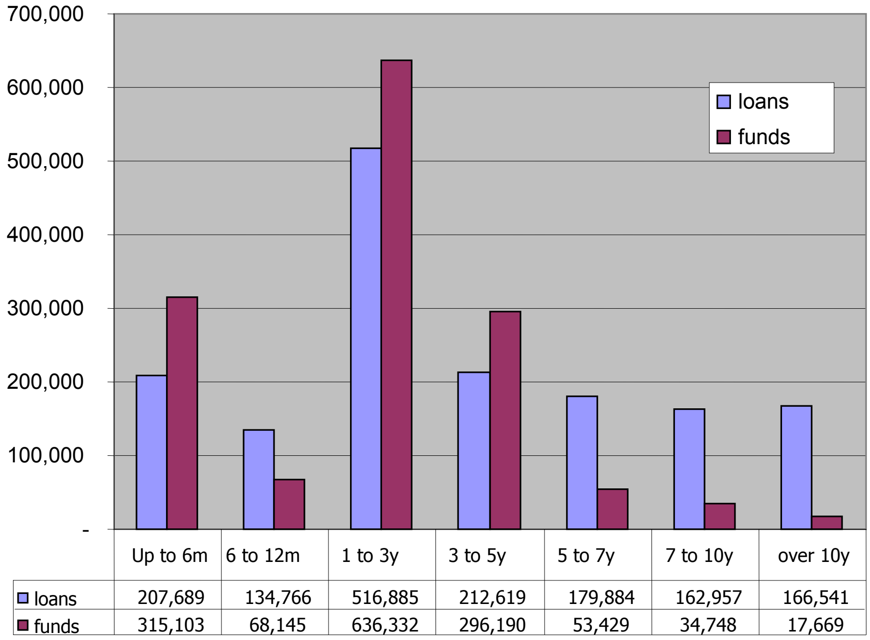
- a negative gap in the "1 to 3 year" band of about €84m (€119m net of doubtful loans) characterised by the expiring in 2015 of the 3-year financing for €82m by the ECB;
- a negative gap in the "3 to 5 year" band of about €77m (€83m net of doubtful loans);

- the other bands show positive gaps even when net of doubtful loans, due to the scarcity of maturities for long-term funding.



	Up to 6m	6 to 12m	1 to 3y	3 to 5y	5 to 7y	7 to 10y	over 10y
loans	207,697	151,950	552,045	218,958	179,884	162,957	166,541
funds	315,103	68,145	636,332	296,190	53,429	34,748	17,669

The situation net of flows from doubtful loans is shown in the following graph:



	Up to 6m	6 to 12m	1 to 3y	3 to 5y	5 to 7y	7 to 10y	over 10y
loans	207,689	134,766	516,885	212,619	179,884	162,957	166,541
funds	315,103	68,145	636,332	296,190	53,429	34,748	17,669

SECTION 4 - OPERATIONAL RISKS

Qualitative information

A. General aspects, management processes and methods of measuring operational risk

The current capital accord (Basel II) adds operational risks amongst the Pillar I risks – risks for which one is under the obligation to set aside a part of regulatory capital. The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk (in terms of exposure to fines, or penalties stemming from measures taken by the bank supervisory authorities) but excludes strategic and reputation risk. It also includes legal risk (in terms of exposure to fines or penalties resulting from actions of the Supervisory Authority etc...) but it excludes strategic and reputational risk.

The Basel Committee acknowledges that "operational risk" is a term which may have different meanings to different banks. Still, a clear appreciation and understanding by banks of what is meant by operational risk is critical to the effective management and control of this risk category.

The Basel Committee has identified the following types of operational risk events as having the potential to result in substantial losses: fraud (internal and external), violation of employee health and safety rules, violation of rules regulating the client-bank relationship, damage to tangible assets, business disruption and system failure and finally operational and/or procedural non-compliance.

The Bank has evaluated systems and opportunities for managing operational risk, paying special attention to installation and maintenance costs and to organizational costs and has chosen to adopt a basic model. In the future it might adopt an advanced internal model in keeping with business developments and diversification of activities.

The Bank, in the sphere of internal systems of control, has continued to develop a series of activities and initiatives on the theme of monitoring and management of operational risk. In particular, the following is worth noting:

- the attributing of responsibilities related to normative risk to the head of the individual organizational unit, coordinated and supported by the function of compliance;
- the adoption of the "non-compliance risk management model"; such model represents a new and significant tool for the management and control of risk compliance and allows the constant monitoring of developments in relation to non-compliance risk (weekly reports for the management), to report on the position of the Bank in relation to the said risk to the Control Committee and to foster the driving and cultural role of the General Management within the Management Committee;
- setting up a process for the definition of a "compliance matrix" – a tool to identify and quantify non-compliance risks by assigning an internal rating obtained by cross-referencing the process' phases and regulatory rules;
- the activity of the Control Committee: on the Committee there is the participation of (excluding the department of risk management for the Bank) an independent member of the Board of

Directors. The Committee assiduously monitors sensitive phenomena with respect to the system of internal control and in particular the phases of organizational and functional adaptation to the new prudential regulations, anti-laundering regulations as well as others;

- the activity of Committee 231 for the management of the functions related to Legislative Decree 231/01, regarding administrative responsibilities of businesses.
- assigning responsibility for the anti-money laundering functions (Legislative Decree 231/07) to the Compliance Office;
- continuing with the monitoring of risk profiles in terms of organizational and computer technologies by the Control Committee every six months and inclusion in the Board of Directors meetings bi-annually;
- outsourcing of IT auditing to the "Federazione Trentina della Cooperazione" which has the specific tools and skills for the task;
- institution (in accordance with the "Supervisory Provisions concerning Banks Organization and Corporate Governance" issued by the Bank of Italy on 04/03/2008 and updated on 31/03/2011) of a regulation for the flow of information, in order to promote structured forms of communication and exchange of complete, timely and accurate data inside the corporate bodies, between different organs and the governing bodies;
- drafting of a definition of "service agreement" between the functions of compliance and internal audit to enhance the interaction between the two structures and create more efficient operations of internal controls, providing forms of cooperation for the conduct of audits;
- total separation of the internal control (compliance, risk management and internal audit) from the operational structures of the Bank, assigning them to the general management in order to ensure maximum independence of action, independence and freedom of hierarchical access to all information sources of the Bank;
- the continuous process of updating and upgrading of the internal control system, with particular reference to the draft revision of the mapping of business activities and the definition / expansion of the internal second level controls, both for compliance and risk-management. In this regard it's noted that during 2011 the mapping of 16 processes has been updated and 10 new second-level controls (operating on four different fields) have been set up.

The above mentioned organizational and operational activities are the first stages of the process for complying with regulatory requirements. This process will be gradually improved introducing operational and coordination initiatives so as to increasingly apply the best practices on the subject of operational risk management.

PART F
INFORMATION ON EQUITY

SECTION 1 - EQUITY

A. Qualitative information

The equity is the aggregate of ordinary shares and additional paid-in capital. The reserves are the aggregate of the legal reserve, the extraordinary reserve, and the reserves created in compliance with IAS/IFRS. The valuation reserves are the aggregate of fair value reserves (related to assets available for sale), cash flow hedge reserves and of reserves that originate from the monetary revaluation of real estate. The adequacy of the equity is also monitored in relation to the minimum capital requirements specified by the supervising authorities.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Items/amounts	2011	2010
1. Capital stock	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	93,596	93,260
- profits		
a) legal	18,484	18,170
b) statutory	53,902	53,865
c) treasury shares	-	-
d) other	21,210	21,225
- others	-	-
4. Equity instruments		
5. (Treasury shares)		
6. Valuation reserves	1,466	5,236
- Financial assets available for sale	(2,728)	770
- Property, plant and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges	(124)	148
- Exchange differences		
- Non-current assets classified as held for sale		
- Actuarial gains (losses) on defined benefits plans		
- Valuation reserves from investments accounted for using the equity method		
- Special revaluation laws	4,318	4,318
7. Profit (loss) for the year	6,549	6,259
Total	**189,936**	**193,081**

B.2 Revaluation reserves for available-for-sale assets: breakdown

Items/Amount	2011		2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	449	3,808	-	-
2. Equity securities	561	-	782	34
3. Units in UCITS	70	-	22	-
4. Loans	-	-	-	-
Total	**1,080**	**3,808**	**804**	**34**

B.3 Revaluation reserves for available-for-sale assets: annual changes

	Debt securities	Equity securities	Unit in UCITS	Loans
1. Opening balance	**-**	**748**	**22**	**-**
2. Positive changes	**449**	**64**	**53**	**-**
2.1 Fair value increases	449	30	53	-
2.2 Reclassification through profit or loss of negative reserves	-	34	-	-
- due to impairment	-	34	-	-
- following disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**3,808**	**251**	**5**	**-**
3.1 fair value decreases	3,808	-	5	-
3.2 Adjustments due to impairment	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves:				-
Following disposal	-	251	-	-
3.3 Other changes	-	-	-	-
4. Closing balance	**(3,359)**	**561**	**70**	**-**

SECTION 2 - REGULATORY CAPITAL AND CAPITAL RATIOS

2.1 REGULATORY CAPITAL

A. Qualitative information

1. Tier 1 capital

Mediocredito's Tier 1 capital consists of the share capital (€58.485m), additional paid-in capital (€29.841m), the reserves (the aggregate of the legal reserve, the extraordinary reserve and the reserve created in compliance with IAS/IFRS) for an overall amount of €93.260m and reinvested profits (€401,000). The capital amount is adjusted to take into consideration the negative elements due to intangible assets (€700,000) and negative prudential filters - calculated with the asymmetrical approach[23] - related to fair value changes of items related to the fair value option which is attributable to a change in the Bank's creditworthiness (€353,000) and to negative reserves on assets available for sale for €3.359m.

2. Tier 2 capital

Mediocredito's Tier 2 capital consists of the valuation reserves created in compliance with special legislation (€4.318m) and of the fair value reserves related to assets available for sale (€631,000) minus negative prudential filters - calculated with the asymmetrical approach - related to the portion of positive reserves of assets available for sale that cannot be included (€316,000).

3. Tier 3 capital

There are no values to be disclosed.

[23] With regard to valuation reserves of the allocated assets in the portfolio available for sale the asymmetric approach provides for the full deduction of capital losses from core capital (Tier 1) and the partial inclusion (50%) of capital gains in supplementary capital (Tier 2) .

B. Quantitative information

			2011	2010
A.	**Tier 1 capital before the application of prudential filters**		**181,623**	**181,008**
B.	Prudential filters of Tier 1 capital:		-3,713	-42
B1	- positive Ias/Ifrs prudential filters	(+)	-	-
B2	- negative Ias/Ifrs prudential filters	(-)	-3,713	-42
C.	**Tier 1 capital gross of items to be deducted**	**(A+B)**	**177,910**	**180,966**
D.	**Items to be deducted from Tier 1 capital**		**-**	**-**
E.	**Total Tier 1 capital**	**(C-D)**	**177,910**	**180,966**
F.	**Tier 2 capital before the application of prudential filters**		**4,950**	**5,088**
G.	**Prudential filters of Tier 2 capital:**		**-316**	**-385**
G1	- positive Ias/Ifrs prudential filters	(+)	-	-
G2	- negative Ias/Ifrs prudential filters	(-)	-316	-385
H.	**Tier 2 capital gross of items to be deducted**	**(F+G)**	**4,634**	**4,703**
I.	**Items to be deducted from Tier 2 capital**		**-**	**-**
L.	**Total Tier 2 capital**	**(H-I)**	**4,634**	**4,703**
M.	**Items to be deducted from total Tier 1 and 2 capital**		**-**	**-**
N.	**Regulatory capital**	**(E+L-M)**	**182,544**	**185,669**
O.	**Tier 3 capital**		**-**	**-**
P.	**Regulatory capital including Tier 3 capital**	**(N+O)**	**182,544**	**185,669**

The net profit for the period (€6.549m) is included in the calculation of the regulatory capital to the amount of €401,000 after deducting dividends to the amount of €5.848m and €0.3m which is kept at the disposal of the board of directors for initiatives under article 21 of the by-laws.

2.2 CAPITAL ADEQUACY

A. Qualitative information

The regulatory capital is the first safeguard against risks that a bank has to deal with and in perspective; a company's equity is a powerful lever for developing the main activity of the Bank whilst maintaining its stability.
The statement included in part B shows in detail the single items which contribute in determining the "risk-weighted assets" which in turn, concur in determining the "solvency ratio", applying the standard methods, as for rules dictated by Basel I, in particular:

- tier 1 capital ratio: Tier 1 capital / risk-weighted assets;
- total capital ratio: Regulatory capital / risk-weighted assets.

As at 31 December 2011 these ratios (respectively equal to 13.93% and 14.29%) were more than adequate in relation to the solvency limits set forth by the supervising authorities for individual companies and as an indicator of the adequacy of the equity in relation to the size of the Bank and of the characteristics of its activities.

In the course of 2011, the Bank prepared and published the first disclosure document in accordance with the requirements of Basel 2 Pillar 3, i.e. public disclosure as at 31/12/2010. The Bank does not use internal methods for the calculation of capital requirements in relation to credit risk and operational risks and therefore disclosures will be issued on an annual basis by publishing (within the time set for the publication of the annual report and accounts) on the website of the Bank (www.mediocredito.it) the Synoptic Tables of Circular No. 263 of 27 December 2006 – Title IV – Chapter 1 Section II Attachment A of the Bank of Italy – duly adapted to the operational characteristics of the Company.

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted/required amounts	
	2011	2010	2011	2010
A. RISK-WEIGHTED ASSETS				
A.1 Credit risk and counterparty risk				
1. Standardised approach	1,690,736	1,552,878	1,229,230	1,202,571
2. Internal ratings-based approach				
2.1 Basic				
2.2 Advanced				
3. Securitization framework				
B. MINIMUM CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			98,338	96,206
B.2 Market risk				
1. Standardised approach				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic approach			3,868	3,922
2. Standard approach				
3. Advanced approach				
B.4. Other capital requirements				
B.5. Other calculation elements				
B.6 Total capital requirements			**102,207**	**100,127**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,277,585	1,251,593
C.2 Tier 1 capital/Risk-weighed assets (Tier 1 capital ratio)			13.93	14.46
C.3 Regulatory capital (including Tier 3)/Risk-weighted assets			14.29	14.83

PART H

RELATED PARTY DISCLOSURES

1. INFORMATION ON REMUNERATION OF DIRECTORS AND MANAGERS

The remuneration shown below refers to the Directors and the management team (General Managers and Vice Managers, i.e. key management personnel with strategic responsibilities) who held these positions in 2011, as per the sixteenth paragraph of IAS 24.
The remuneration paid to members of the Board of Directors and to the Board of Auditors is agreed at the Shareholders' Meeting.

	Emoluments and social security contributions	Bonuses and other incentives	Severance indemnities and provident fund
Managers	285		
Managers with strategic responsibilities	569	20	46

For information, remuneration paid to the members of the Board of Auditors came to €160,000.

2. RELATED PARTY DISCLOSURES

The following tables were prepared according to IAS 24 and in particular the breakdown of transactions made with related parties was made following the instructions outlined in paragraphs 17 and 18 of the same document.

Payables & Receivables

Related parties	Assets available for sale	Loans and advances to banks	Loans and advances to customers	Other assets	Due to banks	Due to customers	Debt securities in issue	Derivatives (notional)	Debts
Entities that have joint control and significant influence over the Company	50,432	20,129		13,455[3]	111,443	96,133	100,638	1,424[1]	30
Subsidiary companies			2,470[2]	295					
Affiliated companies									
Joint venture									
Managers with strategic responsibilities									
Other related parties									
Total	**50,432**	**20,129**	**2,470**	**13,750**	**111,443**	**96,133**	**100,638**	**1,424**	**30**

1 These are two swap contracts written in the Statement of Financial Position at a negative fair value of €75,000.

2 This amounts relates to a credit line granted by the Bank to the subsidiary company Paradisidue S.r.l., with headquarters in Trento, CF 01856850225, for the purpose of acquiring a building in the context of a bankruptcy proceeding. The loan was granted for €3.0m with a revoked maturity at Euribor 1M +50b.p...

3 The item includes illiquid items on current account towards banks for €13.4 thousands.

Costs and revenues

Related parties	Interest income	Fees and commissions income	Sundry proceeds	Interest expenses	Fees and commissions expenses	Other expenses
Entities that have joint control and significant influence over the Company	284	81	4	2,593	38	17
Subsidiary companies	27					
Affiliated companies						
Joint venture						
Managers with strategic responsibilities						
Other related parties						
Total	**311**	**81**	**4**	**2,593**	**38**	**17**

Transactions with entities that have joint control and significant influence over the Company refer to relations with those shareholders who have joint control over the Bank because of an agreement amongst themselves. Transactions with these shareholders were made on terms equivalent to those that prevail in arm's length transactions.

Also, the Autonomous Provinces of Trento and Bolzano provide a surety ship for us to the EIB to the amount of €16.355m; the Bank pays a commission every six months to both Provinces equal to 0.08% per year.

PART L

SEGMENT REPORTING

The Bank belongs to the category of listed issuers; therefore under transparency regulations it must provide disclosure related to segment reporting in spite of the single sector character of its business operations and of the fact that its operations and customers are largely concentrated in a single geographical area (the North-eastern regions of Italy).
The present disclosure was prepared according to the requirements of IFRS 8, on the basis of internal reports for the management and the Board of Directors: the primary basis of segmentation refers to the classification of activities as they originated from commercial territorial units and the secondary basis of segmentation refers to the breakdown by product. The primary segment reporting basis is by geographical segmentation and the secondary reporting basis is by business segmentation.
Less significant data is also reported to respect the managing and reporting process.

Segment results and segment assets are determined on the basis of the following principles:
- Identification of the interest income of the segments has been determined according to internal transfer rates that are adequate in relation to the financial characteristics of the products;
- Net commissions are punctually attributed to the customer/area/product who/which has generated them;
- Direct costs and manufacturing costs have been respectively charged in a punctual manner and on the basis of criteria of reversal of actual costs and (only with reference to the primary segment) in keeping with internal data processing;
- Central services costs (such as auditing, planning and control, compliance, risk management, administration,…) have been charged to Head Office;
- Assets relate to amounts managed by the respective organizational units and are expressed in terms of generated profits at the closing of the business period.

SEGMENT REPORTING (notes)

The tables that were provided (and that have been prepared on the basis of internal reports and applying the above-mentioned criteria) show a balanced distribution of margins amongst by-now historical territorial units while the area of Emilia Romagna still feels the effects of a dependence on intermediaries and the fact that market penetration took place in more recent business periods. The area of Veneto shows a higher cost fraction because it is characterised by a credit portfolio made up by a higher number of loans with respect to the other areas. In contrast, the area of Veneto itself (improving in comparison to 2010) together with the area of Lombardy (worsening) show a higher cost of risk (in absolute terms) which is concentrated in the investment credit and building sector.

Emilia Romagna improved its portfolio quality whilst Trentino deteriorated slightly and Alto Adige recovered.

The primary segment and the secondary segment, appear to benefit respectively from a significant contribution to the margins by the "Head Office" (especially in terms of volumes, due to financing to the energy sector) and by "other activities" (due to the low risk cost of operation managed by the head office), by the important capital effect and to a lesser extent, by the maturity transformation enacted by the treasury management team.

PRIMARY SEGMENT REPORTING BASIS

A.1 Breakdown by geographical segment: statement of income 2010

	Trentino	Lombardy	Alto Adige	Veneto	Emilia	Structure/ Head office	Overall amounts
Net interest income	**3,549**	**2,694**	**3,284**	**3,536**	**1,196**	**9,373**	**23,631**
Net commissions	237	152	163	78	14	1,162	**1,807**
Dividends and other trading and hedging income.						58	**58**
Operating income	**3,786**	**2,846**	**3,446**	**3,614**	**1,210**	**10,594**	**25,496**
Net adjustments/write-backs	(454)	361	89	(3.492)	(2.148)	(605)	**(6,248)**
Net income from financial activities	**3,332**	**3,207**	**3,535**	**123**	**(938)**	**9,989**	**19,249**
Total operating expenses	(666)	(822)	(862)	(1.294)	(495)	(5,847)	**(9,986)**
Profit (Loss) from associates and investment securities						(1)	**(1)**
Profit before income taxes	**2,665**	**2,386**	**2,673**	**(1,171)**	**(1,433)**	**4,142**	**9,262**

A.1 Breakdown by geographical segment: statement of income 2011

	Trentino	Lombardy	Alto Adige	Veneto	Emilia	Structure/ Head office	Overall amounts
Net interest income	**3,078**	**2,125**	**3,272**	**3,498**	**1,062**	**10,339**	**23,374**
Net commissions	336	80	256	87	-15	1,260	**2,004**
Dividends and other trading and hedging income						919	**919**
Operating income	**3,414**	**2,204**	**3,528**	**3,585**	**1,048**	**12,518**	**26,298**
Net adjustments/write-backs	(738)	(1,190)	365	(2,204)	(675)	(712)	**(5,154)**
Net income from financial activities	**2,676**	**1,015**	**3,893**	**1,381**	**373**	**11,806**	**21,144**
Total operating expenses	(698)	(834)	(844)	(1,357)	(492)	(6,197)	**(10,423)**
Profit (Loss) from associates and investment securities						(37)	**(37)**
Profit before income taxes	**1,978**	**180**	**3,049**	**24**	**(120)**	**5,573**	**10,684**

A.1 Breakdown by geographical segment: Statement of Financial Position 2010

	Trentino	Lombardy	Alto Adige	Veneto	Emilia	Structure/ Head office	Overall amounts
Lending operations	372,561	230,993	330,651	313,958	108,670	136,898	**1,493,731**
Borrowing operations						1,267,830	**1,267,830**

A.1 Breakdown by geographical segment: Statement of Financial Position 2011

	Trentino	Lombardy	Alto Adige	Veneto	Emilia	Structure/ Head office	Overall amounts
Lending operations	354,167	212,149	323,913	296,211	93,072	336,580	**1,616,093**
Borrowing operations						1,398,088	**1,398,088**

SECONDARY SEGMENT REPORTING BASIS

A.1 Breakdown by business segment: statement of income 2010

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Net interest income	**7,789**	**2,462**	**943**	**3,546**	**8,892**	**23,631**
Net commissions	*1,024*	*111*	*62*	*(30)*	*639*	***1,807***
Dividends and similar incomes					58	**58**
Operating income	**8,813**	**2,573**	**1,005**	**3,515**	**9,590**	**25,496**
Adjustments/write backs	(4,347)	(608)	(692)	(140)	(460)	**(6,248)**
Net income from financial activities	**4,466**	**1,965**	**313**	**3,375**	**9,130**	**19,249**

A.1 Breakdown by business segment: statement of income 2011

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Net interest income	**7,665**	**2,059**	**693**	**3,410**	**9,547**	**23,374**
Net commissions	*1,307*	*99*	*8*	*14*	*577*	***2,004***
Dividends and similar incomes					919	**919**
Operating income	**8,972**	**2,157**	**701**	**3,424**	**11,043**	**26,298**
Adjustments/write backs	(3,175)	(950)	(450)	(109)	(470)	**(5,154)**
Net income from financial activities	**5,798**	**1,207**	**251**	**3,315**	**10,572**	**21,144**

A.1 Breakdown by business segment: Statement of Financial Position 2010

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Lending operations	817,445	169,423	83,887	346,138	76,838	**1,493,731**
Borrowing operations					1,267,830	**1,267,830**

A.1 Breakdown by business segment: Statement of Financial Position 2011

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Lending operations	837,759	148,037	75,473	315,100	239,724	**1,616,093**
Borrowing operations					1,398,088	**1,398,088**

ANNEXES

ANNEX I

FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANY PARADISIDUE S.R.L.

Single-member private limited liability company
Registered office at Via Paradisi, 1 – Trento
Fully paid-up capital € 10,000.00
Registered with the Register of Companies of Trento under no. 01856850225
Member company of "Gruppo Bancario Mediocredito Trentino – Alto Adige"
Under the first paragraph of Article 2497 bis, the Company is subject to the direction and coordination of Mediocredito Trentino-Alto Adige S.p.A. with headquarters in Trento – Via Paradisi, 1 – Fiscal code and Register of companies no. 00108470220 – Bank register no. 4764

- ASSETS
- LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION (IN EURO UNITS)

ASSETS	31/12/2011	31/12/2010
A. SUBSCRIBED UNPAID CAPITAL	**-**	**-**
B. FIXED ASSETS	**-**	**-**
I. Intangible assets	**-**	**-**
a) cost	-	-
b) depreciation fund	-	-
II. Tangible assets	**-**	**-**
a) cost	**-**	**-**
b) depreciation fund	**-**	**-**
III. Financial assets	**-**	**-**
C. CURRENT ASSETS	**2,804,295**	**2,490,177**
I. Stocks	2,597,237	2,281,537
- immovables leftovers	2,308,531	2,281,537
- immovables for commercial use/ leftovers	288,706	-
- advance payments to suppliers	-	-
II. Receivables with maturity within one year	205,521	206,409
- tax credit for advance withholding tax on interest	1	1
- VAT credit and tax prepayment	205,436	206,408
- caution money	84	-
III. Investments	-	-
IV. Cash at bank and in hand	1,538	2,231
- Unicredit Bank c/c 40066549	1,538	2,231
D. PREPAYMENTS AND ACCRUED INCOME	-	-
TOTAL ASSETS	**2,804,295**	**2,490,177**

STATEMENT OF FINANCIAL POSITION (IN EURO UNITS)

LIABILITIES	**31/12/2011**	**31/12/2010**
A. CAPITAL AND RESERVES	**22,784**	**-5,025**
I. Capital stock	10,000	10,000
II. Additional paid-in capital	-	-
III. Valuation reserve	-	-
IV. Legal reserve	1,207	1,207
V. Reserve for own shares	-	-
VI. Statutory reserves	-	-
VII. Other reserves	4,768	4,603
VIII. Losses brought forward	-	-
IX. Income (Loss) for the year	6,810	(20,835)
B. RESERVE FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. CREDITORS	**2,781,511**	**2,495,202**
Amounts becoming due and payable within one year		
- prepayments received	-	24,089
- other creditors	14,151	8,919
- suppliers and incoming invoices	2,541	46,575
- loans to Parent Company	2,764,819	2,415,619
- tax debt to be paid over the next financial period	-	-
E. ACCRUALS AND DEFERRED INCOME	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**2,804,295**	**2,490,177**

GUARANTEES AND COMMITMENTS (IN EURO UNITS)

GUARANTEES AND COMMITMENTS	**31/12/2011**	**31/12/2010**
Personal guarantees given/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

INCOME STATEMENT (IN EURO UNITS)

INCOME STATEMENT	31/12/2011	31/12/2010
A. PRODUCTION VALUE	**346,647**	**147,553**
1) Revenues from sales and services	30,112	-
2) Variation in stocks of finished goods and in work in progress	316,536	147,546
3) Variation in stocks of goods made on order		
4) Work performed by the Company for its own purposes and capitalised		
5) Other operating income	0	7
B. PRODUCTION COSTS	**310,685**	**156,978**
6) Raw materials, subsidiary materials, consumable stores and goods	289,733	122,837
7) Services	13,394	29,721
8) Use of third parties' assets		
9) Staff costs		
10) Amortization, depreciation and write-down		
a) amortization of intangible fixed assets	-	-
b) amortization of tangible assets		
c) write-down of receivables included under assets forming part of the current capital and of liquid funds		
11) Variation in stocks of raw materials, subsidiary materials, consumable stores and goods	-	-
12) Provisions for risks		
13) Other provisions		
14) Other operating charges	7,558	4,420
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	*35,963*	*(9,425)*
C. FINANCIAL INCOME AND CHARGES	**(26,802)**	**(11,410)**
15) Income from participating interests		
16) Other financial income	0	1
17) Other interest receivable and similar income	26,802	11,411
D. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS		
18) Write-ups		
19) Write-downs		
E. EXTRAORDINARY INCOME AND CHARGES		
20) Extraordinary income		
21) Extraordinary charges		
BEFORE TAX RESULT	*9,161*	*(20,835)*
INCOME TAX	2,351	
NET INCOME (LOSS) FOR THE YEAR	**6,810**	**(20,835)**

ANNEX 2

GLOSSARY OF RATIOS

COST TO INCOME RATIO

$$\frac{\textit{operating costs}}{\textit{Net interest and other banking income}}$$

The amount of operating costs that are used in the calculation of the ratio shown in the Report on operations and precisely in the section "Income statement dynamics" corresponds to the amount shown in item 200. of the Income statement (€10.423m).
Operating income is calculated for the whole amount shown in the Statement of Financial Position i.e. €26.298m.

TOTAL CAPITAL RATIO

$$\frac{\textit{regulatory capital}}{\textit{risk weighted assets}}$$

The amounts that are used in the calculation of the ratio are shown in part "F – Information on equity" of the Notes to accounts in tables 2.1.B "Regulatory capital – Quantitative information" (€182.544m) and 2.2.B "Capital adequacy – Quantitative information" (€1,277.585m) respectively.

GROSS DOUBTFUL LOANS TO GROSS LENDING

$$\frac{\textit{gross doubtful loans}}{\textit{gross lending}}$$

The amounts used in the calculation of the ratio are shown in the Report on operations in the chapter on Lending operations, under section "Impaired loans and country risk" and come to €80.317m and €1,408.118m respectively.

NET DOUBTFUL LOANS TO NET LENDING

$$\frac{\textit{net doubtful loans}}{\textit{net lending}}$$

The amounts used in the calculation of the ratio are shown in the Report on operations in the chapter on Lending operations, under section "Impaired loans and country risk" and come to €54.354m and €1,369,176m respectively.

GROSS DOUBTFUL LOANS TO REGULATORY CAPITAL

$$\frac{\textit{gross doubtful loans}}{\textit{regulatory capital}}$$

The amount of gross doubtful loans used in the calculation of the ratio is shown in the Report on operations, in the chapter on Lending operations, under section "Impaired loans and country risk" and comes to €80.317m.
The amount relative to regulatory capital which is used in the calculation of the ratio is shown in part "F– Information on equity" of the Notes to accounts in tables 2.1.B "Regulatory capital – Quantitative information" and comes to €182.544m.

NET DOUBTFUL LOANS TO REGULATORY CAPITAL

$$\frac{\textit{net doubtful loans}}{\textit{regulatory capital}}$$

The amount of net doubtful loans used in the calculation of the ratio is shown in the Report on operations in the chapter on Lending operations, under section "Impaired loans and country risk" and comes to €53.354m.
The amount relative to regulatory capital which is used in the calculation of the ratio is shown in part "F–Information on equity" of the Notes to accounts in tables 2.1.B "Regulatory capital – Quantitative information" and comes to €182.544m.

GROSS IMPAIRED LOANS TO GROSS LENDING

$$\frac{\textit{gross impaired loans}}{\textit{Gross lending}}$$

The amounts used in the calculation of the ratio are shown in the Report on operations in the chapter on Lending operations, in section "Impaired loans and country risk" and come to €137.267m and €1,408.118m respectively.

NET IMPAIRED LOANS TO NET LENDING

$$\frac{\textit{net impaired loans}}{\textit{net lending}}$$

The amounts used in the calculation of the ratio are shown in the Report on operations in the chapter on Lending operations, in section "Impaired loans and country risk" and come to €103.508m and €1,369.176m respectively.

GROSS IMPAIRED LOANS TO REGULATORY CAPITAL

$$\frac{\textit{gross impaired loans}}{\textit{regulatory capital}}$$

The amount of gross impaired loans used in the calculation of the ratio are shown in the Report on operation in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €137.267m.
The amount relative to regulatory capital which is used in the calculation of the ratio is shown in part "F– Information on equity" of the Notes to accounts in tables 2.1.B "Regulatory capital – Quantitative information" and comes to €182.544m.

NET IMPAIRED LOANS TO REGULATORY CAPITAL

$$\frac{\textit{net impaired loans}}{\textit{Regulatory capital}}$$

The amount of gross impaired loans used in the calculation of the ratio is shown in the Report on operation in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €103.508m.
The amount relative to regulatory capital which is used in the calculation of the ratio is shown in part "F– Information on equity" of the Notes to accounts in tables 2.1.B "Regulatory capital – Quantitative information" and comes to €182.544m.

PAY OUT RATIO

$$\frac{\textit{Dividends}}{\textit{Net income for the year}}$$

The amounts that were used in the calculation of the ratio are shown in the Report on operation in the chapter on the Proposal for the allocation of the net profit and come to €5.848m and €6.549m respectively.

PAYROLL TO OPERATING INCOME

$$\frac{\textit{payroll}}{\textit{Net interest and other banking income}}$$

The amounts of payroll (€6.915m) and of operating income (€26.298m) that were used for the calculation of the ratio shown in the Report on operations in section "Movements on the Income statement" correspond to the amounts shown in the Income statement in items 150.a and 120. respectively.

AVERAGE EMPLOYEE COST

$$\frac{\textit{employees costs}}{\textit{average number of employees}}$$

The amount of employees' costs that was used in the calculation of the ratio shown in the Report of operation in section "Income statement dynamics" comes to €6.470m and is shown in table 9.1 of part "C – Information on the Income statement" of Notes to accounts in item 1).
The average number of employees (81.8) is shown in table 9.2 of part "C – Information on the Income statement" of Notes to accounts, where the average number of employees is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

OPERATING INCOME TO NUMBER OF EMPLOYEES

$$\frac{\textit{Net interest and other banking income}}{\textit{average number of employees}}$$

The amount of operating income (€26.298m) that was used for the calculation of the ratio shown in the Report on operations in section "Income statement dynamics" corresponds to the amount shown in the Income statement in item 120.

The average number of employees (81.8) is shown in the Notes to accounts, part "C – Information on the Income statement", table 9.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

TOTAL ASSETS/ AVERAGE NUMBER OF EMPLOYEES

$$\frac{\textit{Total assets}}{\textit{average number of employees}}$$

The amount of total assets that was used for the calculation of the ratio shown in the Report on operation in section "Income statement dynamics" comes to €1,605.292m, as shown in the financial statements.

The average number of employees (81.8) is shown in the Notes to accounts, part "C – Information on the Income statement", table 9.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

ROE – RETURN ON EQUITY

$$\frac{\textit{net income}}{\textit{Shareholder's equities}}$$

The amount of net income for the year that was used for the calculation of the ratio is shown in the Report on operations in section "Income statements dynamics" and comes to €6.549m, as shown in item 290. of the income statement.
Net equity (before dividends) is equal to €183.387m and is obtained by adding up the following items from the liability side of the Statement of Financial Position: item 130. "Valuation reserves", item 160. "Reserves", item 170. "Additional paid-in capital" and item 180. "Capital stock".

RESOLUTIONS PASSED BY THE SHAREHOLDERS

Present, shareholders representing 111,690,400 shares out of 112,470,400 that make up the capital of the Company, on 11 May 2012,

the Shareholders unanimously approved

- the Report on Operations relative to the business year closed on 31 December 2011;
- the Statement of Financial Position as at 31 December 2011 (Asset and Liability Statement, Income Statement, Comprehensive Income Statement, Statement of Changes in Equity, Cash Statement and Notes to the Financial Statements)
- the Profit Disposition as proposed by the Board of Directors.