ANNUAL REPORT **2012**

Palazzo Alberti - Poia

MEDIOCREDITO INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

ANNUAL REPORT AND ACCOUNTS 31ST DECEMBER 2012

59th 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 2]

(Amounts are in thousands of Euros)

Rating

	2012	2011
Rating	**Moody's**	**Moody's**
- Bank Deposits	**Baa2/P-2**	**A2/P-1**
- Outlook	**Negative**	**Under Review**

Balance sheet and flow data

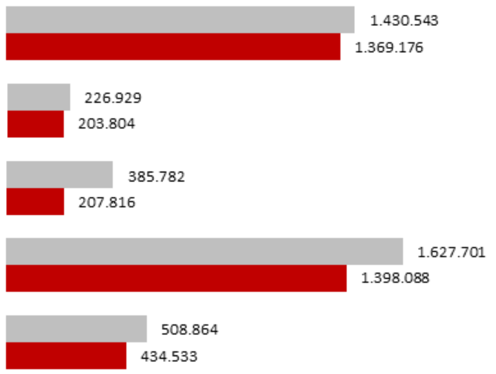
Overall lending to customers and banks

New credit disbursed

Financial assets available for sale

Overall amount of borrowing

New medium-term borrowing



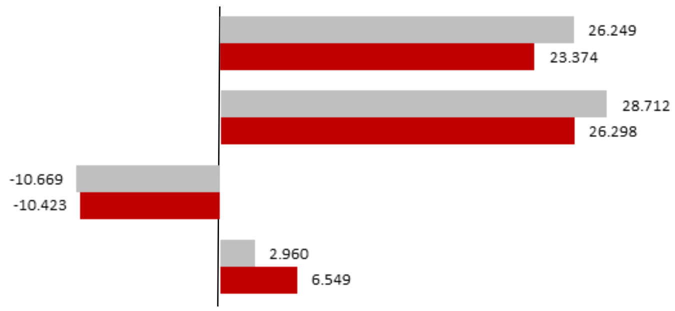
Financial data

Interest margin

Operating income

Operating costs

Net income

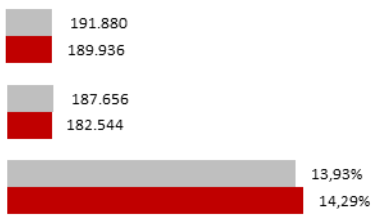


Capital and capital ratios

Equity (before dividends)

Regulatory capital

Total capital ratio



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

[2] Data represented in grey refer to 2012; red to 2011

Risk ratios

gross doubtful loans to gross lending

net doubtful loans to net lending

gross doubtful loans to regulatory capital

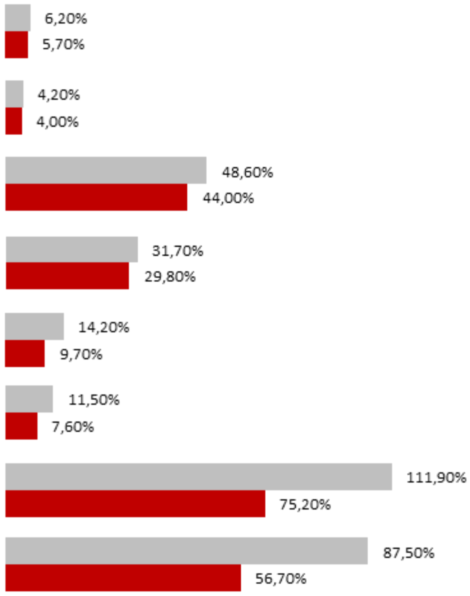
net doubtful loans to regulatory capital

gross impaired loans to gross lending

net impaired loans to net lending

gross impaired loans to regulatory capital

Net impaired loans to regulatory capital

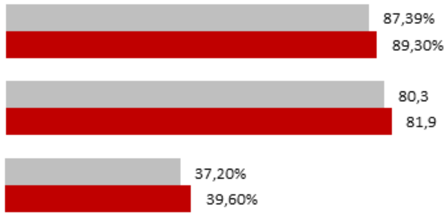


Other ratios

Pay out ratio

Average number of employees (part-time weighted)

Cost to income ratio

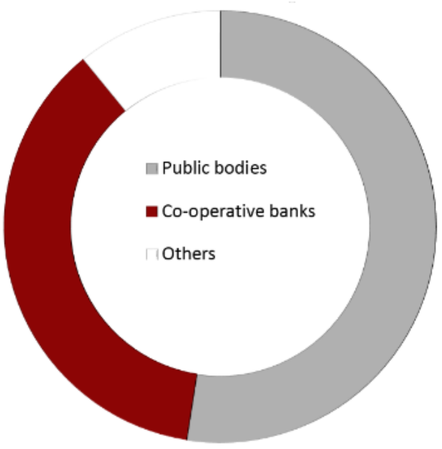


SHAREHOLDERS

Public bodies	
17.489%	AUTONOMOUS REGION OF TRENTINO ALTO ADIGE
17.489%	AUTONOMOUS PROVINCE OF TRENTO
17.489%	AUTONOMOUS PROVINCE OF BOLZANO
52.466%	

Co-operative banks	
35.207%	CASSE RURALI - RAIFFEISEN FINANZIARIA also referred to as CRR-FIN
0.213%	BANCA PADOVANA CREDITO COOPERATIVO-SOCIETA' COOPERATIVA
0.192%	BCC DEL VENEZIANO SOC.COOP. in A.S.
0.107%	BANCA ALTO VICENTINO CREDITO COOPERATIVO
0.107%	CREDITO COOPERATIVO INTERPROVINCIALE VENETO
0.085%	BANCA SANTO STEFANO-CREDITO COOPERATIVO MARTELLAGO-VENEZIA
0.085%	VENETO BANCA
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
0.001%	CASSA CENTRALE RAIFFEISEN
36.641%	

Others	
7.802%	CASSA DI RISPARMIO DI BOLZANO
2.895%	BANCA POPOLARE DELL'ALTO ADIGE
0.196%	ITAS
10.893%	



STATUTORY BOARDS

BOARD OF DIRECTORS

CHAIRMAN
Franco Senesi [3]

DEPUTY CHAIRMAN
Michael Grüner [3]

DIRECTORS
Ruggero Agostini
Hansjörg Bergmeister
Rita Dallabona
Giovanni Dies [3]
Zenone Giacomuzzi [3]
Andrea Girardi [4]
Stefano Mengoni [3]
Ivano Morandini [5]
Giorgio Pasolini
Franz Pircher [3]
Mario Sartori [3]

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 THE ACCOUNTING AND FINANCIAL REPORTING DOCUMENTS
Leo Nicolussi Paolaz

INDEPENDENT AUDITING COMPANY
PricewaterhouseCoopers S.p.A.

[3] Members of the Executive Committee
[4] Resigned as of 30.07.2012
[5] Resigned as of 24.12.2012

SHAREHOLDERS' ORDINARY GENERAL MEETING

The shareholder are requested to attend the Ordinary General Meeting on the 29th April 2013 at 11:00 a.m. for the first meeting date and if necessary **on the 2nd of May 2013 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 31st December 2012; report on operations by the Board of Directors and Independent Auditors report; report by the Board of Statutory Auditors; related and following resolutions;
2) Nomination of two Directors;
3) Internal policies regarding controls on risky activities and conflicts of interest regarding the related parties;
4) General information in relation to retribution and incentive policies.

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 19th March 2013 in appliance with article 7 of the bylaws)

REPORT ON OPERATIONS

GENERAL OVERVIEW

Global GDP growth, after the slowdown of more than one percentage point recorded in 2011, has slowed down again in 2012. The world growth rate for the year has been estimated at 3.2% compared to 3.9% in 2011, due to the reduction in the pace of growth pace for emerging economies. When only looking at the results for the advanced economies the growth is much smaller, estimated to be +1.3%.
In particular, the Eurozone shows ever-increasing difficulties, the U.S. has seen a growth of 2.3%, Japan has seen a growth of 2% and the United Kingdom shows a GDP contraction 0.2%[6].

Because of the weakening world economy and increasing tensions in the sovereign debt markets, the economic situation of the Euro has continued to worsen.
In 2012, the GDP of the Eurozone showed a constant and increasing contraction bringing the annual growth figures to -0.6%, a considerable slowdown compared to 2011 (+1.4%).
The fall was widespread and involved, particularily for the economies of the core countries in the last quarter.
The industrial production index fell by 2.4% on an annual basis, with negative data in all major countries, particularly in Spain and Italy.
Inflation trends showed signs of mitigation in a framework of weak demand: in 2012, consumer prices in the Eurozone increased by 2.5% with Italy showing above average values (+3% with a decreasing trend during the course of the year).

In 2012, the Italian economic situation showed further significant signs of deterioration compared to the average of other Eurozone countries. In particular the persisting sovereign debt crisis which was less intense and subjected to wide fluctuations throughout the year as well as the negative trend of the main economic indicators, which kept the cost of financing high especially during the summer.
The financial strain on the government securities market have since eased considerably due to the actions undertaken by the ECB and the fiscal consolidation plans put in place in the most fragile states. On the other hand, the financial corrective manoeuvres introduced at the end of 2011 and continued throughout the year had a negative impact on disposable income and therefore on the real economy.
The industrial production index in 2012 continued to decline as in 2011, showing a decline over the year of 6.7% with respect to the previous year. This gives a difference of -24.9% from the pre-crisis peak of activity from April 2008.

In 2012, consumer and business confidence continued the trend of increasing negative values.
Unemployment grew considerably, with an average increase of 636,000 units (+30.2%) in 2012. The unemployment rate has now reached 10.7% compared with 8.4% in the previous year. The increase affects both the male and female workforce and is countrywide, especially to the South with an unemployment rate of 17.2%.

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[6] INTERNATIONAL MONETARY FUND, *WORLD ECONOMIC OUTLOOK UPDATE*, JANUARY 2013.

The large margins of spare capacity (the degree of capacity utilisation fell from 70% in the first quarter of 2012 to 68.7% in the fourth) and weak prospects have slowed investment. Gross fixed capital formation recorded a drop in volume in 2012 (- 8.0%) after the more contained drop in 2011 (-1.8%). The reduction has effected all components: investment in transport equipment has decreased by 12.2%, machinery and equipment by 10.6% and investment in construction by 6.2%.
However, in 2012 the trade balance is positive and reaches 11.0 billion, supported by the large surplus of non-energy products (+74.0 billion), although recent months show a downward trend. This surplus which is the largest achieved since 1999, takes place in a context of annual export growth of 3.7% and a decline in purchasing by 5.7%.

Shifting the focus to the northeast of Italy[7], Trentino has had one of the most difficult years during 2012 in terms of economic performance and employment. The manufacturing sector has shown some resistance to the current recession: revenues decreased by 1.2%, while the export turnover remained positive (+1.4%), at a rate that gradually weakened during the second half of the year. For Alto Adige, 2012 was a year of zero growth. However, in the second half of the year the profitability improved in all areas and 75% of companies expected to finish their financial year in the black. In contrast to the rest of the country, construction, wholesale and retail trade have positive trends. Manufacturing, services, transport, trade of vehicles and hospitality sectors registered an increase in profitability.
In Veneto, there was a continuous decline in industry sales during 2012 (-3.3% year on year), showing a slight improvement towards the end of the year due to the positive influence of foreign sales. At a sector level, negative trends in the wood, furniture and transport sectors stand out, whilst the rubber and plastics industries as well as food, beverages and tobacco recorded smaller negative data values.
In Emilia Romagna, the recession that started in the last three months of 2011 continued throughout 2012. Sales, production and even more importantly orders are all down, with the exception of export and orders from abroad, which establish a mildly positive trend. The recession hit minor industries and small business harder as they are less involved in international trade.
In Lombardy, while the general trend is still negative the dynamics of production and sales from the manufacturing industry, especially those of the last quarter of 2012, are positive for the first time after five consecutive quarters of declining trends. Domestic orders have reduced gradually in the last period reaching values very close to the minimum point recorded in 2009, whilst foreign orders showed an increase, both from an economic point of view and in its trend.
As for the leading indicators for banking, loans to the private sector gradually lost momentum during 2012 and by end of the year showed a decrease of 0.9% on an annual basis, there was a sharper decline in loans to non-financial companies, which was down in December 2012 by 2.2% when compared to December 2011[8]. This reduction in regard to non-financial corporations was smaller in Trentino Alto Adige (-1.4%) and more intense in the other regions where the Bank operates (-4.1% in Lombardy, -3.1% in Emilia-Romagna and Veneto -3.2%).
During 2012, the weak demand for loans by enterprises showed signs of relative attenuation, benefiting over the first few months of the year from an improving trend in the requests for fixed

[7] Data obtained from the Chamber of Commerce reports.
[8] Bank of Italy, *Main items of bank balance sheets*, February 2013.

investment funds. Despite the modest overall contribution of other factors including the demand for loans for the restructuring and consolidation of the bank debt[9], demand was still significant although in decline.
The trend of interest rates charged by banks on loans, recorded a slight decrease throughout the year compared to the end of 2011: the average interest rate on new business applied to non-financial companies in the last month of 2012 stood at 3.59% (it was 4.06% in January).
With reference to the bank funding activities, the annual growth rate gradually got stronger after the summer, rising to +1.61% by December. Considering the dynamics of the different major funding components there has been a significant increase in deposits from customers +6.21% and a decrease in bonds of 6.83%. The average rate on bank deposits from customers (households and non-financial companies) stood to 2.08% in December 2012 (it was 2.00% in December 2011). The bond component shows stability at 3.37%[10] when compared to the end of 2011.
During the year, the quality of bank assets continued to deteriorate, although to a lesser extent: the level of doubtful loans increased by 16.6% compared to December 2012 (+18.9% when considering only non-financial corporations), showing a significant reduction compared to the rate of growth in 2011 (+37.7% for the general data, +44.5% for non-financial corporations).
In relation to the total loans, the gross doubtful loans for the System amounted to 6.3% at the end of 2012 (5.4% a year earlier), although the figure for productive activities is far higher, varying between 8.3% for the manufacturing sector and 12.8% for construction sector by the end of November 2012. The incidence of total doubtful loans on the banks' portfolio has now reached new high levels: by 30th September 2012, the ratio of NPL ranged from 10.56% to 19.46% in the top five Italian banks' budgets.
Weak growth in margins and the high incidence of write-downs, which in 2011 led to the average ROE of Italian banks being negative (which was also due to the large one-off write-downs that the main groups carried out on goodwill in order to align the book value to the market situation), are likely to continue to heavily affect the profitability of the System. The forecast for 2012 is for the indicator to return to positive values, although contained to around one percentage point[11].

In 2012, the M&A market[12] confirmed the difficulties shown in recent years by registering a decline in the total value: 22.6 billion euros compared to 28.1 billion in 2011 (-20%). Volumes are stable with 331 transactions compared to 329 last year.
Foreign buyers made up for 7 billion euros in turnover and 88 transactions completed during 2012: a decline in investment of more than 60% over the previous year (18 billion euros in 2011). It is also worth noting that about 80% of the total value is represented by the first 20 operations, a further proof of an increasingly crushed middle market.
The Italian Stock Exchange gave a negative balance in 2012, with only 4 IPOs (compared with six in 2011) and as many as 14 delisting.
In the first half of 2012, the Italian market for private equity and venture capital[13] slowed down further: investment activity included 147 new transactions, for a total 868 million euros, down

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[9] Bank of Italy, *Bank Lending Survey*, January 2013.

[10] ABI Monthly Outlook, *Deposits from customers and debt securities of Italian banks*, February 2012.

[11] ABI Financial Outlook, *Forecast Report 2012-2014*. December 2012.

[12] KPMG Corporate Finance Report, December 2012.

[13] AIFI data available at the time of the preparation fo the report.

43% compared to the same period of 2011. The decrease in terms of number of transactions was smaller, equal to 8%.
Looking at the geographical distribution of investments, we can see that concerning the areas of interest for the bank, the value of transactions carried out in Northern Italy showed a slight increase in value (83.3% compared to 79.7% in the first half of 2011).

In the regions of Trentino-Alto Adige and Triveneto the market remained limited, especially in relation to their potential.
According to the analysis drawn up by *Private Equity Monitor* the private equity market in Italy closed down by 8% in 2012.

With regard to project financing and in particular in the renewable energy sector, there has been a worldwide[14]decline in the investment in clean energy in 2012 by 11%. This is mainly due to the uncertainty of the relevant legislation and the unstable political environment that has characterised some of the major markets, including Italy.
Our country recorded the second largest decline in investment in the world, after Spain (-68%), with half of the investment compared to 2011, mainly due to a decrease in activity in the photovoltaic sector due to the progressive reduction of incentives.
By the end of 2012 the gross power of renewable energy plants installed in Italy reached 47,092 MW, an increase of 13.7% compared to 2011, still largely supported by the photovoltaic sector (+28%) in spite of the substantial slowdown[15]. The achievement of targets set for 2020 still require continuing development of renewable energy plants with investments that will be better distributed to sectors, which in recent years have seen modest growth rates as a result of the strong growth in the solar sector.

[14] Bloomberg New Energy Finance, *Global trends in clean energy investment*, January 2013.
[15] GSE, *Renewable energy plants in Italy: first estimate 2012,* February 2013.

MEDIOCREDITO IN 2012

In 2012 with such a negative economic situation, the Bank completed some of the main objectives of the industrial plan, beginning with operations in the public leasing sector and authorisation by the Bank of Italy to practice to the public, services and investment activities with the aim to revive the retail fund supply channel in the area of derivatives. This latest activity started in the second half of the year. It also increased operations with SACE in support of exporting firms, aiming to contribute to the enhancement of business competitiveness.
It also developed synergies with the public shareholders that particularly in the finance sector saw the development and closing of agreements for specific funding lines.

In 2012, the planned investments in the technical infrastructure of the Bank was also brought to fruition with the finishing of the Headquarters renovation work, the relocation of the Treviso branch into new and more appropriate premises owned by the bank itself and the complete upgrade of the internal information system to a state of the art system.

From a commercial point of view for the described worsening economical situation, financing activities showed a slight slowdown in terms of volume of new credit granted and a rise in the level of disbursements compared to 2011. In the investment banking business, revenues from services and consultancy developed consistently, especially in the corporate finance segment, still driven by the alternative energy sector.

Funding activity focussing on bonds guaranteed by the State and on bonds placed on local institutions (also under the EMTN programme) were very significant. The Bank participated in the Long Term Refinancing Operation by the ECB and significantly increased reserves of eligible securities, thanks to the improvement of a new credit securitisation operation that occurred in the second half of the year.

With reference to lending risk, the progressive intensification of the crisis was reflected by a tangible measure on the portfolio that began to show a significant growth trend in 2012 after two years of slowdown in the deterioration, especially in the category of doubtful loans which is still below the average for the System.

From an economic point of view, 2012 saw an improvement in revenues in comparrison to 2011 both in terms of interest income and in terms of commissions on services. Despite the reduction in operating costs (with a cost/income ratio reduced to the best historical levels for the bank) the risk cost, which grew during the year and more than doubled compared to 2011, together with significant increase in the tax rate, determined a net income half that of 2011. On the other hand, the good performance of the financial assets portfolio determined an overall profitability at the some of the highest levels in recent years.

BUSINESS REVIEW

LENDING OPERATIONS

Outline of lending operations (thousands of Euros)

Surveyed activities		2012	2011	Change %
Credit granted	number	254	308	-17.5
	amount	243,640	253,169	-3.8
Credit disbursed	amount	226,929	203,804	+11.3
		31 Dec 2012	**31 Dec 2011**	**Change %**
Total lending		1,430,593	1,369,176	+4.5
	- loans to banks	64,253	26,681	+140.8
	- loans to customers	1,366,290	1,342,495	+1.8

Credit granted

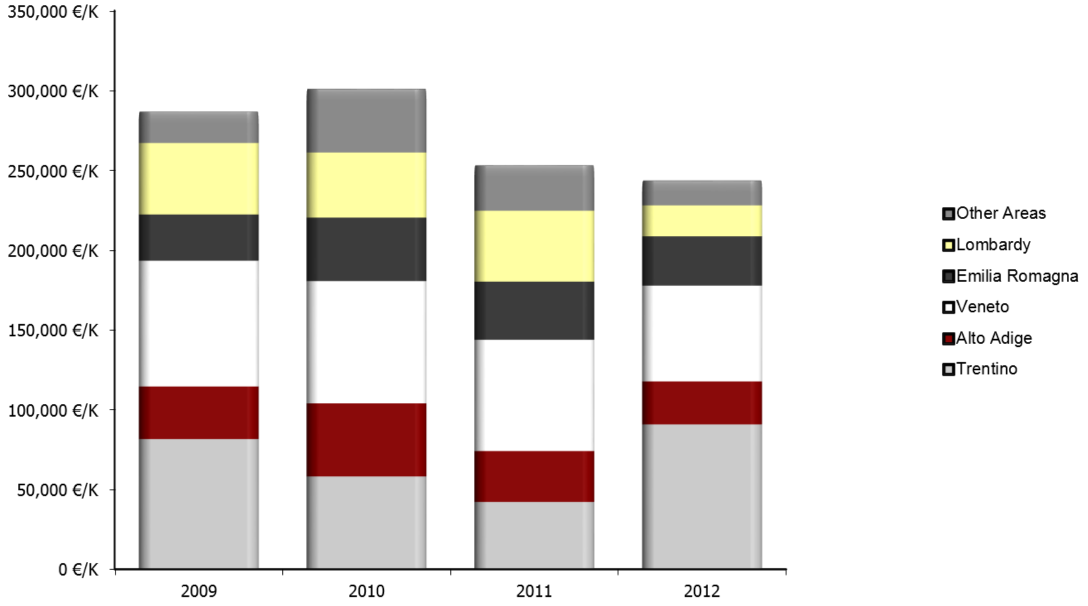
In 2012, the amount of credit granted by Mediocredito reached €243.6m, a decrease in volumes of 3.8% on the previous year due to decline in demand and the higher risk of certain customer segments. The decrease was recorded in spite of loans to companies linked to the Province of Trento for a total of €40m for operations related to public actions to support the real local economy.
This change, coupled with the decrease in the number of loans granted (-17.5%), led to a relative increase in the average amount granted (from €0.8m to €1.0m).

Due to the above mentioned operations, credit granted was mainly concentrated in the Province of Trento (37,3%); followed by Veneto (24.6%; -€9.7m compared to 2011), Emilia Romagna (12.7%; -€5.5m), Alto Adige (11.0%; -€5.0m), Lombardy (8.0%; -€25.0m), and finally other areas of operation for the Bank (6.4%; -€12.9m).
The most noticeable slowdown occurs in Lombardy (-56.3%).

Breakdown of applications granted by area (thousands of Euros)

	2012	%	2011	%	Chg.	Chg. %
Trentino	90,764	37.3	42,133	16.6	+48,631	+115.4
Alto Adige	26,919	11.0	31,896	12.6	-4,977	-15.6
Veneto	60,030	24.6	69,738	27.5	-9,708	-13.9
Emilia Romagna	30,924	12.7	36,473	14.4	-5,548	-15.2
Lombardy	19,389	8.0	44,393	17.5	-25,004	-56.3
Other areas	15,614	6.4	28,537	11.3	-12,923	-45.3
Total	**243,640**	**100.0**	**253,169**	**100.0**	**-9,529**	**-3.8**

Trend of applications granted by area 2009-2012



At sector level, increases in grants to public bodies (+€16.6m) and finance companies/banks (+€21.2m) stand out, both amplified by the operations already highlighted, while direct funding to non-financial corporations decreased by €47.4m (-20.4%).
This trend is due to the decrease recorded in other services sectors (-€20.0m), in the energy sector and related agriculture sector (-€7.9m) – linked to the gradual decrease of public incentives for renewable energy - and construction related activities (-€15.8m). The other sectors remain virtually unchanged including the manufacturing sector that showed a good level of stability overall.

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

	2012	%	2011	%	Chg.	Chg. %
Non-financial corporations	**185,373**	**76.1**	**232,738**	**91.9**	**-47,365**	**-20.4**
Mining/manufacturing sector	87,462	35.9	89,166	35.2	-1,704	-1.9
Agriculture	21,355	8.8	12,221	4.8	+9,134	+74.7
Market services	16,007	6.6	17,352	6.9	-1,345	-7.8
Energy	14,766	6.1	31,768	12.5	-17,002	-53.5
Real estate	12,695	5.2	25,165	9.9	-12,470	-49.6
Building industry	12,360	5.1	15,640	6.2	-3,280	-21.0
Other services	10,650	4.4	30,623	12.1	-19,973	-65.2
Transport services	6,240	2.6	6,063	2.4	+178	+2.9
Hospitality	3,838	1.6	4,741	1.9	-903	-19.0
Government Agencies, families and others	**33,267**	**13.7**	**16,671**	**6.6**	**+16,596**	**+99.6**
Financial corporations and banks	**25,000**	**10.3**	**3,760**	**1.5**	**+21,240**	**+564.9**
Totals	**243,640**	**100.0**	**253,169**	**100.0**	**-9,529**	**-3.8**

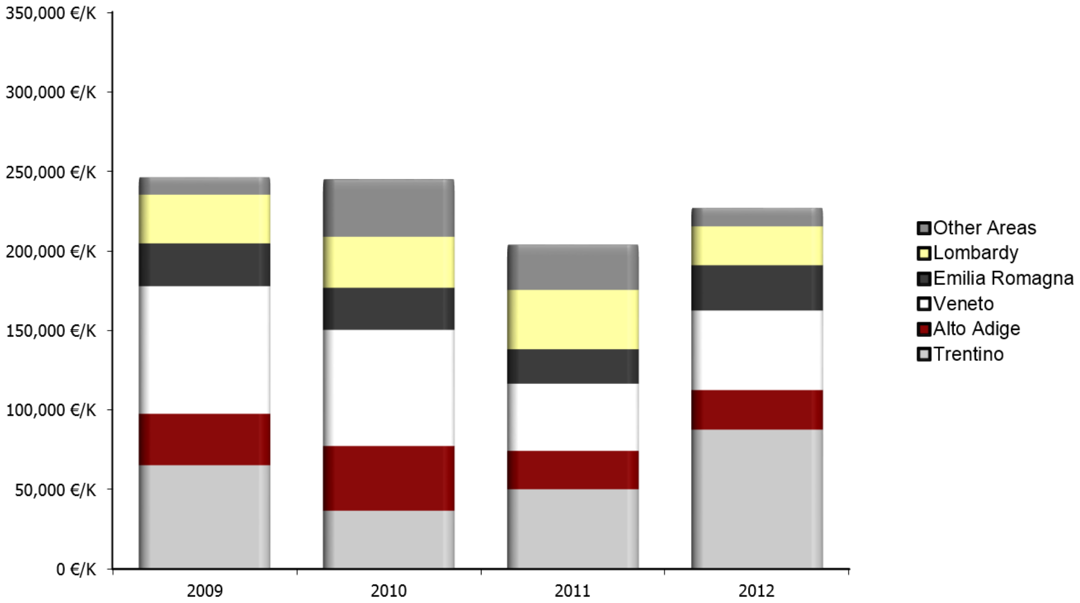
Credit disbursed

During 2012, disbursements were made amounting to €226.9m: in this case, the increase (+€23.1m) is due to the previously mentioned system operations that accounts for the increase in Trentino (+€37.5m) in the breakdown by area.
Disbursements increased in Veneto (+€7.7m) and Emilia Romagna (+€6.9m) while they were down in Lombardy (-12.8 million euros) and other areas of the Bank's operations (-€16.9m).

Breakdown of credit disbursed by area (thousands of Euros)

	2012	%	2011	%	Chg.	Chg. %
Trentino	87,557	38.6	50,074	24.6	+37,483	+74.9
Alto Adige	24,854	11.0	24,127	11.8	+727	+3.0
Veneto	49,950	22.0	42,246	20.7	+7,704	+18.2
Emilia Romagna	28,488	12.6	21,625	10.6	+6,863	+31.7
Lombardy	24,479	10.8	37,275	18.3	-12,796	-34.3
Other areas	11,600	5.1	28,456	14.0	-16,856	-59.2
Totals	**226,929**	**100.0**	**203,804**	**100.0**	**+23,125**	**+11.3**

Trend of applications disbursed by area 2009-2012



At sector level, the same considerations made for credit granted were applied to the disbursements to public bodies and financial companies/banks. Focussing on non-financial companies, disbursements decreased by €24.2m compared to last year. Although widespread, the total slowdown was mainly due to the energy/agriculture (-€16.4m) and construction (-€5.1m) sectors. In contrast, the wholesale and retail trade rose by €5.1m (+38.6%).
It is worth noting the important contribution to disbursements made by manufacturing companies, which recorded only a slight decline compared to 2011.

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

	2012	%	2011	%	Chg.	Chg. %
Non financial corporations	**165,952**	**73.1**	**190,114**	**93.3**	**-24,162**	**-12.7**
Mining/manufacturing	67,133	29.6	69,111	33.9	-1,978	-2.9
Agriculture	19,142	8.4	25,141	12.3	-5,999	-23.9
Energy	18,725	8.3	29,103	14.3	-10,378	-35.7
Market services	18,260	8.0	13,178	6.5	+5,082	+38.6
Building industry	15,151	6.7	17,505	8.6	-2,353	-13.4
Other services	10,136	4.5	13,679	6.7	-3,543	-25.9
Real estate	9,571	4.2	12,325	6.0	-2,754	-22.3
Hospitality	4,000	1.8	5,385	2.6	-1,385	-25.7
Transport services	3,834	1.7	4,688	2.3	-854	-18.2
Government Agencies, families and others	**35,977**	**15.9**	**12,227**	**6.0**	**+23,750**	**+194.2**
Financial corporations and banks	**25,000**	**11.0**	**1,463**	**0.7**	**+23,537**	**n.s.**
Totals	**226,929**	**100.0**	**203,804**	**100.0**	**+23,125**	**+11.3**

Activities done in collaboration with the co-operative banks showed an 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 was 42.0% of the total compared to 35.0% registered by for the end of 2011, with a sustained improvement due to the above mentioned operations in Trentino.

Loans and advances[16]

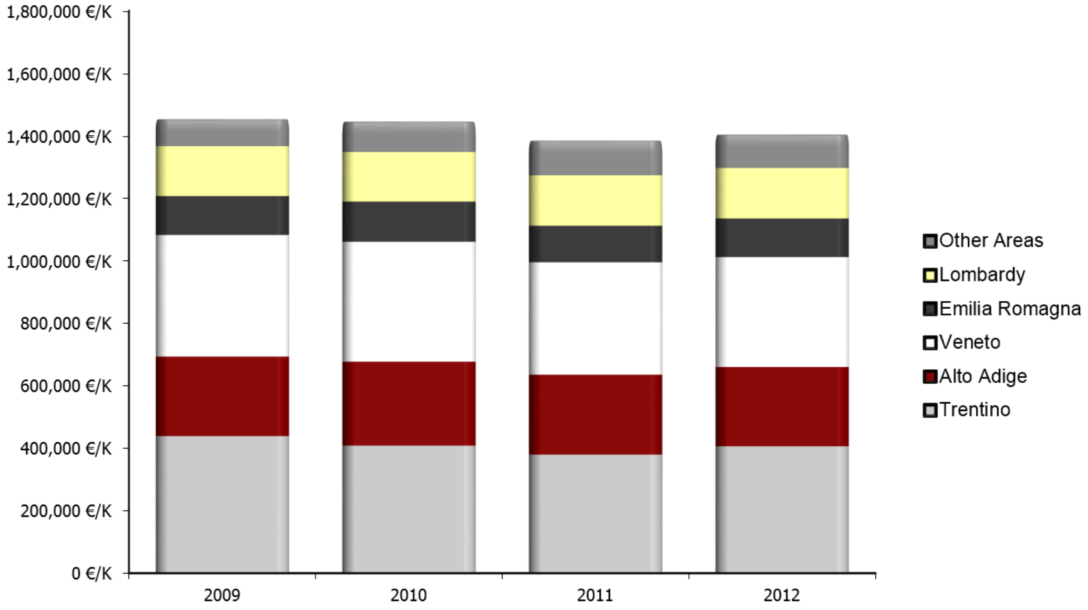
Overall amounts of credit (to customers and banks) increased by 5.2% (+€73.4m) when compared with the results at 31st December 2011, limited to 1.4% when considering only typical loans.

Geographically, the increase in the Province of Trento (€26.6m, 7.0%) has counterbalanced the entire decreases spread over the other areas of operation of the bank: -3.7% Other Areas, -2.2% Veneto, -0.9% South Tyrol and -0.1% Lombardy.
In contrast, balances in Emilia Romagna increase by 6.1%, also benefiting from the increase in disbursements already described.

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

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Trentino	405,963	28.9	379,341	27.4	+26,622	+7.0
Alto Adige	253,696	18.1	255,876	18.5	-2,180	-0.9
Veneto	351,801	25.1	359,747	26.0	-7,946	-2.2
Emilia Romagna	123,896	8.8	116,801	8.4	+7,095	+6.1
Lombardy	161,436	11.5	161,580	11.7	-144	-0.1
Other Areas	106,444	7.6	110,566	8.0	-4,122	-3.7
Total typical loans and advances	**1,403,236**	**100.0**	**1,383,911**	**100.0**	**+19,325**	**+1.4**
Current accounts and deposits [17]	*78,249*		*24,105*		*+54,144*	*+224.6*
Contributions and other corrections	*4*		*102*		*-98*	*-96.1*
Total credit	***1,481,489***		***1,408,118***		***+73,371***	***+5.2***

Trend of typical gross loans and advances by area 2009-2012



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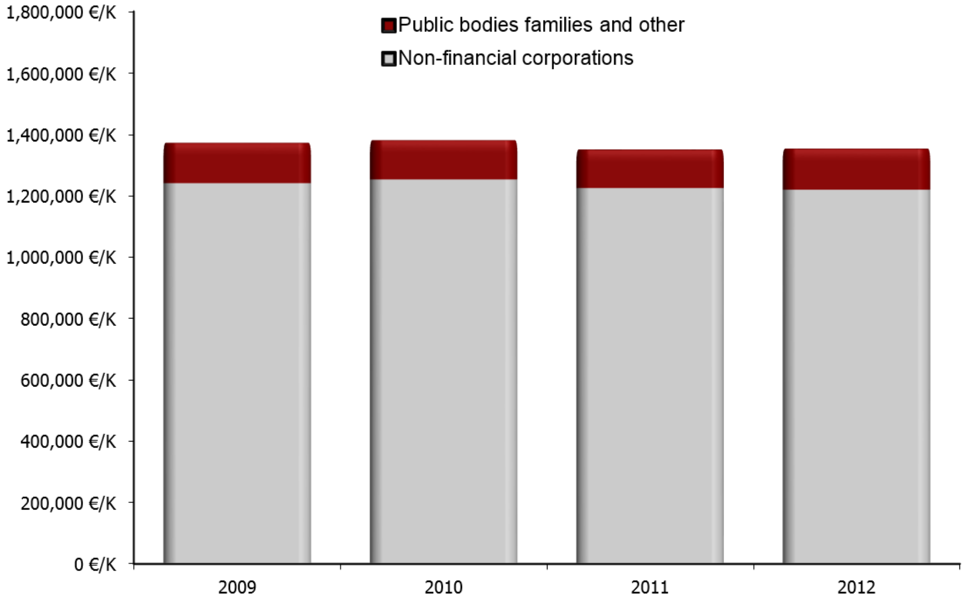
16 Loans and advances shown in the tables are representend gross of devalutions but net of bank current accounts, deposits and subsidised credit.

17 Data for 2012 includes €14,013 thousand and data for 2011 includes €2,473 thousand of credit towards SPV claimed from the securitisation transaction.

As highlighted for grants and disbursements, at sector level the increase was concentrated mostly in loans to public entities and financial companies (+€8.0m and +€16.6m respectively). Slightly down are the loans to non-financial companies, settling to €1,219,400,000 (they were € 1,224,700,000 at the end of 2011). The contraction is concentrated mostly in the manufacturing sector (-€8.0m) and hotels (-€7.6m) and is countered by the significant growth in the energy (+€13.0m) and transport (+€4.5m) sectors.

Trend of typical gross loans and advances to non-financial corporations, government agencies, families and others 2009-2012



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

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Non-financial corporations	**1,219,434**	**86.9**	**1,224,716**	**88.5**	**-5,282**	**-0.4**
Mining/manufacturing sector	341,523	24.3	349,543	25.3	-8,019	-2.3
Real Estate	143,965	10.3	145,543	10.5	-1,578	-1.1
Agriculture	143,353	10.2	142,838	10.3	+515	+0.4
Building industry	127,807	9.1	128,119	9.3	-313	-0.2
Market services	102,815	7.3	104,483	7.5	-1,668	-1.6
Hospitality	102,471	7.3	110,108	8.0	-7,637	-6.9
Energy	101,824	7.3	89,318	6.5	+12,506	+14.0
Other services	97,937	7.0	101,559	7.3	-3,622	-3.6
Transport services	57,739	4.1	53,205	3.8	+4,534	+8.5
Government Agencies, families and others	**133,888**	**9.5**	**125,867**	**9.1**	**+8,021**	**+6.4**
Financial corporations and banks	**49,914**	**3.6**	**33,328**	**2.4**	**+16,586**	**+49.8**
Totals	**1,403,236**	**100.0**	**1,383,911**	**100.0**	**+19,325**	**+1.4**

Performing loans [18]

Due to the increase in impaired loans described in the following paragraph, the trend for performing loans (to customers and banks) shows a decrease in terms of typical loans (-4.3%). The volumes for loans as a whole remained unchanged (+0.1%).

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

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Trentino	363,933	30.5	352,328	28.3	+11,605	+3.3
Alto Adige	248,762	20.8	251,945	20.2	-3,182	-1.3
Veneto	281,961	23.6	307,752	24.7	-25,791	-8.4
Emilia Romagna	102,462	8.6	101,494	8.1	+968	+1.0
Lombardy	120,887	10.1	139,156	11.2	-18,269	-13.1
Other Areas	75,277	6.3	93,969	7.5	-18,693	-19.9
Total typical loans	**1,193,282**	**100.0**	**1,246,644**	**100.0**	**-53,362**	**-4.3**
Current accounts and bank deposits [19]	*78,249*		*24,105*		*+54,144*	*+224.6*
Contributes on subsidised credits	*4*		*102*		*-98*	*-96.1*
Total performing loans	***1,271,535***		***1,270,851***		***+684***	***+0.1***

The breakdown of typical performing loans by geographical area shows an increase in the loans in our region (51.3% against 48.5% in December 2011). There is a setback in Veneto, that with a reduction of €26m went from 24.7% to 23.6% of the total performing loans portfolio, Lombardy (-€18.3m) and other areas (-€18.7m), while Emilia Romagna remained at a stable level (+€1.0m).

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

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Non-financial corporations	**1,017,463**	**85.3**	**1,095,561**	**87.9**	**-78,098**	**-7.1**
Mining/manufacturing sector	279,623	23.4	304,013	24.4	-24,390	-8.0
Agriculture	133,654	11.2	135,076	10.8	-1,422	-1.1
Real Estate	112,794	9.5	127,409	10.2	-14,615	-11.5
Energy	99,998	8.4	89,263	7.2	+10,734	+12.0
Market services	89,766	7.5	92,624	7.4	-2,858	-3.1
Hospitality	87,127	7.3	103,745	8.3	-16,618	-16.0
Other services	84,862	7.1	93,413	7.5	-8,551	-9.2
Building industry	74,008	6.2	98,299	7.9	-24,291	-24.7
Transport services	55,630	4.7	51,719	4.1	+3,911	+7.6
Government Agencies, families and others	**131,331**	**11.0**	**123,421**	**9.9**	**+7,910**	**+6.4**
Financial corporations and banks	**44,488**	**3.7**	**27,662**	**2.2**	**+16,825**	**+60.8**
Totals	**1,193,282**	**100.0**	**1,246,644**	**100.0**	**-53,363**	**-4.3**

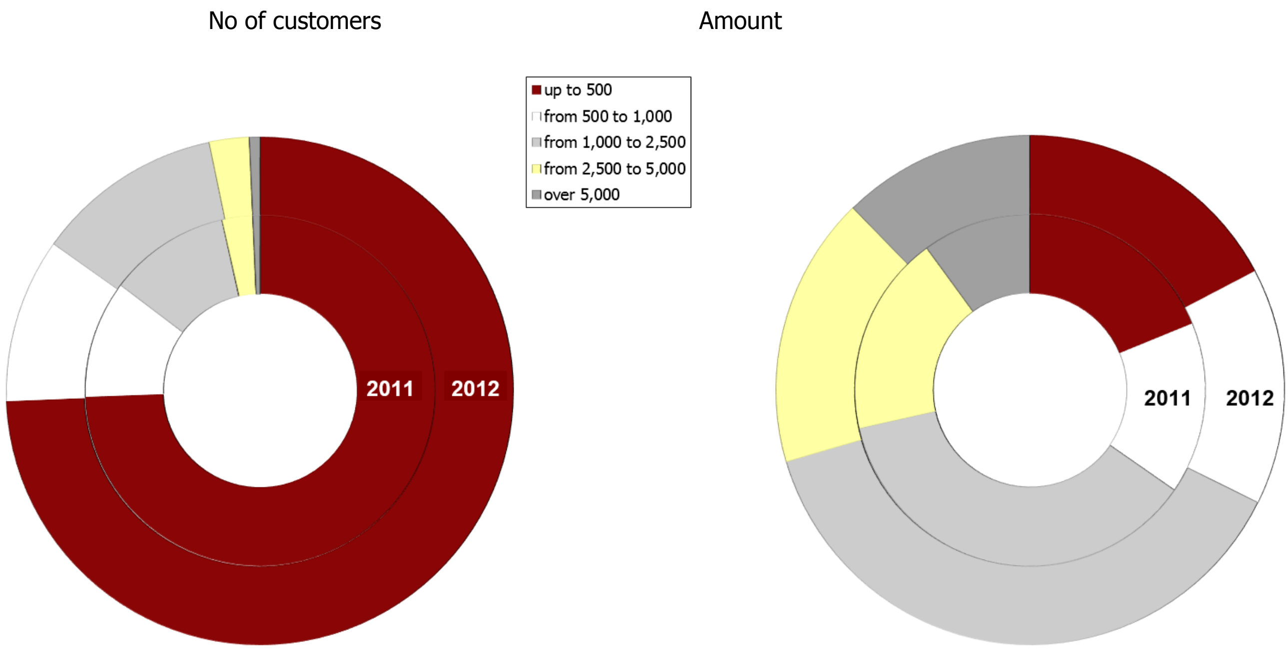
18 Loans and advances are shown in the tables relative to overall amounts, gross of depreciation but net of current accounts with bank deposits and of contributions in relation to subsidised credit.

19 The 2012 data includes €14,013 thousands and in 2011 includes €2,473 thousands of credit towards SPV claimed from securitisation transactions.

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

	No of Customers	Amount	% customers	% amount	Average amount
Up to 500	1,772	206,196	74.4	17.3	116.4
from 500 to 1,000	250	179,001	10.5	15.0	716.0
from 1,000 to 2,500	284	455,582	11.9	38.2	1,604.2
from 2,500 to 5,000	61	205,762	2.6	17.2	3,373.1
above 5,000	16	146,741	0.7	12.3	9,171.3
Totals	**2,383**	**1,193,282**	**100.0**	**100.0**	**500.7**

Distribution by loan amount – comparison 2012/2011



All indices of the performing loan portfolio show higher values than those recorded in 2011 because of the aforementioned transactions with local public companies.

The performing loans portfolio shows that:

- the overall amount of transactions with borrowers, with an overall exposure exceeding €2.5m was equal to 29.5% of the total, up against the end of December 2011 (28.6%);
- the average amount for performing loans went from €498 thousands to €500,7 thousands;
- the incidence on total loans by the first transaction grew (from .7% to 2.1%), as well as the one for the top twenty transactions (from 8.1% to 10.7%) and the top one hundred (from 24.2% to 27.6%).

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

	Dec 2012	%	Dec 2011	%
Top transaction	25,169	2.1	8,821	0.7
Top 20 transactions	127,703	10.7	100,409	8.1
Top 100 transactions	328,733	27.6	301,086	24.2

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

- overall exposure to the top borrower, who also belongs to the top group of debtors, grew from 1.5% to 2.1%; while the first group of borrowers as a whole went from 1.5% to 2.9%;
- overall exposure to the top 20 borrowers equals 13.9% of the total performing loans portfolio, up when compared to 2011 and the top 100 borrowers follow the same trend coming to 34.1%;
- overall exposure to the top 20 groups equalled 15.4% of the total performing loans portfolio (12.0% at the end of 2011) and the top 100 groups came to 37.7% (33.2% at the end of 2011).

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

	Dec 2012	%	Dec 2011	%
top borrower	25,169	2.1	18,374	1.5
top 20 borrowers	165,864	13.9	139,436	11.2
top 100 borrowers	407,391	34.1	382,435	30.7

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

	Dec 2012	%	Dec 2011	%
top group of borrowers	34,707	2.9	18,374	1.5
top 20 groups of borrowers	184,000	15.4	148,937	12.0
top 100 groups of borrowers	449,334	37.7	413,957	33.2

It should be noted that the exposure relative to the first group includes the aforementioned system operations in favour of a group of public entities with a rating a few notches higher than the Italian State.

High risk

With regard to «high risks», in accordance with current legislation we can report the following situation as at 31st December 2012:

Counterpart	Nominal	Weighted
Government	211,248	0
Public bodies	41,388	21,388
Banks	203,683	203,683
Totals	**456,319**	**225,071**

The exposure risk to Governments and banks for a total of €353.8m, relates mainly to securities eligible for refinancing with the European Central Bank.

Impaired loans and "country risk"

The progressive intensification of the crisis reflected on the portfolio in a tangible measure: when the deterioration process had slowed down after two years, 2012 has brought a significant growth trend.

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

Dec 2012	Gross exposure	Overall adjustment	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and credit risk	**209,954**	**45,806**	**164,148**	**14.2**	**11.5**	**21.8**
- doubtful	91,155	31,717	59,438	6.2	4.2	34.8
- substandard	99,145	13,792	85,353	6.7	6.0	13.9
- restructured	3,112	200	2,912	0.2	0.2	6.4
- past due	16,504	67	16,437	1.1	1.1	0.4
over 180 days	8,101	40	8,061	0.5	0.6	0.5
over 90 days	8,403	27	8,376	0.6	0.6	0.3
- country risk	38	30	8	0.0	0.0	80.0
Performing loans	**1,271,535**	**5,140**	**1,266,395**	**85.8**	**88.5**	**0.4**
Total loans	**1,481,489**	**50,946**	**1,430,543**	**100.0**	**100.0**	**3.4**

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
over 180 days	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**

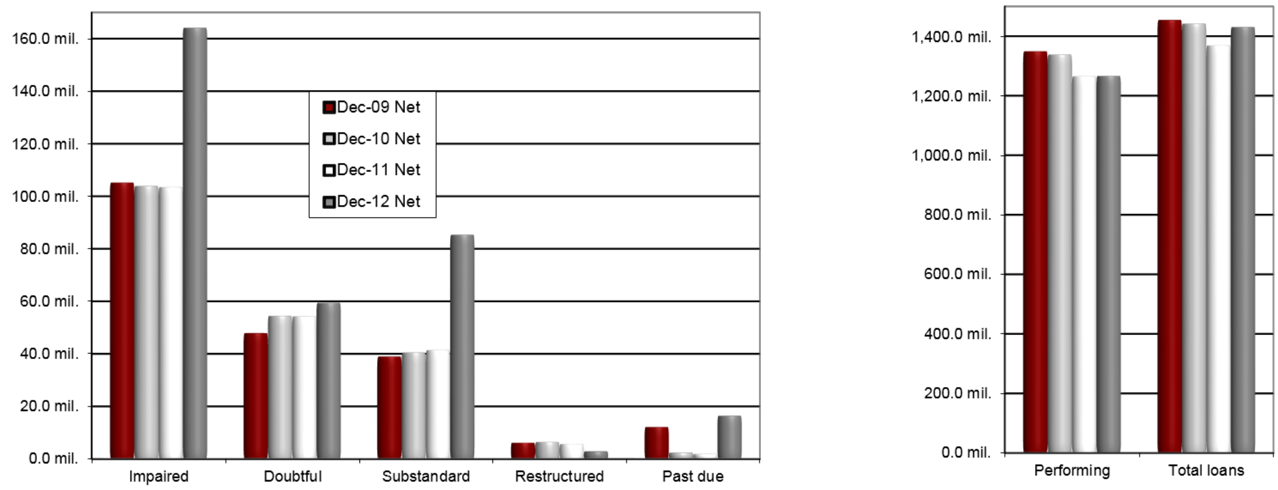
Change % 2012/2011	Gross exposure	Overall adjustments	Net exposure
Impaired loans and credit risk	**+53.0**	**+35.7**	**+58.6**
- doubtful	+13.5	+22.2	+9.4
- substandard	+104.2	+95.0	+105.8
- past due	+739.4	+1,155.2	+738.2
Performing loans	**+0.1**	**-0.8**	**+0.1**
Total loans	**+5.2**	**+30.8**	**+4.5**

The amount of gross impaired loans showed an increase of €72.7m (+53.0%), resulting in general from the increase in the substandard loans portfolio (+€50.6m).

The remaining increase of €8.4m was because of past due loans unpaid for more than 90 days, that with effect from 1 January 2012 had to be reported amongst past due positions (before only loans unpaid for more than 180 days were reported). €10.8m was due to the increase in doubtful loans and €6.1m due to the increase in past due loans unpaid for more than 180 days. The total increase was marginally contained by the contraction of the restructured portfolio (-€3.3m).

Although mitigated by the increase in total gross loans (+5.2%), the incidence of non-performing loans on the total loan portfolio went from 9.7% at the end of 2011 to 14.2%.
The figure net of overall adjustments, which increased by 35.7%, went from 7.6% to 11.5%, while the coverage of impaired loans went from 24.6% in December 2011 to 21.8%, with an increase of the coverage of doubtful loans. The decrease in this index was emphasised by the above described computation between the past due loans of loans overdue by more than 90 days. Net of this component the coverage stands at 22.7%. The coverage of the entire loan portfolio grew from 2.8% to 3.4%.

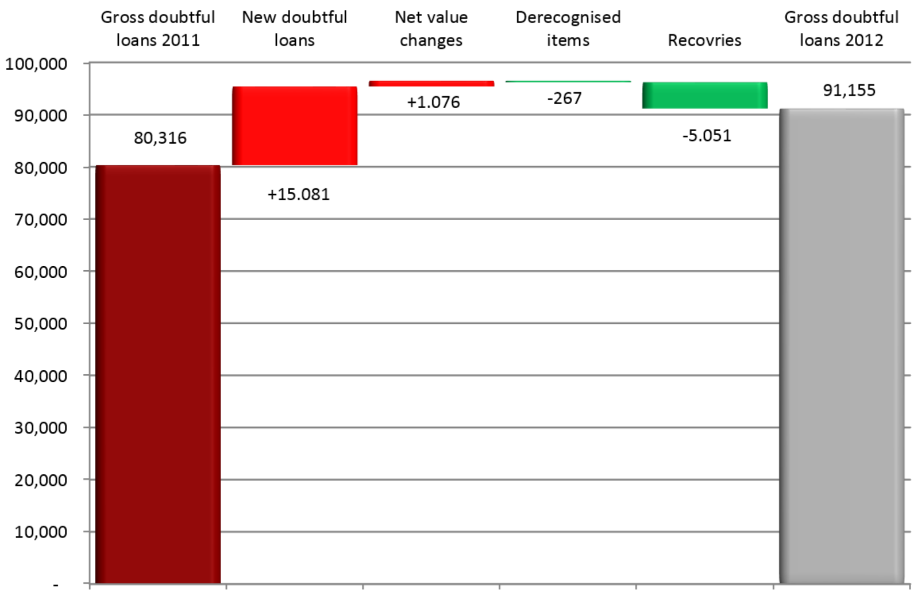
Dynamic of net loans (thousands of Euro)



Doubtful loans

Doubtful loans gross of write-downs amount to €91.2m, up by 13.5% in comparison to 2011. The construction sector (building industry and real estate) accounted for 39.1% of doubtful loans (it was 37.8% in 2011), followed by the manufacturing sector (37.0%).
The building industry as a whole was the sector to record the highest growth in absolute terms: +€5.3m.

Dynamic of gross doubtful loans 2011-2012 (thousands of Euros)



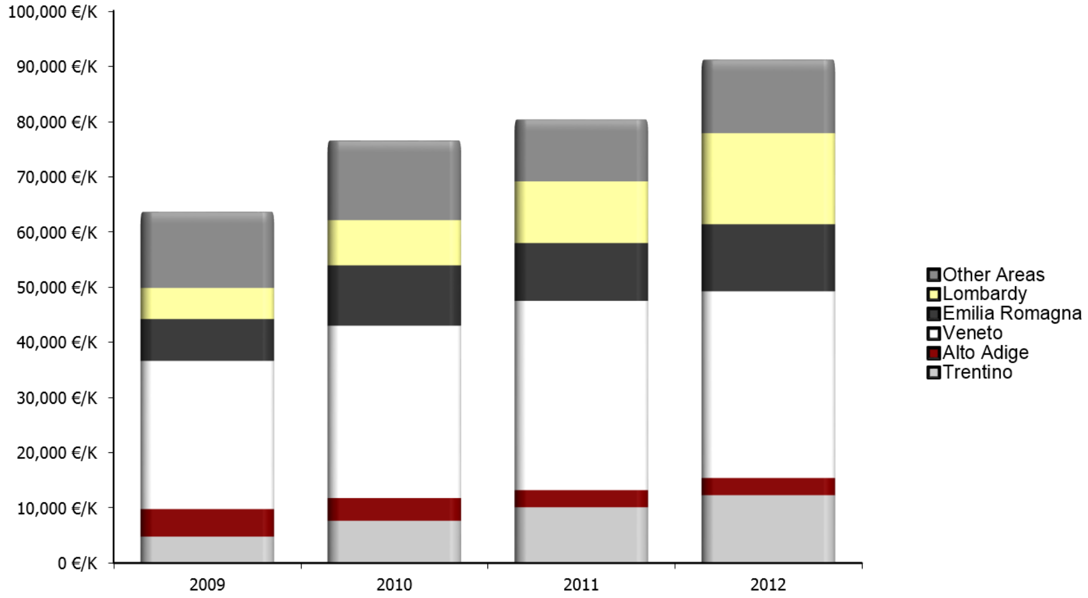
Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Non-financial corporations	**89,284**	**97.9**	**79,003**	**98.4**	**+10,280**	**+13.0**
Mining/manufacturing sector	33,719	37.0	29,698	37.0	+4,021	+13.5
Building industry	24,658	27.1	17,926	22.3	+6,732	+37.6
Real estate	10,983	12.0	12,456	15.5	-1,473	-11.8
Market services	7,266	8.0	7,061	8.8	+205	+2.9
Agriculture	5,796	6.4	4,325	5.4	+1,471	+34.0
Other services	5,659	6.2	5,570	6.9	+89	+1.6
Hospitality	1,148	1.3	1,148	1.4	-	-
Transport services	0	0.0	764	1.0	-764	-100.0
Energy	55	0.1	55	0.1	-	-
Government Agencies, families and others	**1,871**	**2.1**	**1,313**	**1.6**	**+558**	**+42.5**
Financial corporations and banks	**-**	**-**	**-**	**-**	**-**	**-**
Totals	**91,155**	**100.0**	**80,316**	**100.0**	**+10,838**	**+13.5**

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

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Trentino	12,268	13.5	10,091	12.6	+2,177	+21.6
Alto Adige	3,110	3.4	3,093	3.9	+16	+0.5
Veneto	33,816	37.1	34,289	42.7	-473	-1.4
Emilia Romagna	12,151	13.3	10,466	13.0	+1,685	+16.1
Lombardy	16,480	18.1	11,173	13.9	+5,306	+47.5
Other Areas	13,330	14.6	11,204	13.9	+2,126	+19.0
Totals	**91,155**	**100.0%**	**80,316**	**100.0%**	**+10,838**	**+13.5**

Trend of gross doubtful loans by area 2009-2012



From a geographical point of view, the majority of doubtful loans were in Veneto (37.1%) while Trentino, Emilia Romagna, Lombardy and other areas each accounted for around 13-18% of the doubtful loans portfolio. Alto Adige stands out accounting for only 3.4% of the total doubtful loans for a total amount of €3m.

Doubtful loans, net of write-downs amounted to €59.4m, up by €5.1m in comparison with 31st December 2011.

The ratio of net doubtful loans to net lending was 4.2%, against 4.0% at the end of the previous business period; the same ratio gross of write-downs went from 5.7% to 6.2%.

The coverage of doubtful loans equalled 34.8%, up when compared with the data at the end of 2011 (32.3%).

Key ratios relative to doubtful loans

in %	Dec 2012	Dec 2011
Gross doubtful loans / total gross loans	6.2	5.7
Gross doubtful loans /total gross loans to customers	6.4	5.8
Gross doubtful loans / regulatory capital	48.6	44.0
Net doubtful loans / total net loans	4.2	4.0
Net doubtful loans /total net loans to customers	4.4	4.1
Net doubtful loans / regulatory capital	31.7	29.8

Substandard loans

Substandard loans equalled €99.1m gross of write-downs, increasing substantially against the results at the end of 2011 (+€50.6m, +104.2%).

The biggest increase in absolute value was in the construction sector (+26.4m), manufacturing (+€12.3m) and hospitality (+€6.9m). Sectors that remained stable were agriculture and market services.

Dynamic of sub-standard loans by area 2011-2012 (thousands of Euro)

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

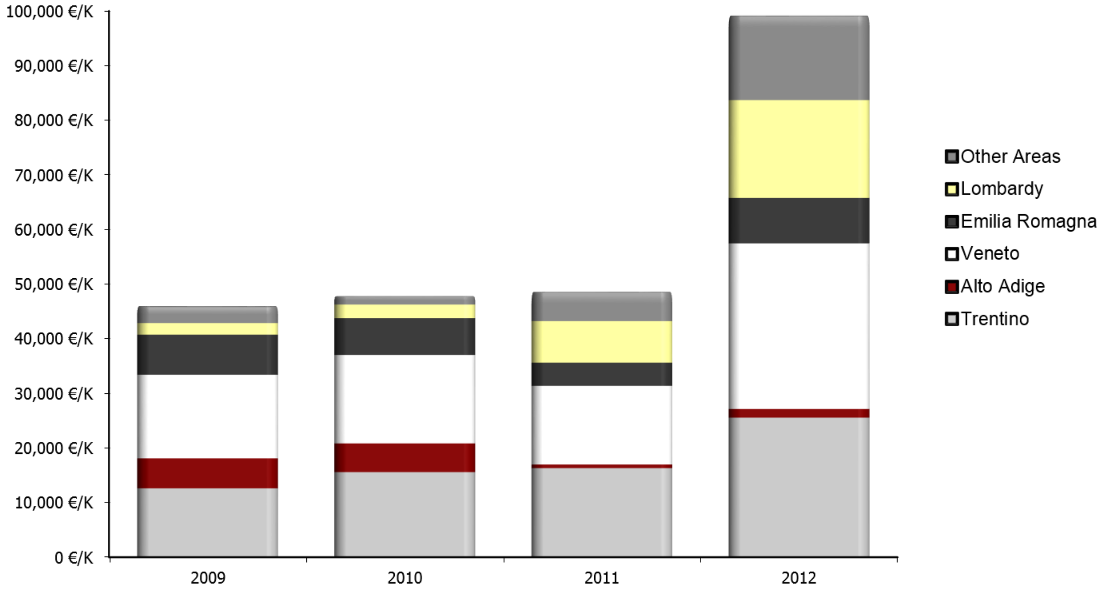
	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Non-financial corporations	**93,440**	**94.2**	**42,142**	**86.8**	**+51,298**	**+121.7**
Mining/manufacturing sector	24,944	25.2	12,609	26.0	+12,335	+97.8
Building industry	25,250	25.5	10,531	21.7	+14,719	+139.8
Real Estate	16,853	17.0	5,195	10.7	+11,658	+224.4
Hospitality	11,594	11.7	4,664	9.6	+6,930	+148.6
Market services	5,287	5.3	4,792	9.9	+495	+10.3
Agriculture	2,941	3.0	3,401	7.0	-460	-13.5
Other services	2,691	2.7	228	0.5	+2,463	+1,082.6
Transport services	2,109	2.1	722	1.5	+1,387	+192.1
Energy	1,771	1.8	-	-	+1,771	
Government Agencies, families and others	**316**	**0.3**	**786**	**1.6**	**-470**	**-59.8**
Financial corporations and banks	**5,389**	**5.9**	**5,628**	**11.6**	**-239**	**-4.2**
Totals	**99,145**	**100.0**	**48,556**	**100.0**	**+50,589**	**+104.2**

Geographically, substandard loans concentrate in the Veneto region made up 30.6% of the total and registered the biggest absolute increase in value in 2012 (+€15.9m). Trentino followed with an increase of € 9.2m, Lombardy (+€10.3m), other areas (+€10.1m) and Emilia Romagna (+€4.0m). The province of Bolzano had an insignificant amount of substandard loans.

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

	31 Dec 2012	%	31 Dec 2011	%	Chg.	Chg. %
Trentino	25,532	25.8	16,293	33.6	+9,240	+56.7
Alto Adige	1,580	1.6	655	1.3	+925	+141.3
Veneto	30,334	30.6	14,400	29.7	+15,934	+110.7
Emilia Romagna	8,308	8.4	4,259	8.8	+4,049	+95.1
Lombardy	17,911	18.1	7,598	15.6	+10,313	+135.7
Other Areas	15,480	15.6	5,351	11.0	+10,129	+189.3
Totals	**99,145**	**100.0**	**48,556**	**100.0**	**+50,590**	**+104.2**

Trend of sub-standard loans by area 2009-2012



Substandard loans net of write-downs, equalled €85.4m, up by 105.8% against 31st December 2011.
The ratio of net substandard loans to total net loans was 6.0% compared to 3.0% at the end of the previous business period.

Key ratios relative to substandard loans

in %	Dec 2012	Dec 2011
Gross substandard loans / total gross loans	6.7	3.4
Gross substandard loans / total gross loans to customers	7.0	3.5
Net substandard loans / total net loans	6.0	3.0
Net substandard loans / total net loans to customers	6.2	3.1

Restructured loans

Restructured loans net of write-down amounted to €2.9m, down by 49.0% against 31st December 2009, mainly due to the re-categorisation under substandard loans.
The ratio of net restructured loans to total net loans was 0.2%, down against the 0.4% for the same period last year.

Past due loans

This item is made up of all cash loans to borrowers that is not secured against real estate (not included in the other categories of impaired loans) whose debts are overdue by more than 90 days and individual loans guaranteed by real estate to borrowers whose debts are overdue by more than 90 days according to the criteria established by the supervising authorities.

Net of write-downs these loans equalled €16.4m, a substantial increase against 31st December 2011, mainly as a consequence in the changes in the criteria set out by the supervising authorities.

The ratio of "loans past due" to total net loans is 1.1% against the 0.1% recorded at the end of the previous business period.

EQUITY INVESTMENT ACTIVITIES

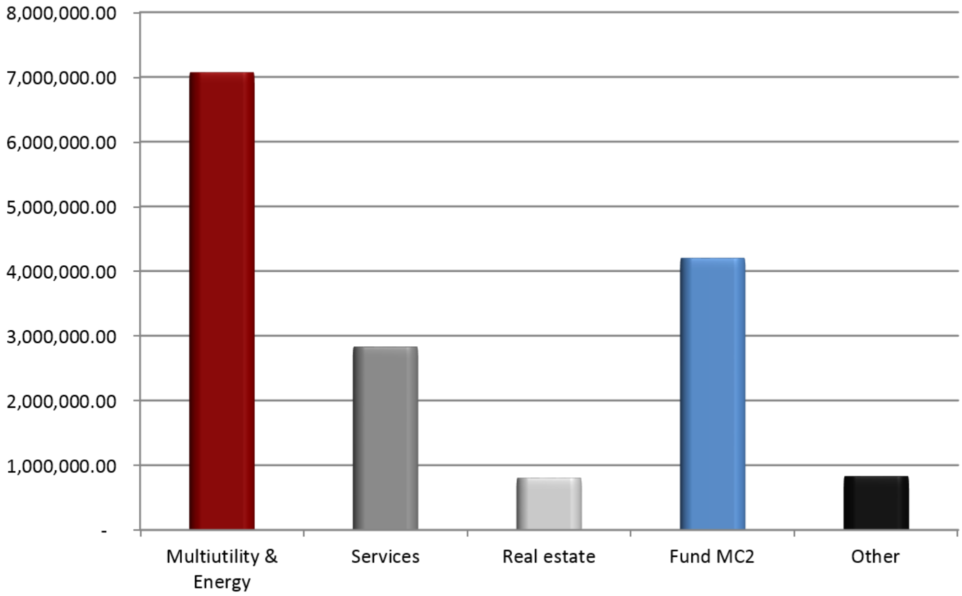
Equity Investment

Equity investment activities both direct and through participation in the closed-end securities investment fund "MC^2 Impresa", showed overall amounts of approximately €15.8m, down by +8.9% against December 2011.

Equity Investment (thousands of Euro)

	Dec 2012			Dec 2011		
	Afs	Equity invest.	Total	Afs	Equity invest.	Total
Merchant banking investment	10,319	79	10,398	8,377	76	8,453
Investment fund units (UCITS)	4,935	-	4,935	8,412	-	8,412
Other equity investments	345	73	418	345	83	428
Totals	**15,599**	**152**	**15,751**	**17,134**	**159**	**17,293**

Equity investment per economic sector



The main events that affected the portfolio of equity investment in 2012 were as follows:

- Liquidation of €3.5m by the fund «MC^2 Impresa»;
- payment of €31m for unpaid calls on shares for holdings in Biorendena S.p.A.;
- partial repayment by Green Hunter S.p.A. (previously known as SPF Energy S.p.A.) of the share premium paid at the time of subscription for €67 thousand;
- acquisition of a 10% stake, amounting to 1.6 million Euro, in Alto S.r.l.

The impairment test on equities led to a financial loss considered durable and registered in the income statement on equity investments in ADES SpA for €3,000.

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

- positive change in fair value of shares in Green Hunter S.p.A. (previously known as SPF Energy S.p.A.) for €404.0 thousands;
- positive change in fair value of shares in Alto Garda Servizi S.p.A. for €24.8 thousands;
- positive change in fair value of quotes in the fund «MC^2 Impresa» for €101.5 thousands;
- negative change in fair value of quotes in the closed-end real estate investment fund "Clesio" for €58.0 thousands;

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 Essedi Strategie d'Impresa S.r.l. for an amount of €12 thousand. Additionally it led to the devaluation of the stock held in Biorendena S.p.A., for an amount of €28 thousands and in Paradisidue S.r.l. for an amount of €21 thousands.

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. The fund is undergoing a process of disinvestment, therefore Mediocredito's advisory role ended during the first half of the year.

Notes on equity investments (amounts in thousands of Euros)

Paradisidue S.r.l. – Trento

This real estate company was founded on 30th 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 31st December 2012 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 closed the year 2011 with a loss of €21.3 thousand.

Other equity investment	
Balance at 31/12/2011	**22.8**
Purchases	-
Sales	-
Gains	-
Losses	-21.3
Impairment	-
Balance at 31/12/2012	**1.5**
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 type and became an S.r.l. (a limited liability company) in 2009 and Mediocredito's stake became 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 that have provided gains for the Bank of around €11.7 thousand.

Other equity investments	
Balance at 31/12/2011	**60.3**
Purchases	-
Sales	-
Gains	+11.7
Losses	-
Impairment	-
Balance at 31/12/2012	**72.0**
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 2012, a year during which residual arrears for €31.300 were retrieved, the company continued to pursue its goal of making the biomass-driven steam plant for Madonna di Campiglio active although there have been continuing delays in obtaining the necessary authorisation to do this, which have delayed

Merchant Banking Investment	
Balance at 31/12/2011	**76.1**
Purchases	+31.3
Sales	-
Gains	-
Losses	-28.4
Impairment	-
Balance at 31/12/2012	**79.0**
Stake held	**20.000%**

the investment.
The equity method valuation of the latest situation of available budget led to the recognition of a loss of €28.4 thousand.

Notes on other equity investments and stakes available for sale

Green Hunter S.p.A. - Milano (previously SPF Energy S.p.A.)

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 plant with a power of 20/25 MWp for a value that exceeds €80m.
During 2012, the company returned a portion of share premium paid at the time of subscription for the amount of €67 thousand, in relation to the significant increase in corporate cash flow. The company is undergoing a restructuring process which led to the change of the company name and the value for the shareholders, which will be contributed to the parent company in 2013 and which reflects a positive change in the fair value of €404 thousand.

Merchant Banking Investments	
Balance at 31/12/2011	**1,000.0**
Purchases	-
Sales	-66.7
Gains/Losses on disposal	-
Fair value changes	+404.0
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**1,337.3**
Stake held	**3.830%**

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

Through the subsidiary SWS Engineering S.p.A., the company operates in the area of engineering and design. Through the subsidiary Enginsoft S.p.A. it operates in automation and control engineering, specialising 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 finalised in November 2011 in order to continue the process of exploitation and development of the company launched by the closed-end fund MC2 Impresa.
The investment is budgeted for a fair equivalent value of €1.2m, equivalent to the recent purchase price.

Merchant Banking Investments	
Balance at 31/12/2011	**1,201.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**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 private entrepreneurs and financiers with experience in the sector of Tourism, alongside public bodies. 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 only recently 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 31/12/2011	**528.8**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**528.8**
Stake held	**4.840%**

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

Valsugana Energia S.p.A. was established to realise 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 21st 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 the economic situation in 2012 does not show significant changes from 2011.

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 31/12/2011	**300.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**300.0**
Stake held	**12.000%**

Enercoop S.r.l. – Trento (TN)

This company is a subsidiary of Fincoop S.p.A. (co-operative financial company in Trentino) and was set up in 2009 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 €1,656 thousands. From this amount €19.8 thousands was in the capital account and €1,635 thousands represented a loan to shareholders intended for the purchase of a share in Dolomiti Energia S.p.A.

The estimate as at 31st December 2012 does not show any changes in the fair value since 2011.

Merchant Banking Investments	
Balance at 31/12/2011	**1,720.7**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**1,720.7**
Stake held	**15.000%**

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

A multi-utility company that is controlled by local government and operating in the area north of Riva del Garda. Similar to 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 31st December 2012 has increased by €25,000.

Merchant Banking Investments	
Balance at 31/12/2011	**2,111.3**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+24.8
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**2,136.1**
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

Merchant Banking Investments	
Balance at 31/12/2011	**1,500.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-

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 2012. There has been a further increase in the turnover, alongside a relative decline in profits due to the depreciation and the unfavourable trends of the electricity market.
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 2012 the amount paid out is a good approximation of the fair value of the equity investment.

Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**1,500.0**
Stake held	**16.130%**

Alto S.r.l. - Milano

In the second half of the year, the Bank has approved the acquisition of the stake in Alto S.r.l, a subsidiary of Podini, destined to acquire, with an LBO, the control of Piteco SpA. Piteco SpA is a company operating in a niche sector for the development of software for financial applications. It is characterised by stable business, a positive economic outlook, high levels of profitability and no net financial debt. In November 2012, the bank acquired 10% of the company for an investment of €1.555m, a figure that expresses its current fair value.

Merchant Banking Investments	
Balance at 31/12/2011	**-**
Purchases	+1,555.0
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**1,555.0**
Stake held	**10.000%**

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

Established in 1998 with the purpose to buy the "ex-Michelin" area in Trento and to develop proposals to maximise the utilisation and optimisation of the area from both from an economic and a functional prospective.
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, whilst in 2011 it carried on the liquidation process for 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 thousand with a residual value of the share of about €1.8, which has been reimbursed in the current year.

Other equity investments	
Balance at 31/12/2011	**1.8**
Purchases	-
Sales	-1.8
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**-**
Stake held	

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 €764 thousands. The company Castello SGRpa assigned the value of €52,240.053 to each unit on 31st December 2012 compared to €56,385.114 on 31st December 2011. Therefore, the equity investment shows a negative fair value change of €58 thousands.

The Fund is in the process of completing the building work and placing the prestigious building complex in the city of Trento on the market.

Investments in UCITS	
Balance at 31/12/2011	**789.4**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-58.0
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**731.4**

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. In 2012, the Bank concluded its advisory role for the fund which is managed by BCC Private Equity SGR and is in the process of disinvestment.

In 2012, a portion of the value of units was liquidated to a total value of about €3.5m, while the unit value of the remaining 80 shares held by the Bank (valued at 31.12.2012 by SGR) amounted to €52,551,526, generating a positive change in net equity reserve of €101.5 thousand.

Investments in UCITS	
Balance at 31/12/2011	**7,622.7**
Purchases	-
Sales	-3,520.0
Gains/Losses on disposal	-
Fair value changes	+101.5
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2012	**4,204.1**

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 was partly rescheduled and partly cancelled following a debt for shares exchange.

The reduction of market prices of the title in 2012 produced an impairment of €2.9 thousands.

Other equity investments	
Balance at 31/12/2011	**78.6**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-2.9
Balance at 31/12/2012	**75.7**
Stake held	**0.120%**

Other equity investments and stakes available for sale

(thousands of Euros)

	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 Investments Banking	Fondo RETEX Other equity investments
Balance at 31/12/2011	**50.2**	**3.4**	**14.9**	**100.4**
Purchases	-	-	+40.1	-
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve	-	-	-	-
Impairment	-	-	-14.9	-
Balance at 31/12/2012	**50.2**	**3.4**	**40.1**	**100.4**
Stake held	**0.025%**	**0.820%**	**5.363%**	**1.237%**

(thousands of Euros)

	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 31/12/2011	**108.8**	**-**	**1.0**	**0.6**
Purchases	-	-	4.1	-
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve				
Impairment	-	-	-	-
Balance at 31/12/2012	**108.8**	**-**	**5.1**	**0.6**
Stake held	**4.387%**	**0.786%**	**0.804%**	**0.042%**

Other corporate & investment banking activities

Despite an unfavourable and growingly recessive situation, activity in the sector maintained its commission's returns: the increasing specialisation of the Bank's activities generates revenues from diverse phases for each transaction: organisation process, structuring and management of operations. Activities in project finance remain relevant.

The table highlights the revenues obtained from these activities in 2012.

	2012	2011	Chg. %
Syndications, project & energy	968.9	920.4	+5.3
M&A – Advisory	281.7	359.0	-21.5
Total	**1,250.6**	**1,279.4**	**-2.3**

BORROWING OPERATIONS AND TREASURY MANAGEMENT

In 2012, there was an increase in new funds secured against 2011 (+€74.3m €508.9m compared to €435m in 2011).

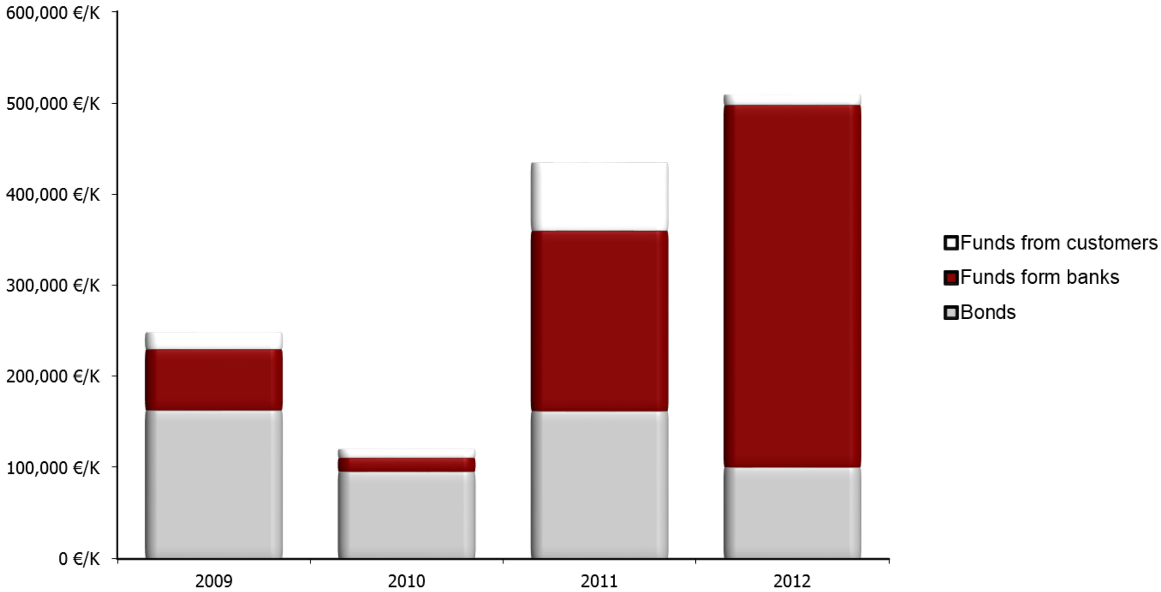
The new flow of funds from bonds is represented from the issuance of bonds for €71.2m under the EMTN programme and for €29.0m under local financial institutions while medium-long term financing is mainly linked to the three-year financing from the European Central Bank for €300m.

In November 2012, as part of the new funds secured the Bank obtained a new placement of €50m from the EIB, partially concluded in December and to be finalised during 2013.

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2012	%	2011	%	chg. %
BONDS	**100,200**	**19.7**	**161,800**	**37.2**	**-38.1**
- straight bonds	*100,200*	*19.7*	*161,800*	*37.2*	*-38.1*
- Fair Value bonds (+fv irs)	-	-	-	-	-
- special bonds	-	-	-	-	-
FUNDS FROM BANKS AND CDP	**397,048**	**78.0**	**197,561**	**45.5**	**+101.0**
- EIB funds	-	-	*30,000*	*6.9*	*-100.0*
- other medium/long term bonds	*327,500*	*64.4*	*117,991*	*27.2*	*+177.6*
- debit deposit	*69,48*	*13.7*	*49,570*	*11.4*	*+40.3*
FUNDS FROM CUSTOMERS	**11,616**	**2.3**	**75,172**	**17.3**	***-84.5***
- funds from third parties	*6,041*	*1.2*	*12,771*	*2.9*	*-52.7*
- other funds from customers	*5,575*	*1.1*	*62,401*	*14.4*	*-91.1*
TOTAL	**508,864**	**100.0**	**434,533**	**100.0**	**+17.1**

Dynamic of fund flows (thousands of Euro)



To mitigate the liquidity risk, during the year, the Bank has put in place the following actions aimed at increasing the availability of securities eligible for refinancing with the European Central Bank:

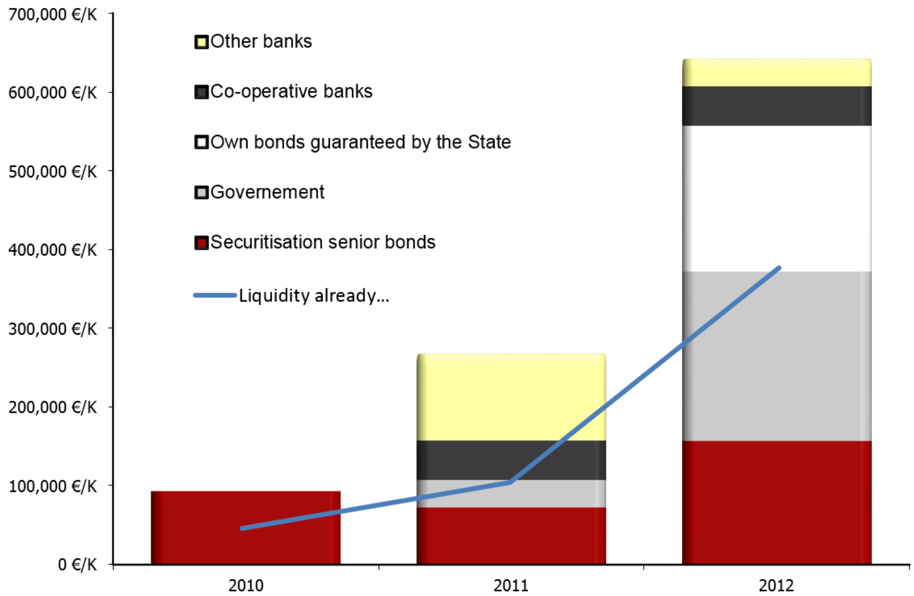
- issue and the concurrent subscription of bonds under state guarantee for €185m;
- purchase of state and banks bonds for €211m;
- completion of a new securitisation of loans in August, co-ordinated by Cassa Centrale Banca for €150m to ensure the availability of an additional €105.2m of eligible senior securities.

During December the Bank also provided for the replacement of government bonds with a remaining maturity of 2 years with other bonds of the same type but with higher residual maturities (3 to 5 years), for an amount of €80m.
With these operations the total number of eligible securities total €641.8m, which net of the two three-year operations already carried out guarantee liquidity reserves estimated at about €165m (net of haircuts).

Breakdown of eligible securities (thousands of Euro)

Issuer	Eligible	Potential liquidity
Governments	215,000	202,031
Co-operative banks	50,000	39,160
Other banks	35,000	27,854
Securitisation senior bonds	156,821	102,623
Own bonds guaranteed by the state	185,000	177,482
Total	**641,821**	**549,151**
Liquidity already drawn		384,308
Residual available liquidity		**164,843**

Trend of eligible bonds and liquidity already drawn (in thousands of Euro)



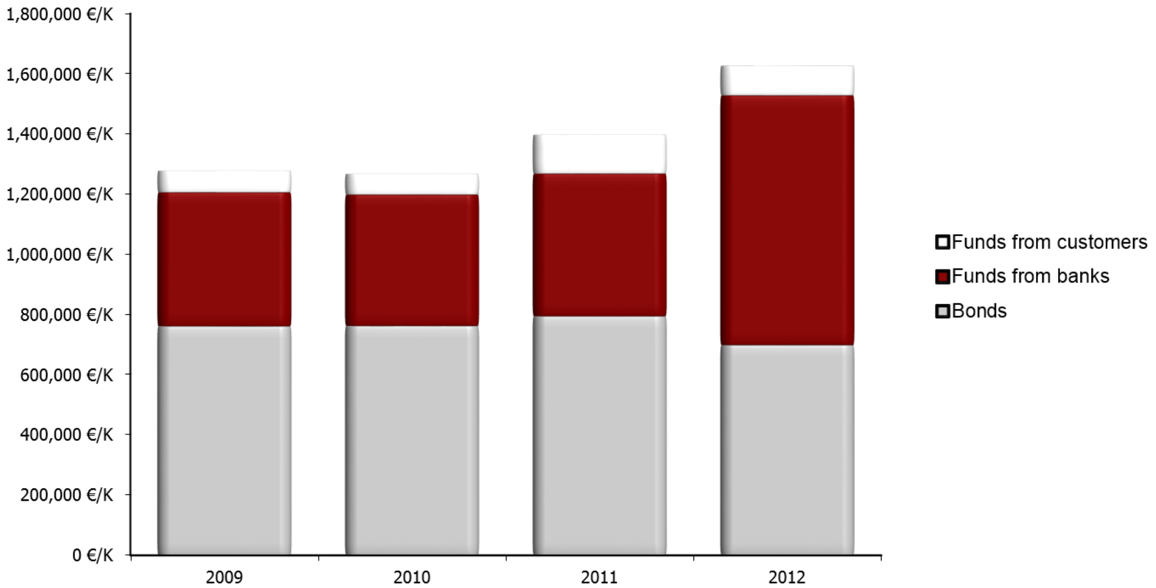
In terms of overall amounts, bonds decreased by 12.1%, as a consequence of the operations mentioned above and repayments of matured bonds, reaching about €698m, while loans rose by €356m mainly due to the fresh supply of the Central Bank.
Funds from third parties settled at around €57m, while funds from other customers mainly consisting of short-term deposits amounted to about €44m, decreasing about €30m due to the lesser cost of other funding sources.
Overall amount of funding registered an increase of 16.4%, equal to €229.6m.

Overall amounts of borrowing operations (in thousands of Euros)

TYPE	OVERALL AMOUNTS				
	Dec 12	%	Dec 11	%	Chg. %
BONDS	**698,030**	**42.8**	**793,964**	**56.8**	**-12.1**
- straight bonds	*687,627*	*42.2*	*754,231*	*53.9*	*-8.8*
- Fair Value bonds (+fv irs)	*10,111*	*0.6*	*39,354*	*2.8*	*-74.3*
- special bonds	*292*	*-*	*379*	*0.0*	*-23.0*
FUNDS FROM BANKS AND CDP	**829,409**	**51.0**	**473,503**	**33.9**	**+75.2**
- EIB funds	*108,484*	*6.7*	*123,045*	*8.8*	*-11.8*
- other medium/long term bonds [1]	*570,571*	*35.1*	*242,989*	*17.4*	*+134.8*
- debit deposit	*150,354*	*9.2*	*107,469*	*7.6*	*+39.9*
FUNDS FROM CUSTOMERS	**100,260**	**6.2**	**130,621**	**9.3**	**-23.2**
- funds from third parties	*56,665*	*3.5*	*57,520*	*4.1*	-1.5
- other funds from customers	*43,595*	*2.7*	*73,101*	*5.2*	-40.4
TOTAL	**1,627,699**	**100.0**	**1,398,088**	**100.0**	**+16.4**

[1] of which €56m in December 2012 and €58.6m in December 2011 from CDP and €82m in December 2011 and €382m in September 2012 from ECB.

Evolution of overall amounts of funds (thousands of Euro)



SECURITIES PORTFOLIO

As briefly mentioned in the previous funding section, during the year the bank purchased securities eligible for refinancing with the European Central Bank for €211m in banks and state bonds. The bank also purchased €10.8m of French State securities to guarantee the securitisation started in 2009.

These are classified in the portfolio of debt securities 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	Dec 2012		Dec 2011	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Government	225,800	222,476	35,000	30,819
Co-operative banks	50,000	51,055	50,000	50,432
Other banks	95,000	96,652	110,000	109,430
Total	**370,800**	**370,183**	**195,000**	**190,682**

The bonds issued by banks will reach maturities in a period ranging between 2013 and 2014 while government securities (Italian State bonds for €215m and French for €10.8m) expire between 2013 and 2018.

Chart: allocation of AFS debt securities by maturity date

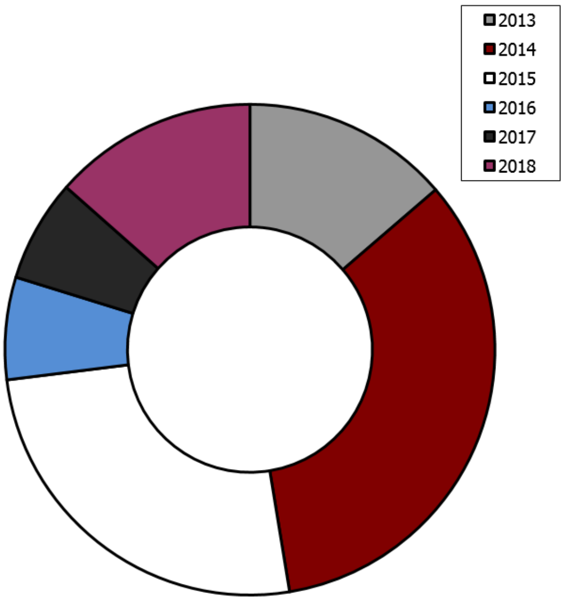
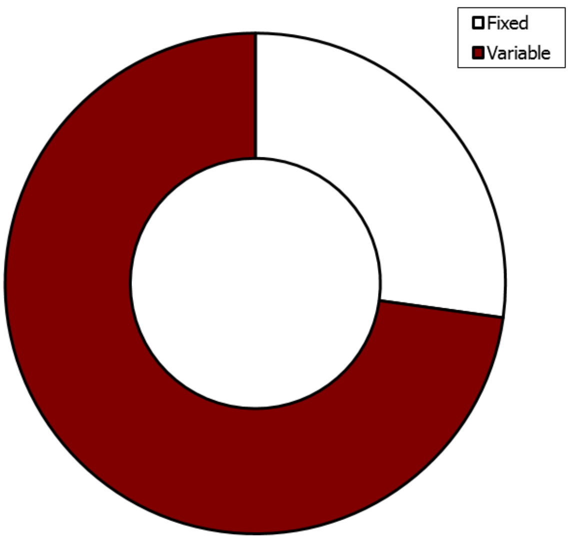


Chart: allocation of AFS debt securities by interest rate type



HEDGING TRANSACTIONS AND DERIVATIVES

Interest Rate Swap

The Banks’ 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.

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 stabilising 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 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.

Cap options

During the second half of 2012, the Bank with the signing of the first contract started offering customers cap options to hedge loans sold to them. Concurrently with the sale of individual contracts the Bank has been purchasing symmetrical cap options to cover the risks of the operations.

The table below compares overall notional amounts at 31st December 2012 with the previous business period.

Financial derivatives – interest rate swap (in thousands of Euros)

	NEW CONTRACTS		OVERALL OPTIONAL AMOUNTS	
	2012	2011	Dec 12	Dec 11
- held for trading purposes	-	-	*1,092*	*1,424*
- acting as coverage of debt securities in issue	-	-	*50,000*	*89,500*
- cash flow	-	-	*50,000*	*50,000*
- linked with FVO	-	-	-	*39,500*
- acting as coverage of loans from banks	-	-	-	-
- cash flow	-	-	-	-
TOTAL	**-**	**-**	**51,092**	**90,924**

Financial derivatives – cap options (in thousands of Euros)

	NEW CONTRACTS		OVERALL OPTIONAL AMOUNTS	
	2012	2011	Dec 12	Dec 11
- sales (customers)	*6,567*	-	*6,567*	-
- purchases (banks)	*6,567*	-	*6,567*	-
TOTAL	**13,134**	**-**	**13,134**	**-**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, equipment and intangible assets are functional investments that amount to €12.3m, mainly buildings (headquarters in Trento and Bolzano and the Treviso branch).
Buildings saw an increase in value of €1.2m as a result of the purchase of the new branch in Treviso and for €350 thousands for the residual capitalisation from the progress of modernisation works to the Bank's Headquarters and also account for the natural decline in value due to depreciation (-€312,000). Furnishing the new branch has resulted in an increase of €36 thousand in "furniture", and then the normal depreciation was deducted.

In 2012, the bank continued to invest in the IT equipment upgrade started in 2011: these investments appear as an increase of €95 thousand under "Software" and €16 thousand under "Electronic equipment". The depreciation rate of IT equipment is also deducted from this item.
The item "vehicles" remains stable, with an increase following the partial renewal of the company car fleet and a decrease because of disposals and depreciation for the year.

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

	Dec 2012	%	Dec 2011	%	Chg %
Functional assets	**12,276**	**99.1**	**11,406**	**99.0**	**+7.6**
- Land and buildings	9,560	77.1	8,364	72.6	+14.3
- Furnishing	1,056	8.5	1,162	10.1	-9.0
- IT equipment	169	1.4	189	1.6	-10.6
- Other equipment	890	7.2	843	7.3	+5.6
- Vehicles	141	1.1	148	1.3	-4.7
- Software	460	3.7	700	6.1	-34.3
Investment land	**116**	**0.9**	**116**	**1.0**	**-**
Total	**12,392**	**100.0**	**11,521**	**100.0**	**+7.6**

During 2012, the Bank has continued to implement some technical and organisational measures in connection with workplace safety regulations with the purpose of minimising 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 2012, 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 31st December 2012, the number of employees decreased by three units, in comparison to 31st December 2011. The Bank has 84 employees comprising of 65 full-time contracts and 19 part-time contracts.

Position and movement of employees

	Situation 31.12.2011	Resignation	Recruitments	Change of positions	Situation 31.12.2012
Managerial staff	4	-1	-	-	3
Managerial staff 3rd and 4th level	18	-1	-	+2	19
Managerial staff 1st and 2nd level	20	-	-	-2	18
3rd professional area	41	-1	-	-	40
2nd professional area	4	-	-	-	4
Total	**87**	**-3**	**-**	**-**	**84**

Breakdown by area[20]

[20] The item "Other staff" includes professionals and managerial staff of 1st and 2nd level.

Breakdown by age

	Men	Women	Total
< 30 years	1	1	2
> 30 years < 45 years	24	19	43
> 45 years	25	14	39
Total	**50**	**34**	**84**

Breakdown by length of service

	Men	Women	Total
< 5 years	6	7	13
> 5 years < 10 years	5	2	7
> 10 years < 20 years	28	15	43
> 20 years	11	10	21
Total	**50**	**34**	**84**

1,834 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	-	-	0.13	1	-	-
Business area	54.53	32	11.46	12	122.40	37
Legal dept. and contracts	8.86	5	0.40	1	-	-
Technical admin. area	20.13	7	2.26	5	0.86	1
Management support staff	18.86	9	2.40	4	2.20	3
Total	**102.38**	**53**	**16.65**	**23**	**125.46**	**41**

The Administrative Board carried out their activities thorough 13 Board of Directors meetings, 8 Executive Committee meetings and 8 meetings of the Board of Auditors. An Ordinary Shareholders' Meeting, three Control Committee meetings and two 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)

(in thousands of Euros)

Assets	31.12.2012	31.12.2011	Chg.	Chg. %
CASH AND CASH EQUIVALENTS	5	5	+0	+5.4
FINANCIAL ASSETS HELD FOR TRADING	298	634	-336	-53.1
FINANCIAL ASSETS AVAILABLE FOR SALE	385,782	207,816	+177,966	+85.6
LOANS AND ADVANCES TO BANKS	64,253	26,681	+37,573	+140.8
LOANS AND ADVANCES TO CUSTOMERS	1,366,290	1,342,495	+23,795	+1.8
HEDGING DERIVATIVES	-	-	-	-
EQUITY INVESTMENTS	152	159	-7	-4.2
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	12,392	11,521	+871	+7.6
TAX ASSETS	4,989	4,192	+798	+19.0
OTHER ASSETS	3,887	11,789	-7,903	-67.0
TOTAL ASSETS	**1,838,048**	**1,605,292**	**+232,756**	**+14.5**

Equity and liabilities	31.12.2012	31.12.2011	Chg.	Chg. %
DUE TO BANKS	758,341	414,855	+343,486	+82.8
DUE TO CUSTOMERS	171,326	189,269	-17,943	-9.5
DEBT SECURITIES IN ISSUE	687,919	754,610	-66,691	-8.8
FINANCIAL LIABILITIES HELD FOR TRADING	364	1,107	-743	-67.1
FINANCIAL LIABILITIES AT FAIR VALUE	10,111	38,956	-28,844	-74.0
HEDGING DERIVATIVES	614	168	+446	+266.2
TAX LIABILITIES	8,641	7,459	+1,182	+15.9
OTHER LIABILITIES	8,851	8,933	-82	-0.9
VALUATION RESERVES	6,598	1,466	+5,132	+350.2
CAPITAL AND RESERVES	182,322	181,922	+401	+0.4
NET INCOME FOR THE YEAR	2,960	6,549	-3,589	-54.8
TOTAL EQUITY AND LIABILITIES	**1,838,048**	**1,605,292**	**+232,756**	**+14.5**

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

RECLASSIFIED INCOME STATEMENT (ABRIDGED VERSION)

(in thousands of Euros)

Items	2012	2011	Chg.	Chg. %
NET INTEREST INCOME	**26,249**	**23,374**	**+2,874**	**+12.3**
NET FEE AND COMMISSION INCOME	**1,103**	**2,004**	**-902**	**-45.0**
DIVIDENDS AND SIMILAR INCOME	1,360	919	+442	+48.0
NET INTEREST AND OTHER BANKING INCOME	**28,712**	**26,298**	**+2,414**	**+9.2**
NET IMPAIRMENT ADJUSTMENTS	(12,015)	(5,154)	-6,861	+133.1
NET INCOME FROM FINANCIAL ACTIVITIES	**16,696**	**21,144**	**-4,447**	**-21.0**
OPERATING COSTS	***(10,669)***	***(10,423)***	***-246***	***+2.4***
PROFIT (LOSS) FROM EQUITY INVESTMENTS AND ON DISPOSAL OF INVESTMENT	(45)	(37)	-8	+22.4
PROFIT BEFORE INCOME TAXES	**5,983**	**10,684**	**-4,702**	**-44.0**
INCOME TAXES	(3,023)	(4,135)	+1,113	-26.9
NET INCOME FOR THE YEAR	**2,960**	**6,549**	**-3,589**	**-54.8**

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

(data in %)

	2012	2011
Net interest income /Net interest and other banking income	91.4	88.9
Net financial income / Net interest and other banking income	58.2	80.4
Profit before income tax / Net interest and other banking income	20.8	40.6
Net income for the year / Net interest and other banking income	10.3	24.9

INCOME STATEMENT DYNAMICS

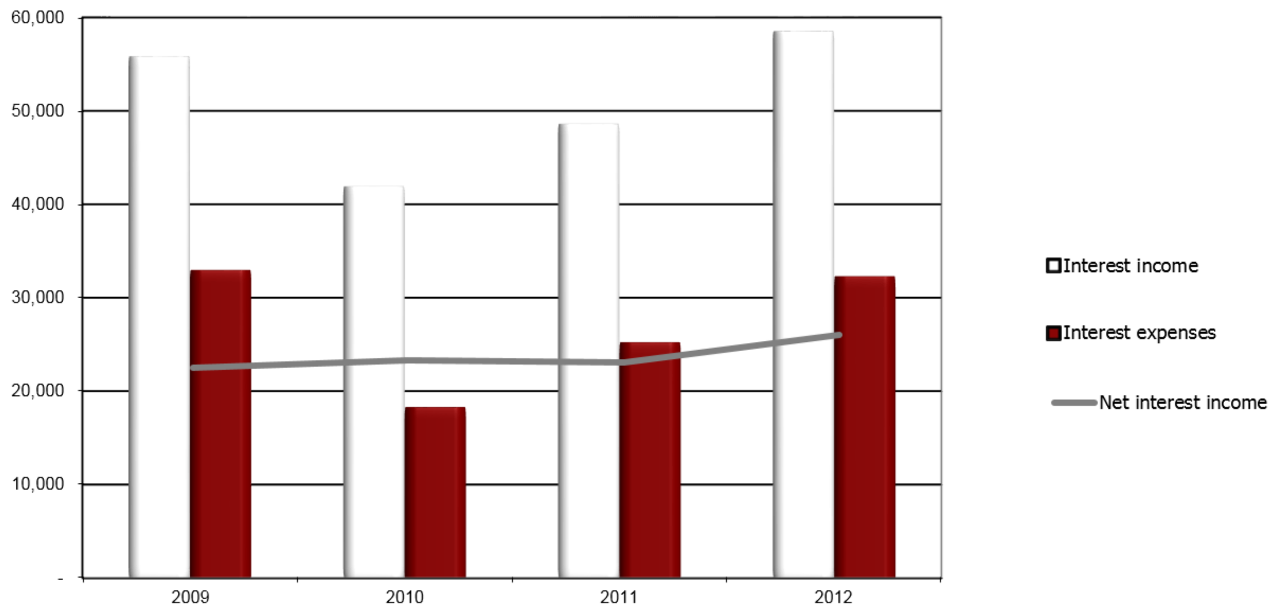
Interest income

Breakdown of the interest income (thousands of Euros)

	Items	2012	2011	Chg.	Chg. %
10.	INTEREST INCOME AND SIMILAR REVENUES	58,556	48,620	+9,937	+20.4
20.	INTEREST EXPENSE AND SIMILAR CHARGES	(32,308)	(25,245)	-7,063	+28.0
30.	**NET INTEREST INCOME**	**26,249**	**23,374**	**+2,874**	**+12.3**

Interest income confirms and improves the positive trend shown in the half-year report (+€2.9m; +12.3%) thanks to the good performance of the securities portfolio. This excellent performance was only marginally affected by interest on overdue bad debts and arrears for €288 thousand.
The spread of money management (interest income net of interest on arrears and bad debts) shows a good performance when compared with the Bank's historical data, at around 1.4%.

Trend of net interest income (thousands of Euro)



Net revenues from services and net interest

As highlighted in the mid-year report, net fee and commission revenues continued to grow from €2.004m to €2.391m (+19.3%). This result was due to the positive trend of commission income, especially from the corporate finance component that increased from €962 thousand in 2011 to €1.088m. The survey and investigation component grew from €656 thousand to €880 thousand while other commissions from customers changed from €191 to €398 thousand, the later including relegation of other institutions for cross selling.

The excellent results described above were reduced because of commission paid to the Italian State for the guarantee on bonds issued by the bank for €1.298m and the gradual decrease in advisory fees of the closed fund MC2, currently under liquidation.

Net revenue from services (thousands of Euro)

	Items	31.12.2012	31.12.2011	Chg.	Chg. %
40.	**FEE AND COMMISSION INCOME**	**2,554**	**2,243**	**+306**	**+13.6**
	- survey and investigation	880	656	+220	+33.5
	- corporate finance	1,088	962	+126	+13.1
	- fees as advisor for Fondo MC^2 Impresa	68	270	-201	-74.6
	- expense refunds in relation to administrative deeds	91	128	-37	-29.2
	- prepayment penalties	29	36	-7	-19.8
	- other	398	191	+206	+107.8
50.	**FEES AND COMMISSION EXPENSES**	**(163)**	**(239)**	**+76**	**-31.8**
	- collection of applications	(41)	(162)	+121	-74.7
	- other	(122)	(77)	-45	+58.4
	NET FEE AND COMMISSION INCOME	**2,391**	**2,004**	**+387**	**+19.3**
	- State guarantees on bond issued	-1,289	-	-1,289	
60.	***NET COMMISSION***	**1,103**	**2,004**	**-902**	**-45.0**

The net result of the fair value measurement of derivatives and the corresponding associated liabilities are negative, amounting to €344 thousands. The net result from brokerage activities amounts to €109 thousand and is due to the fair value changes and differentials in relation to trading derivative contracts and net income from cap options to customers.

In the course of the year the Bank cashed dividends valuing €87 thousand (€146 thousand in 2011) while the management of the securities portfolio generated a gain of €1.5m, losses were recorded on the sale of debt securities held as available-for-sale for €17 thousand and on the repurchase of bonds issued for €3 thousand.

The above-mentioned results added to net fees and commissions to bring net interest and other banking income to €28.712m, up by 9.2% against the result for the same period in 2011.

Value adjustments and net income from financial activities

The measurement of the balance sheet assets is summarised in the table below:

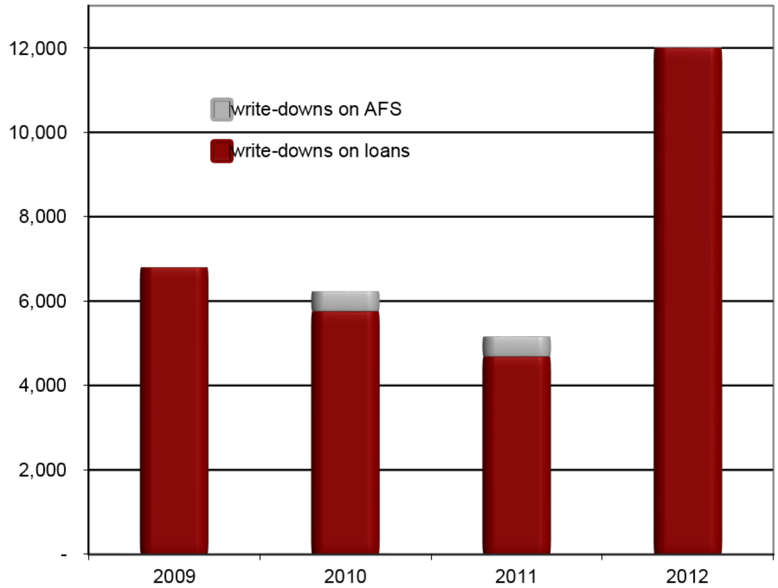
(thousands of Euro)

	Captions	31.12.2012	31.12.2011	Chg.	Chg. %
130.	NET IMPAIRMENT ADJUSTMENTS ON:	**(12,015)**	**(5,154)**	**-6,861**	**+133.1**
	a) loans and advances	(12,002)	(4,684)	-7,318	+156.2
	b) financial assets available for sale	(18)	(479)	+461	-96.2
	c) financial assets held to maturity	-	-	-	
	d) other financial assets	4	9	-4	-48.5

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

		2012			2011		
		Write-downs	Write-backs	Net effect	Write-downs	Write-backs	Net effect
a)	**LOANS AND ADVANCES**	**16,935**	**4,933**	**(12,002)**	**9,937**	**5,254**	**(4,684)**
	- analytical valuation	13,271	4,155	(9,116)	8,998	3,591	(5,407)
	- lump sum valuation	3,389	193	(3,196)	922	1,313	391
	- loan losses	12	-	(12)	14	-	(14)
	- «country risk» valuation	-	-	-	0	-	(0)
	- initial FV of loans granted at an interest rate lower than the market rate	263	-	(263)	3	-	(3)
	- collection from transactions concluded in prior periods	-	585	585	0	350	350
b)	**ASSETS AVAILABLE FOR SALE**	**18**	**-**	**(18)**	**479**	**-**	**(479)**
	- valuation of equity securities	18	-	(18)	479	-	(479)
c)	**ASSETS HELD TO MATURITY**	**-**	**-**	**-**	**-**	**-**	**-**
d)	**OTHER TRANSACTIONS**	**-**	**4**	**4**	**-**	**9**	**9**
	- valuation of financial guarantees	-	4	4	-	9	9
	TOTAL	**16,953**	**4,938**	**(12,015)**	**10,416**	**5,262**	**(5,154)**

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



The analytical valuation (for which the valuation of non-performing loans was carried out by discounting the anticipated inflows) produced value adjustments of €13.271m and write-backs of €4.155m of which €118 thousand came from collections. Impairment adjustments on loans with rates lower than the market ones were recorded for €263 thousand.
Percentages applied to lump sum write-downs on performing loans were obtained from a specific calculation procedure but prudentially on account of the continuing economic downturn, the higher percentage adopted as at 31st December 2011 was used for "substandard loans" which produced total net write-backs of €3.196m.

As in the previous period, a write-down percentage of 80% was applied for "country risk" (Algeria), which did not cause any relevant adjustments.
During the year, collections on doubtful loans were recorded, which reverted to losses in previous periods for €585 thousand, while losses reported in the income statement amounted to approximately €12 thousand.

Overall, the valuation of loans and advances to customers produced net value adjustments of €12.002m compared with €4.684m in 2011.
A write-back of around €4 thousand was recorded in relation to guarantees provided (item 130.d).
The impairment test on equities led to a loss on equity investments considered durable for €18 thousand, due to the reset of the share capital of the subsidiary Trentino Volley S.p.A. (€15 thousand).

The net income from financial activities amounted to €16.696m, up by 21.0% against the data of December 2011.

Operating costs

Operating costs came to €10.669m, in growth with respect to the previous year by 2.4% (€10.423m).

In comparison to 2011 payroll went up by €150,000 (+2.2%): in particular the cost of employees increased in spite of the average number of employees reducing (8.3 against 81.9 in 2011), but due to the cost of leaving pay-offs for €250 thousand.
The increase in other administrative costs (+€225 thousand: +8.1%) is linked to the expenses incurred for the update to the EMTN programme (+€90 thousand not present in 2011 as the previous renewal was in 2010), to increased advertising and sponsoring costs (+€51 thousand), to increased IT costs (+€39 thousand) and direct tax (+€21 thousand). Cost items are also affected by the increase in VAT rates introduced in September 2011.
Savings for €30 thousand were recorded on expenses for the management of movable and immovable Bank properties.

Operating costs (thousands of Euros)

Items	31.12.2012	31.12.2011	Chg.	Chg. %
150. ADMINISTRATIVE COSTS:	(10,066)	(9,692)	-375	+3.9
a) payroll:	(7,065)	(6,915)	-150	+2.2
- employees costs	*(6,630)*	*(6,470)*	*-160*	*+2.5*
- directors and auditors costs	*(435)*	*(445)*	*+10*	*-2.3*
b) other administrative costs [21]	(3,002)	(2,777)	-225	+8.1
160. NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES	(100)	(114)	+14	-12.0
170. NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(679)	(550)	-129	+23.5
180. NET ADJUSTMENTS TO INTANGIBLE ASSETS	(347)	(317)	-29	+9.2
190. OTHER OPERATING CHARGES/INCOME	522	250	+273	+109.0
200. OPERATING COSTS	**(10,669)**	***(10,423)***	**-246**	**+2.4**

[21] The recoveries from customers for indirect expenses and taxes incurred by the Bank (+ €98,000 in 2012, +€1.790m in 2011) were reclassified as a direct adaptation of the same, from item 190. to item 150 .. Depreciation and amortisation related to leasehold improvements (€5000 in both years) were reclassified from 190. under 170..

An allocation of €100,000 was made in relation to the Personnel Incentive System.

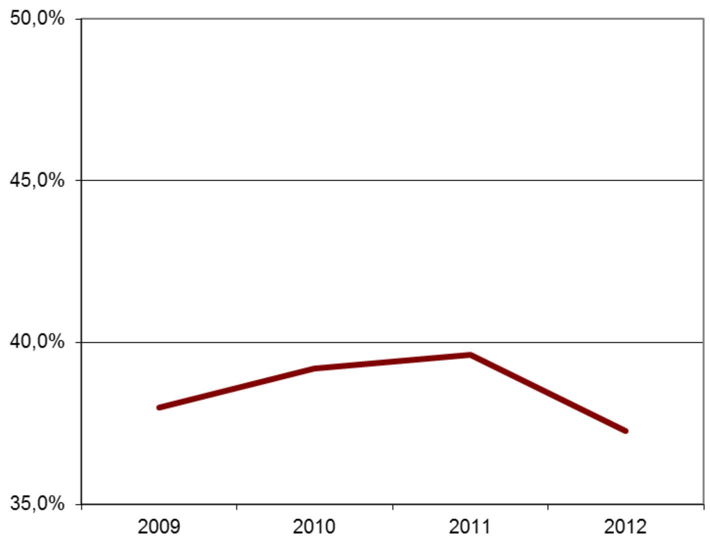
Depreciation amounted to €1.025m, up by €158 thousand when compared with 2011. This increase is mainly due to the structural and IT works undertaken at the Trento headquarters.

If we take into consideration other net operating income (€552 thousand), operating costs recorded an increase of €246 thousand (+2.4%) which brought the cost to income ratio to 37.2%, a figure lower than the one on 31st December 2011 (39.6%).

Efficiency indices

Captions	2012	2011	Chg.
Operating costs/Net interest and other banking income (%)	37.2	39.6	-2.5
Payroll/Net interest and other banking income (%)	24.6	26.3	-1.7
Average cost per employee (thousands of Euros)	82.6	79.1	+3.5
Net interest and other banking income / average number of employees (thousands of Euros)	357.6	321.5	+36.1
Positive total / average number of employees (thousands of Euros)	22,889.8	19,624.6	+3,265.2

Trend of cost to income ratio

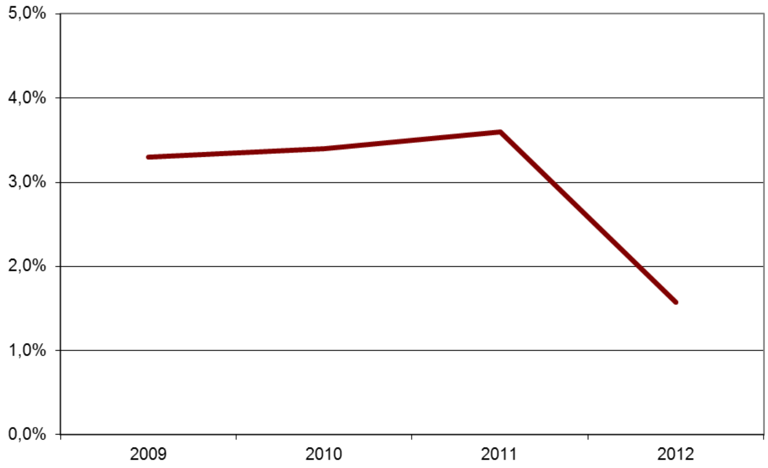


Income for the period

After registering negative value changes of equity investments for €38,000, net profit before taxes came to €5.983m, down by €4.702m against 2011.

The net profit for the period was €2.960m which after calculating income tax decreased by €3.589m (-54.8%) against the result recorded at 31st December 2011 (€6.549m). Income tax for the period came to €3.023m, equal to a tax rate of 50.5%. This increase, with respect to the 38.7% of the previous year is due mainly to the higher proportion of non-deductible interest expense.

Trend for ROE

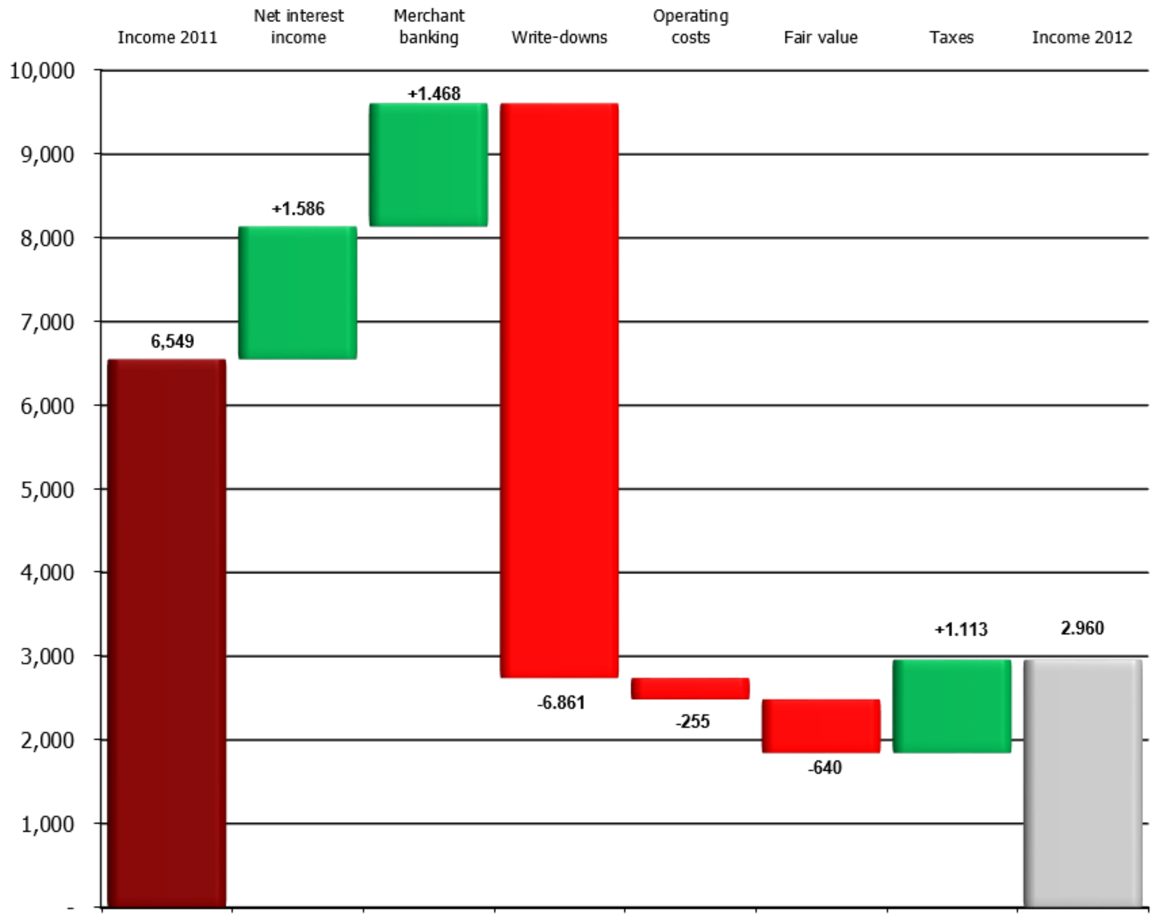


The Bank's performance relative to the above-mentioned data comparisons can be summarised as follows [22]:

Change against	2012
Net interest income (including State guarantees on bond issued)	+1,586
Merchant banking activities (net commission income, dividends and capital gains on the sale of equity investments)	+1,468
Write down on loans and advances, securities and equity investments	-6,861
Operating costs	-255
Fair value result	-640
Taxes on income for the period	+1,113
Changes in income for the period	***-3,589***

22 For a better representation of the dynamics of the income statement, the amount of commission recognised by the State for the issue of guarantees on our bonds (€1.3m) has been included amongst the changes in net interest income rather than in the variation of the merchant banking activities (which includes the entry fee and commission expense). Likewise, net income from cap derivatives trading were included under merchant activites, reduced by €125 thousand from their fair value.

Net profit dynamic: changes in first half of 2012



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Reserves increased by €401 thousands due to the attribution of the net income for 2011 while the Valuation Reserves decreased by €5.1m 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 amounted to €191.9m, up by €1.9m.

(in thousands of Euro)

	Items	Dec 2012	Dec 2011	Chg.
130.	Valuation reserves	6,598	1,466	+5,132
160.	Reserves	93,996	93,596	+401
170.	Additional paid-in capital	29,841	29,841	-
180.	Capital stock	58,485	58,485	-
200.	Income for the year	2,960	6,549	-3,589
	Total equity	**191,880**	**189,936**	**+1,944**

Following the Shareholders' Meeting of 11th May of last year, dividends on the overall amount of €5,848,460.80, equal to €0.052 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 11th June 2012.

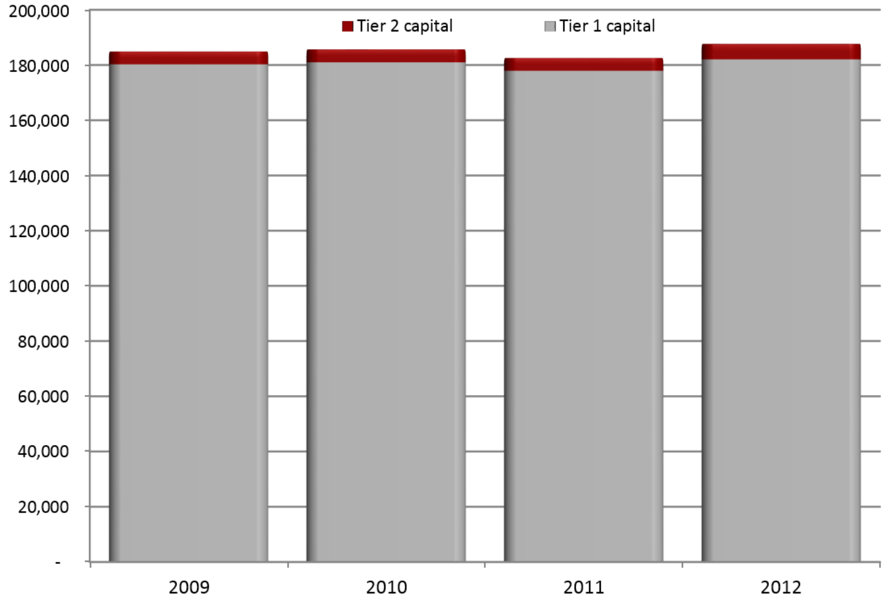
Regulatory capital and capital ratios

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

(in thousands Euro)

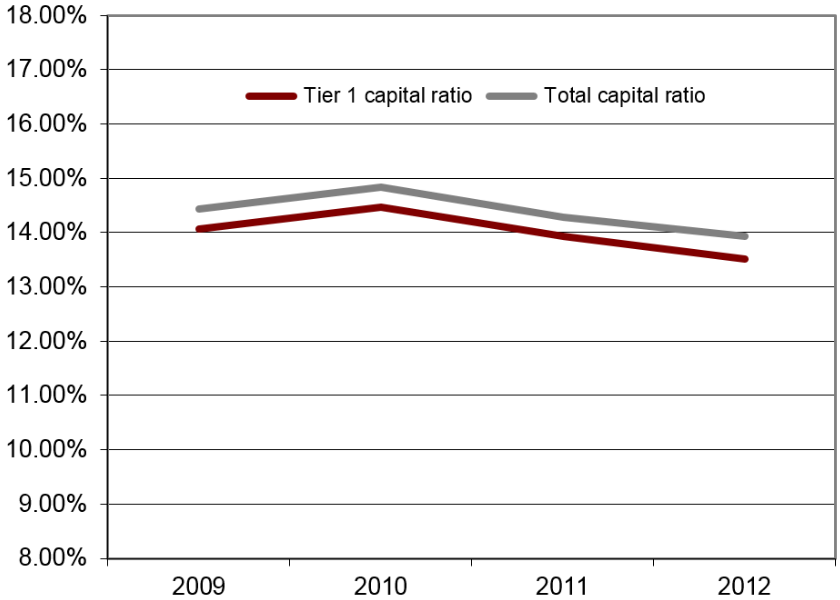
Items	Dec 2012	Dec 2011
Core capital (Tier 1)	182,051	177,910
Supplementary capital (Tier 2)	5,605	4,634
Regulatory capital	**187,656**	**182,544**
Tier 1 capital ratio	13.52	13.93
Total capital ratio	13.93	14.29

Trend of regulatory capital 2009-2012



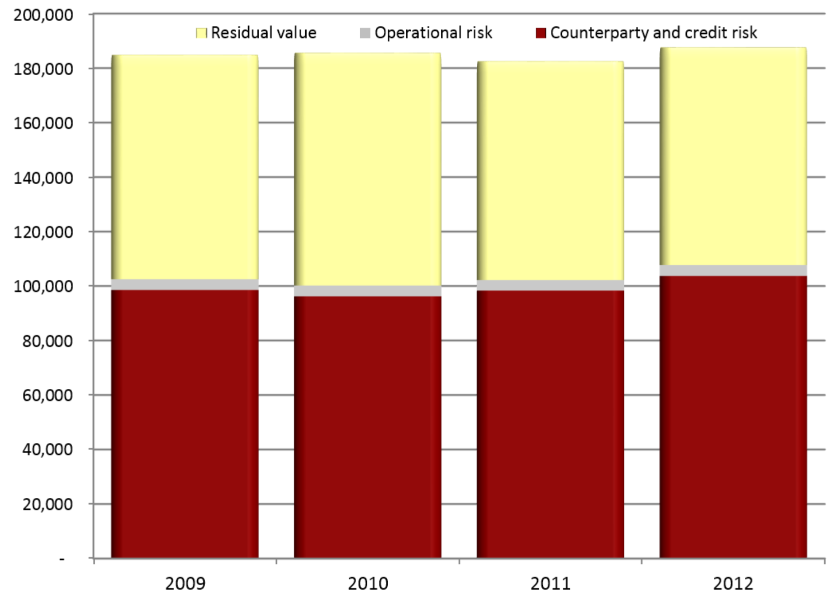
Capital ratios are in line with the minimum requirements prescribed by the regulations the Bank complied with at the Statement of Financial Position date, i.e. "Basel II" with the adoption of the standardised approach. The ratio of regulatory capital to total weighted assets (solvency ratio) was estimated at 13.93%, and the ratio of tier 1 capital to total weighted assets equalled 13.52% both slightly lower against the value at 31st December 2011 (14.29% and 13.93% respectively).

Trend of capital ratios



The regulatory capital (equal to the sum of €187.7m) after deducting the amounts representing the minimum regulatory requirements came to €79.9m, an amount which is deemed adequate to ensure the growth of business activities.

Trend of capital absorption 2009-2012



Trend of regulatory capital

	2012	2011
Initial core capital (Tier 1)	**177,910**	**180,966**
Capital stock increase (+)	-	-
Capital stock reduction (-)	-	-
Distributed income (-)	(2,732)	(6,148)
Dividends paid out in shares (+)	-	-
Income for the year (+)	2,960	6,549
Change in Bank's creditworthiness (-)	(39)	(311)
Change in overall profitability:	3,713	(3,360)
Assets available for sale	3,713	(3,360)
Other	-	-
Changes in goodwill and other intangible assets	239	214
Other changes	-	-
Final core capital (Tier 1)	**182,051**	**177,910**
Initial supplementary capital (Tier2)	**4,634**	**4,703**
Increases in capital stock not included in core capital (Tier 1) (+)	-	-
Reductions in capital stock not included in core capital (Tier 1) (-)	-	-
Change in overall profitability:	971	(69)
Assets available for sale	971	(69)
Other	-	-
Depreciation changes	-	-
Other changes	-	-
Final supplementary capital (Tier2)	**5,605**	**4,634**
Regulatory capital	**187,656**	**182,544**

Rating

Moody's Investor Service

In May, the rating agency Moody's Investor Service downgraded the rating of the Bank (Baa1) which has been under observation since October 2011.
In July, the agency reconsidered the creditworthiness of the country, the local authorities and the Italian banking sector which resulted in a widespread downward revision: Mediocredito in particular was affected by the downgrade of its public shareholders and suffered a downgrade to Baa2 with a negative outlook.

Category	Moody's Rating
Outlook	Negative
Bank Deposits	Baa2 / P-2
Bank Financial Strength	D+
Senior Unsecured – Dom Curr (Issuer Rating)	Baa2

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 that is entrusted with the task of administrative responsibility (Legislative Decree 231/01) and 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 that 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 2012, 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 2012 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.
In the course of 2012, a Service Agreement was defined between the internal auditing function and the compliance function of the Bank in order to avoid duplication in their monitoring responsibilities and the associated unnecessary costs and risks linked to the malfunctioning of control activities.

The Internal Auditing Service reports twice a year 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 organisational 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 2012 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, continuing work started in 2011, in addition to the traditional 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, a specific risk assessment activity was started in 2012 on the evaluation of the organisational impact of recent regulatory actions aimed at fighting organised crime and mafia infiltration in the economy, development and internationalisation of enterprises, environmental protection and money laundering.
These measures have expanded the scope of administrative liability for entities and the bank has developed a processes/crimes matrix with particular attention to these activities. This resulted in a list of sensitive activities, each of which must be assessed in relation to the level of risk and the level of effectiveness of controls and countermeasures.

Investment services and MiFID Directive.

In March 2012, the Bank was authorised to provide professional services to the public and investment activities related to proprietary trading, execution of orders on behalf of clients and investment consultancy.
The authorisation to provide such services is a prerequisite to offer corporate customers the possibility to combine the traditional operations with interest rate risk hedging through derivative instruments (interest rate options and interest rate swaps) and to offer all customers (both

corporate and retail) the placement of bonds issued by the Bank itself and the possibility of disposing them.
The investment products offered by Mediocredito, both bonds and derivative contracts, are characterised by an extreme simplicity.
Specifically, bonds issued by the Bank are so-called "plain vanilla" (fixed rate, variable rate, step-up and step-down), while the derivative contracts concern option operations on interest rates of type CAP linked to the underlying mortgage and only in part SWAP operations on interest rates always linked to the underlying mortgage.
The strong correlation between the loans (mortgage/financing) and the derivative itself (i.e. derivatives to mitigate interest rate risk for the client) is another cardinal principle Mediocredito intends to follow in offering financial products, excluding *tout court* selling of speculative products.
Moreover, they are always covered by another banking institution of a high standing.
Alongside the project for the provision of services and investment activities, Mediocredito has also started the compliance activities with MiFID - Markets in Financial Instruments Directive, 2004/39/EC: definition of strategies/policies, definition of operating procedures and preparation of contract documentation and information.
The documentation is available on the Bank's website (www.mediocredito.it).

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

During the course of 2012, work continued on the development of risk management processes. The activity was carried out following a risk based logic, prioritising and modulating the activity based on the significance of the risks to which the Bank is exposed, the effectiveness of the organisational and business process risk management already in place and/or in need of improvement, consequently focusing on aspects reputed from time to time to be most relevant.

First Pillar

Regarding the first pillar, Mediocredito 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 organisational facilities - activities aimed at identifying and implementing the process stages, and operational facilities/procedures. These consist of ways to activate 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 organisational unit which is autonomous and independent from the main business).

Second Pillar

In 2012, the Bank continued the in-depth analysis by the risk management function for the whole Internal Capital Adequacy Assessment Process (ICAAP).
As in 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 in terms of individual risk[23]. 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 in consideration of the tense situation on the financial markets.

Third Pillar

In the course of 2012, the Bank has prepared and published the report relating to the third pillar of the Basel II framework, i.e. public disclosure, as at 31/12/2011.
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 securitisation operations; following the securitisation operation concluded between 2009 and 2012 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).

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.

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

[23] In this context, with reference to the risk of credit/counterparty, steps were taken to expand the scenarios related to the stress tests carried out. It was decided to act on the Supervised Intermediaries portfolio and assess, in terms of perspective capital, the effects on the placement of new interest rate derivative contracts to corporate customers.

Risk assets and conflicts of interest in respect of related parties. (Bank of Italy's Circular n. 263/2006, 9th update)

The Bank of Italy issued the ninth update of Circular no. 263, setting the following deadlines for the enforcement of the disciplines stated:
- 30/06/2012: definition of organisational and procedural aspects;
- 01/01/2013: full operation of the new signalling system, based on data as at 31/12/2012.

In compliance with the above provisions, a specific company policy was set up that identifies the organs and units involved and their responsibilities, the scope of application of the legislation in terms of amount (limits with respect to regulatory capital) and extension of the subjects involved.

The organisational measures taken for risk management state that only the Board of Directors and the Executive Committee have to power to approve transactions with related parties and for those transactions considered most significant, the right to approve is limited to Board of Directors only. A committee composed of independent non-executive directors (Committee OPC) was set up to give mandatory but non-binding opinion in respect to all transactions with related parties.
The policy, as for the provisions, is published on the Bank's website.

Equity investments held by banks and banking groups (Bank of Italy Circular no. 263/2006, 9th update)

The legislation governing the investments held by banks came into force on 30/06/2012.
The Bank has prepared specific company policies approved by the Board of Directors that include:
- Committees and corporate department responsibilities: in this context and in accordance with the provisions for smaller bank evaluation and support activities, organisational and conduct proposals for internal controls relating to the management of equity investments have been assigned to the Statutory Auditors
- Strategic and operational decisions of the Bank:
    - A general limit for investments in non-financial companies was adopted, explicitly providing for a referral of any decision on investments in financial companies to the Board of Directors;
    - Non-financial investments limits (in terms of concentration and total amount) have been defined to 50% of the limits of prudential supervision;
    - For particular actions - for companies in difficulty and debt recovery – a limit was set of 5% of regulatory capital and a tenability limit;
    - Specific limits have been identified for investments intended to fund start ups or growth of activity in highly innovative sectors;
    - For indirect investments - according to legislations - the same limits were adopted as for direct investments, but excluding investments in companies in difficulty and debt recovery operations;

  - For indirect investments with nominees completely independent from the Bank, specific classification criteria have been defined taking into account diversification and information on investments and the degree of liquidity;
- Limit supervision: the FS Central Corporate Finance has been give the responsibility for the ongoing monitoring of compliance with the limits set by the policy. If limits are exceeded, a special procedure provides for specific and immediate disclosure by the Investment Committee to the Board of Directors for definition by the Board;
- Appointment of representatives: specific criteria for choosing Bank's representatives has been defined for subsidiary and affiliated companies, focusing on their personal/professional profile;
- Conflicts of interest: potential conflicts of interest have been mapped and governance/organisational solution for their mitigation have been defined.

***Interlocking regulations* (art. 36, Law Decree 201/2011 "Salva Italia")**

During 2012 the Bank - in compliance with art. 36 of the Law Decree Law 201/2011 (the so-called "Salva Italia") and the document "Criteria for the application of Article. 36 of Law Decree "Salva Italia" issued by the Bank of Italy, Consob and Isvap on April 20, 2012 - specific regulations for the protection of competition and personal cross-shareholdings in the credit markets and financial services were adopted.
The legislation states that head office holders on the management, monitoring and control bodies as well as top officials of companies operating in the credit, insurance and / or financial markets, cannot accept or exercise similar positions in companies or groups of companies that qualify as "competitors" for those companies or groups of companies that are not linked by a relationship of control and that operate in the same product and geographic markets.
The joint document issued by the Bank of Italy and Consob excludes the prohibition to the representatives of companies or groups that operate in the credit markets, insurance and financial services with the aim of supporting the sector and those in companies belonging to the same industry, if:

- The companies carry out their activities in favour of the companies belonging to the same sector or in relation to their operation;
- Have been adopted the organisational or corporate governance needed to ensure the autonomy of corporate management functions of the sector compared to the activity of direction, supervision or control by the persons representing the companies belonging to the same industry.

Regarding the first point, we note that the Bank acts to support the cooperative credit system of which is an expression itself, as also confirmed in the business plan for the years 2011-2013, which emphasises the specialist role of Mediocredito within the cooperative credit system and in the context of a further intensification of trade relations with the co-operative Banks.
Regarding the second point, the Bank is organised with governance mechanisms that ensure the autonomy of the management function of Mediocredito compared to the activity of direction,

supervision or control of individual co-operative banks and because of the role of the Directorate General of Mediocredito in the exercise of management tasks.
Nevertheless, it was considered appropriate to specify and collect the organisational and corporate governance safeguards that had already been adopted in a specific document called "Interlocking Regulations" issued on 8 October 2012.

Safety regulation (Legislative Decree 81/2008)

The Bank has an organisational model and management with regard to health and safety at work, which defines and identifies areas of enforcement for the regulation and designs (even defining the operational tools), the process 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 organisation dedicated to the implementation of the organisational 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 organisational and management model and 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;
- check-ups 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 Organisation 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 organisational 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 Organisation 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 organisational 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 organisational 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.

During 2012, the Board of Directors approved changes to the organisational model in order to implement the provisions issued by the Bank of Italy regarding the optimal composition of the Board of Directors.

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 organisational bank structure characterised by limited size and by territorial and business sector concentration: the organisational 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 organise 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 organisational intervention arranging new control points or operational/functional strengthening where shortcomings are highlighted as part of the process of risk safeguard. The formalisation 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 organisational 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

Given the economic situation of the country and more generally the international market as well as the extreme volatility of the present context and prospects for the future, it becomes difficult to set up short-term credit policies and operational and financial objectives.
In this context, the Bank's commercial activities will be oriented to develop regional level policies to support productive investments in infrastructures. This will be done in collaboration with partners and shareholders Cassa Centrale Banca and Cassa Centrale Raiffeisen that can share with Mediocredito the operation given them directly by the Cooperative Credit Bank system and Raiffeisen. Outside of the region they can strengthen relations with Cooperative Credit developing a cooperation with individual Cooperative Credit Banks on medium-term credit and corporate finance projects. Given the weak demand and the general economical context in terms of the stock for loans to customers, a substantial stabilisation is forecast for the situation.
In terms of profitability, in 2013 the Bank is seeking stable revenues and a containment of administrative expenses incase the expected persistence high cost of credit risk does not realistically assume a return to the pre-crisis performance levels.

In terms of funding, the Bank looks to 2013 with financial requirements and liquidity available from securities that in the period of reference provide a relatively low liquidity risk. Looking more than a year in the future the situation becomes more challenging, in particular the deadline for repayments of Central Bank long-term loans is approaching, encouraging prudent funding planning to ensure a progressively improved balance of assets and liabilities in the medium / long term.
With this in mind, the Bank will collect funding with maturities of adequate duration resorting to private issuers and/or EMTN and the new EIB loan. The coverage of the remaining funding needs will be completed by drawing on the interbank market and strengthening customer’s deposits where necessary.

From an organisational point of view, there are no significant investments planned for 2013, except for the normal maintenance of the assets and company car fleet.
With regard to the information system, a computerisation and digitalisation project of the Board of Directors’ support documentation will be implemented alongside the completion of the regulatory processes and the use of the upgraded internal infrastructure.

In terms of regulatory requirement compliance with the Supervisory Authority’s dispositions, during the first months of 2013 the Bank will be involved in the implementation of the provisions issued with particular regard given to anti-money laundering and internal control systems.

PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

Dear Shareholders,

The net profit for the business period 2012 equals €2,959,968.64, of which €4,902,27 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 credit evaluations, provisioning policies, distribution of profits and payment of remuneration. In particular, the Supervisory Authority gives attention to the need to adopt adjustments measured to the changes in the economic environment and to continue efforts to increase the capacity for self-financing through coherent choices in terms of remuneration policies and the distribution of dividends. In order to comply with the guidelines of the circular, it will be necessary to assess the Bank's ability to maintain an adequate level of capital to ensure sound and prudent risk management to cope with the increased asset risks, to comply with the new capital regulation and to maintain a high capital quality.

That said, and given the level of capitalisation and the Bank’s risk profiles, fronted in the financial statements with a level of provisions more than doubled when compared to 2011, it is believed that the capital base of the Bank may be regarded as adequate both in terms of quantity and quality, and therefore there is no need to adopt restrictive policies regarding the distribution of profits.

We therefore propose the following allocation of net income:

Income for the year	€	**2,959,968.64**
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005 freed during the year	€	+6,809.12
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005 (Decree IAS)	€	-11,711.38
Distributable amount	**€**	**2,955,066.37**
- 5% to the legal reserve	€	147,753.32
- at the disposal of the Board of Directors for undertakings as per Article 21 of the By-laws	€	145,000.00
- dividend to distribute to shareholders (€0,023 for the no 112,470,400 shares, which correspond to 4.42% annually of their nominal value)	€	2,586,819.20
- further allocation to the extraordinary reserve	€	75,493.85

We propose to begin paying dividends starting from 10th June 2013.

Following the aforementioned distribution, the equity as at 31.12.2012 is as follows:

- capital stock	€	58,484,608.00
- additional paid-in capital	€	29,841,458.06
- legal reserve	€	18,956,373.30
- statutory reserve	€	54,002,798.50
- valuation reserve	€	6,597,702.48
- 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
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005	€	55,020.19
Total	**€**	**189,148,121.37**

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 2012.

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 2012 has been based on procedures consistent with the reference standards of the internal control system of the Bank.

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, 18 March 2013

Il Presidente
del Consiglio di Amministrazione

Franco Senesi

Il Dirigente Preposto alla redazione dei
documenti contabili societari

Leo Nicolussi Paolaz

INDEPENDENT AUDITOR'S REPORT

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 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 2012, 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 N° 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 5 April 2012.

3 In our opinion, the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2012 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 N° 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 information referred to in paragraph 2, letter b), of article 123-bis of Legislative Decree N°

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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58/1998, with the financial statements, as required by law. To this end, we have performed the procedures required under Italian Auditing Standard N° 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 N° 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 2012.

Padua, 5 April 2013

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.

2 of 2

AUDITORS’ REPORT

(Under the second paragraph of Article 2429 of the Civil Code)

Dear Shareholders,

Mediocredito Trentino – Alto Adige S.p.A. prepared the annual report for the business year 2012 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 2012 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 2011.

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 2012 the Board of Directors met thirteen times and the Executive Committee eight times.
3. The statement of financial situation as at 31 December 2012 can be summed up as follows:

Statement of financial position				
Total assets			Euro	1,838,047,822.55
Debts and funds	Euro	1,646,167,881.98		
Capital and reserves	Euro	188,919,971.93	Euro	1,835,087,853.91
Income for the year			Euro	2,959,968.64
Income statement				
Net interest and other banking income			Euro	28,711,727.43
Value adjustments			Euro	(12,015,323.83)
Operating costs			Euro	(10,669,136.32)

Revenues from equity investments, tangible assets and intangible assets	Euro	(44,679.29)
Income taxes	Euro	(3,022,619.35)
Income for the year	Euro	2,959,968.64

4. Over the business year 2012 there have been equity changes owing to:
    - an increment of €400,660.59 in reserves from the profits of 2011 (part of the profit not distributed);
    - An overall decrease of €5,132,049.02 in valuation reserves of which €168,841.69 resulted from cash flow hedges and €5,300,890.72 from the valuation of securities available for sale;
    - The distribution of profit for a total €6,148,460.80;
    - An income of €2,959,968.64 for the year 2012.

The equity of the Bank as at 31st December 2012 amounted to €191,879,940.57 made up from:

- Capital Stock – item 180:	Euro	58,484,608.00
- Additional paid-in capital – item 170:	Euro	29,841,458.06
- Reserve – item 160:	Euro	93,996,203.39
- Valuation Reserve – item 130:	Euro	6,597,702.48
- Income for the year – item 200	Euro	2,959,968.64

5. In accordance with the Bank of Italy's instructions, the regulatory capital shown in the financial statements on 31st December 2012 was calculated using the "prudential filters" computed by applying the asymmetric approach. Overall, the regulatory capital on 31st December 2012 had increased by €5,112,058 against the previous year, reaching the amount of €187,655,737. The solvency ratio on 31st December 2011 equalled 13.93% against 14.29% in 2011. The Board of Auditors considers such capital base adequate in both size and quality to account for the risks taken and to allow the 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 and also the provisions of the concerted document of the supervising authorities, 3rd March 2010 and the note issued by Bank of Italy on 14th March 2013 regarding the need for appropriate overall adjustments to adapt to changes in the economic environment.

   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	(16,935,226.19)	4,933,238.01	(12,001,988.18)
Available-for-sale assets	(17,765.95)	-	(17,765.95)
Other operations (signature loans)	-	4,430.30	4,430.30
Total	(16,952,992.14)	4,937,668.31	(12,015,323.83)

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 related regulations and standards, the Bank has adopted regulations aimed at ruling the investments held by banks, the risk assets and the conflicts of interest in respect of related parties (including the update no. 9 of 12/12/2011 the supervisory Circular 263/06, Title V, Chapter 5) as well as the prohibition for interlocking directorate to protect competition (art. 36 of Decree 201/2011). The Board of Auditors considers the organisational and risk safeguards identified by the Bank to be appropriate.
9. In compliance with the Bank of Italy's July 2004 regulations on the subject of business continuity and disaster recovery, in 2012 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 2012 the Board of Auditors held eight 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 organisational structure, limited to those aspects within its competence, of the internal control system and of the management accounting system and 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 18th March 2013, 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 an assessment of the organisational system during the year, which was 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 which, to the best of its knowledge, does not report any evidence that 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 organisational and procedural updates in accordance with legislations.

13. In 2012, 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 31st December 2012. This was 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 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.
17. The Board of Auditors acknowledges the review of the balance sheet on 31st December 2012 by the independent auditor PricewaterhouseCoopers SpA on 5th April 2013, which contains no critical aspects. Based on the work done as statutory auditor of the financial statements at 31st December 2012, nothing has come to the attention of the auditor to date that 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 capitalisation 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, 5th April 2013

Il Collegio Sindacale

Stefan Klotzner – Il Presidente

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION - ASSETS

	Assets	31.12.2012	31.12.2011
10.	CASH AND CASH EQUIVALENTS	4,784	4,538
20.	FINANCIAL ASSETS HELD FOR TRADING	297,574	634,063
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	385,781,554	207,815,796
60.	LOANS AND ADVANCES TO BANKS	64,253,494	26,680,979
70.	LOANS AND ADVANCES TO CUSTOMERS	1,366,289,775	1,342,495,311
80.	HEDGING DERIVATIVES	-	-
100.	EQUITY INVESTMENTS	152,480	159,181
110.	PROPERTY, PLANT AND EQUIPMENT	11,932,059	10,821,514
120.	INTANGIBLE ASSETS	460,064	699,649
	Of which:		
	- goodwill		
130.	TAX ASSETS	4,989,384	4,191,834
	(a) current	-	-
	(b) deferred	4,989,384	4,191,834
	(b.1) as for Law 214/2011	-	-
150.	OTHER ASSETS	3,886,655	11,789,444
	TOTAL ASSETS	**1,838,047,823**	**1,605,292,309**

STATEMENT OF FINANCIAL POSITION-EQUITY AND LIABILITIES

	Equity and liabilities	31.12.2012	31.12.2011
10.	DUE TO BANKS	758,341,063	414,854,657
20.	DUE TO CUSTOMERS	171,325,797	189,268,832
30.	DEBT SECURITIES IN ISSUE	687,918,931	754,610,027
40.	FINANCIAL LIABILITIES HELD FOR TRADING	364,181	1,106,903
50.	FINANCIAL LIABILITIES AT FAIR VALUE	10,111,328	38,955,811
60.	HEDGING DERIVATIVES	614,077	167,672
80.	TAX LIABILITIES	8,641,114	7,458,834
	(a) current	719,580	371,685
	(b) deferred	7,921,534	7,087,149
100.	OTHER LIABILITIES	5,346,355	5,323,734
110.	PROVISION FOR SEVERANCE INDEMNITY	1,702,368	1,678,887
120.	PROVISIONS FOR RISKS AND CHARGES	1,802,669	1,930,569
	(a) pension fund and similar provisions	-	-
	(b) other provisions	1,802,669	1,930,569
130.	VALUATION RESERVES	6,597,702	1,465,653
160.	RESERVES	93,996,203	93,595,543
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 (+/-)	2,959,969	6,549,121
	TOTAL EQUITY AND LIABILITIES	**1,838,047,823**	**1,605,292,309**

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	31.12.2012	31.12.2011
10	INTEREST INCOME AND SIMILAR REVENUES	58,556,325	48,619,564
20	INTEREST EXPENSES AND SIMILAR CHARGES	(32,307,663)	(25,245,090)
30	NET INTEREST INCOME	**26,248,662**	**23,374,474**
40	FEE AND COMMISSION INCOME	2,554,350	2,243,108
50	FEE AND COMMISSION EXPENSES	(1,451,550)	(238,673)
60	NET FEE AND COMMISSION INCOME	**1,102,800**	**2,004,435**
70	DIVIDENDS AND SIMILAR INCOME	87,263	145,710
80	NET TRADING INCOME	108,957	(22,205)
90	NET HEDGING GAINS (LOSSES)	-	-
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	1,507,730	492,000
	a) loans and advances	-	-
	b) financial assets available for sale	1,505,076	492,000
	c) financial assets held to maturity	-	-
	d) other financial liabilities	2,654	-
110	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	(343,683)	303,231
120	NET INTEREST AND OTHER BANKING INCOME	**28,711,729**	**26,297,645**
130	NET IMPAIRMENT ADJUSTMENTS ON:	(12,015,324)	(5,154,042)
	a) loans and advances	(12,001,988)	(4,683,762)
	b) financial assets available for sale	(17,766)	(478,879)
	c) financial assets held to maturity	-	-
	d) other financial transactions	4,430	8,599
140	NET INCOME FROM FINANCIAL ACTIVITIES	**16,696,405**	**21,143,603**
150	ADMINISTRATIVE COSTS:	(10,164,755)	(11,481,762)
	a) payroll	(7,064,917)	(6,914,912)
	b) other administrative costs	(3,099,838)	(4,566,849)
160	NET PROVISIONS FOR RISKS AND CHARGES	(100,000)	(113,694)
170	NET ADJUSTMENT TO PROPERTY, PLANT AND EQUIPMENT	(673,498)	(544,507)
180	NET ADJUSTMENT TO INTANGIBLE ASSETS	(346,603)	(317,444)
190	OTHER OPERATING CHARGES/INCOMES	615,719	2,034,703
200	OPERATING COSTS	**(10,669,137)**	**(10,422,704)**
210	PROFIT (LOSS) FROM EQUITY INVESTMENTS	(38,021)	(38,418)
240	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	(6,659)	1,918
250	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	**5,982,588**	**10,684,399**
260	INCOME TAXES ON CURRENT OPERATIONS	(3,022,619)	(4,135,278)
270	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**2,959,969**	**6,549,121**
290	**NET INCOME (LOSS) FOR THE YEAR**	**2,959,969**	**6,549,121**

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 -2 Euro and is booked to "other operating charges/incomes".

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2012	31.12.2011
10.	NET INCOME (LOSS) FOR THE YEAR	**2,959,969**	**6,549,121**

Other income components gross of tax

20.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**5,300,891**	**(3,497,937)**
	- Equity securities	+403,766	(186,506)
	- Holdings in UCITS	+29,471	48,250
	- Debt securities	+4,867,654	(3,359,681)
60.	CASH FLOW HEDGES	**(168,842)**	**(272,468)**
110.	TOTAL OTHER POST TAX COMPONENTS OF INCOME	**5,132,049**	**(3,770,406)**
120.	TOTAL COMPREHENSIVE INCOME (lines 10+110)	**8,092,018**	**2,778,716**

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY 31/12/2011 – 31/12/2012

	Balance on 31.12.2011	Changes in opening balance	Balance on 1.1.2012	Allocation of the previous year's results		Change for the year								Balance on 31.12.2012
							Transaction booked to equity							
				Reserves	Dividends and other allocations	Changes of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in Capital Instruments	Change in equity instruments	Stock options	Total comprehensive income (Loss) for the year 2012	
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:	93,595,543	-	93,595,543	400,660	-	-	-	-	-	-	-	-	-	**93,996,203**
a) from profit	93,595,543	-	93,595,543	400,660	-	-	-	-	-	-	-	-	-	**93,996,203**
- statutory reserves	18,483,670	-	18,483,670	324,950	-	-	-	-	-	-	-	-	-	**18,808,620**
- extraordinary reserves[24]	53,901,712	-	53,901,712	75,710	-	-	-	-	-	-	-	-	-	**53,977,422**
- other profit reserves[25]	21,210,161	-	21,210,161	-	-	-	-	-	-	-	-	-	-	**21,210,161**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves:	1,465,653	-	1,465,653	-	-	-	-	-	-	-	-	-	5,132,049	**6,597,703**
a) assets available for sale	-2,728,372	-	-2,728,372	-	-	-	-	-	-	-	-	-	5,300,891	**2,572,519**
b) financial flow hedge	-124,307	-	-124,307	-	-	-	-	-	-	-	-	-	-168,842	**-293,148**
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	6,549,121	-	6,549,121	-400,660	-6,148,461	-	-	-	-	-	-	-	2,959,969	**2,959,969**
Net equity	**189,936,384**	**-**	**189,936,384**	**-**	**-6,148,461**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,092,018**	**191,879,941**

24 The item includes the non-distributable reserve under article 6 c. 2 Legislative Decree. 38/2005.

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

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[26]	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[27]	53,879,776		53,879,776	36,284					-14,348					**53,901,712**
- other profit reserves [28]	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**

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

27 The item includes the non-distributable reserve under article 6 c. 2 Legislative Decree. 38/2005.

28 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		2012	2011
1.	**Operations**	**+21,670,633**	**+16,553,136**
-	Profit (loss) for the year	+2,959,969	+6,549,121
-	capital gains/losses on financial assets held for trading and on assets/liabilities at fair value	+334,245	-313,163
-	capital gains/losses on hedging activities	-	-
-	net value adjustments/write-backs due to impairment	+12,271,821	+6,334,063
-	net write-downs/write-backs on property, plant and equipment and intangible assets	+1,020,102	+861,951
-	net provision for risks and charges and other costs/revenues	+256,968	+304,095
-	unpaid duties and taxes	+3,022,619	+4,135,278
-	other adjustments	+1,804,911	-1,318,209
2.	**Cash flow generated/absorbed by financial assets**	**-237,989,415**	**-135,317,036**
-	financial assets held for trading	-	-
-	financial assets at fair value	-	-
-	financial assets available for sale	-169,005,704	-195,605,544
-	demand deposits with banks	+11,423,380	-18,530,910
-	loans and advances to banks: other loans and advances	-48,943,741	+36,615,887
-	loans and advances to customers	-37,586,942	+41,640,646
-	other assets	+6,123,592	+562,885
3.	**Cash flow generated/absorbed by financial liabilities**	**+224,389,868**	**+127,063,898**
-	amount due to banks: at sight	-	-3,441,767
-	amount due to banks: loans and advances	+338,941,952	+4,046,800
-	amount due to customers	-17,113,392	+96,218,404
-	debt certificates in issue	-65,495,993	+37,480,609
-	financial liabilities held for trading	-	-
-	financial liabilities at fair value	-29,500,000	-6,000,000
-	other liabilities	-2,442,699	-1,240,148
	Net cash flow generated/absorbed by operating activities	**+8,071,088**	**+8,299,998**

B.	**INVESTING ACTIVITIES**		
1.	**Cash flow generated by**	**+23,157**	**+1,918**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of financial assets held to maturity	-	-
-	sale of property, plant and equipment	+23,157	+1,918
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-1,945,538**	**-2,377,244**
-	purchase of equity investments	-31,320	-
-	purchase of financial assets held to maturity	-	-
-	purchase of property, plant and equipment	-1,807,200	-2,273,829
-	purchase of intangible assets	-107,018	-103,415
-	purchase of company divisions	-	-
	Net cash flow generated/absorbed by operating activities	**-1,922,381**	**-2,375,326**

C.	FINANCING ACTIVITIES	2012	2011
-	issue/purchase of treasury shares		
-	issue/purchase of equity instruments		
-	distribution of dividends and other objectives	-6,148,461	-5,923,520
	Net liquidity generated/absorbed by financing activities	**-6,148,461**	**-5,923,520**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**+246**	**+1,150**

RECONCILIATION

Balance items	2012	2011
Cash and cash equivalent at the beginning of the period	**4,538**	**3,388**
Net liquidity generated/absorbed during the period	+246	+1,150
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	**+4,784**	**4,538**

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[29] 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.

Going concern assumption

The Bank of Italy, Consob and Isvap coordination forum on applying IASs/FRSs with document no. 2 of 6th 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

[29] 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.

document no. 4 of 3rd 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 state: "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 require an especially accurate assessment of whether the going concern assumption is appropriate or not.
Relating to this, 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 near future. Consequently, they have prepared the financial statements for the business year 2012 based on the going concern assumption.
They also confirm that they have not observed any symptom that might cast doubts on the ongoing concern assumption and the actual income generating capacity, either in the economic and financial structure or in the business trend.

SECTION 3 – EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

In the period following the close of the 2012 Financial Year and the Statement of Financial Position date, we highlight the following:

- on 13th March 2013 the European EMTN program was renewed;
- the Board of Directors has resolved to undertake the organisational and operational activities aimed at preparing the procedure collateralisation of credit assets eligible for refinancing with the Central Bank in order to provide an additional margin of safety for the management of liquidity risk.

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 31/12/2012 of €2.9m) 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 2012, 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 2012, 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 SALE

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 IAS 39, a valuation technique that makes use of market inputs, prices of similar instruments, financial or other methods. 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 3 – 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 5 - 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 Income component recognition criteria

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, measurment 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, measurment 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 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.

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 measurement 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 2012, 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.3.2.1 Accounting portfolios: breakdown by fair value levels

	2012			2011		
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		298			634	
2. Financial assets at fair value						
3. Financial assets available for sale	227,748	142,511	15,523	30,898	159,863	17,055
4. Hedging derivate assets					-	
Total	**227,748**	**142,809**	**15,523**	**30,898**	**160,497**	**17,055**
1. Financial liabilities held for trading		364			1.106	
2. Financial liabilities at fair value		10,111			38,956	
3. Hedging derivate liabilities		614			168	
Total		**11,089**			**40,230**	

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			**17,055**	
2. Increases			**2,129**	
2.1 Purchases			1,599	
2.2 Profits in:			530	
2.2.1 Income statement				
- of which: unrealised gain				
2.2.2 Equity[1]			530	
2.3 Transfers from other levels				
2.4 Other increases			-	
3. Decreases			**3,661**	
3.1 Sales			-	
3.2 Redemptions			3,588	
3.3 Losses in:			73	
3.3.1 Income statement			15	
- of which: unrealised losses[2]			15	
3.3.2 Equity[3]			58	
3.4 Transfer from other levels				
3.5 Other decreases[2]				
4. Closing balance			**15,523**	

[1] This is the revaluation of the investment in the Fund MC[2] Impresa for €101 thousand, the investment in the Green Hunter SpA (ex SPF Energy SpA) for €404 thousand and shares in the Alto Garda Servizi SpA for €25 thousand.

[2] It is the loss resulting from reset of the share capital of the subsidiary Trentino Volley S.p.A..

[3] This is the deterioration of the investment in the Fund Clesio for €58 thousand.

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

	2012	2011
a) Cash	5	5
b) Demand deposits with central banks	-	-
Total	**5**	**5**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: breakdown by sector

Items	2012			2011		
	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		298			634	
1.1 trading[1]		298				
1.2 related to fair value option[2]					634	
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 related to fair value option						
2.3 others						
Total B		**298**			**634**	
Total (A+B)		**298**			**634**	

1 These consist of cap options with banks as counterparties whose characteristics mirror those with ordinary customers as counterparties, shown in item 40 of liabilities, which should be consulted for a more detailed description.

2 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 amounted to €641,000 in 2011.

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

items	2012	2011
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	**298**	**634**
a) Banks	298	634
- fair value	298	634
b) Customers	-	-
- fair value	-	-
Total B	**298**	**634**
Total (A+B)	**298**	**634**

Financial assets held for trading: annual changes

	Trading derivatives	Trading derivatives related to fair value option	Total
A. Opening balance	**-**	**634**	**634**
B. Increases	**298**	**5**	**303**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	298	-	298
B4. Other changes	-	5	5
C. Decreases	**-**	**639**	**639**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	-	111	111
C4. Other changes	-	528	528
D. Closing balance	**298**	**-**	**298**

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	2012			2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	227,672	142,511	-	30,819	159,863	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	227,672	142,511	-	30,819	159,863	-
2. Equity instruments	76	-	10,588	79	-	8,643
2.1 Measured at fair value	76	-	9,979	79	-	8,064
2.2 Carried at cost [2]	-	-	609	-	-	579
3. Investments in UCITS	-	-	4,935	-	-	8,412
4. Loans	-	-	-	-	-	-
Total	**227,748**	**142,511**	**15,523**	**30,898**	**159,863**	**17,055**

1 These consist of €225.8m of government securities and bonds issued by banks, €5m of bonds issued by banks (Level 1) and €140.0m of bonds issued by bank (level 2) purchased by the Bank to provide adequate reserves of liquid assets eligible for ECB refinancing for €360.0m and as guarantee to the securitisation operation started in 2009 for €10.8m.

2 Unlisted equity instruments carried at cost equalling €0.6m in 2012 and 2011: 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	2012	2011
1. Debt securities	**370,184**	**190,682**
a) Governments and central banks	222,477	30,819
b) Other public entities	-	-
c) Banks	147,707	159,863
d) Other issuers	-	-
2. Equity instrument	**10,663**	**8,722**
a) Banks	50	50
b) Other issuers	10,613	8,672
- insurance companies	-	-
- financial corporations	1,930	1,930
- non-financial corporations	8,683	6,742
- others	-	-
3. Investments in UCITS [1]	**4,935**	**8,412**
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**385,782**	**207,816**

1 This item is largely made up (€4.2m) of units of the closed-end investment fund "MC2 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 (€0.7m).

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity instruments	Investments in UCITS	Loans	Total
A. Opening balance	**190,682**	**8,722**	**8,412**	**-**	**207,816**
B. Increases	**321,492**	**2,028**	**101**	**-**	**323,621**
B1. Purchases	311,298	1,599[3]	-	-	312,897
B2. Positive changes in fair value	6,649	429	101	-	7,179
B3. Write-backs	-	-	-	-	-
- through profit or loss	-		-	-	-
- in equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	3,545[1]	-	-	-	3,545
C. Decreases	**141,991**	**86**	**3,578**	**-**	**145,655**
C1. Sales	101,602	-	-	-	101,602
C2. Redemptions	38,700	68	3,520	-	42,288
C3. Negative changes in fair value	89	-	58	-	147
C4. Impairments	-	18	-	-	18
- through profit or loss	-	*18*	-	-	*18*
- in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	1,600[2]	-	-	-	1,600
D. Closing balance	**370,183**	**10,664**	**4,935**	**-**	**385,782**

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

1 This originates from €613 thousand for the reversal to income of negative reserve following the sale of securities issued by banks, for €1.522m of the profit realised on the sale of government bonds and for €1.410m from the positive change in amortised cost.
2 This originates from €1.583m for the negative change in amortised cost and for €17 thousand from the capital loss from the sale of securities issued by banks.
3 Includes €40 thousand for the amount paid for the recovery of the share capital of the subsidiary Trentino Volley S.p.A.

SECTION 6 – LOANS AND ADVANCES TO BANKS – ITEM 60

6.1 Loans and advances to banks: breakdown by sector

Type of transaction/Amounts	2012	2011
A. Deposits with central banks	**-**	**-**
1. Time deposit	-	-
2. For reserve requirements	-	-
3. Repurchase agreements	-	-
4. Other	-	-
B. Deposits with banks	**64,253**	**26,681**
1. Current accounts and demand deposits	8,683	20,107
2. Time deposit	55,562	1,525
3. Other loans:	8	8
3.1 Repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Others	8	8
4. Debt securities [1]	-	5,041
4.1 Structured securities	-	-
4.2 Other debt securities	-	5,041
Total (carrying value)	**64,253**	**26,681**
Total (fair value)	**64,253**	**26,681**

1 In 2011, 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 €468 thousands as at 31st December 2012 and is included in item B.2.

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

7.1 Loans and advances to banking customers: breakdown by sector

Type of transaction/Amounts	2012			2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Current accounts	3,539	-	0	2,470	-	-
2. Repurchase agreements	-	-	-	-	-	-
3. Mortgages	895,132	-	128,963	926,898	-	86,268
4. Credit cards, personal loans including "one-fifth of salary deducted loan"	-	-	-	-	-	-
5. Finance lease [1]	53,068	-	5,233	63,207	-	4,292
6. Factoring	-	-	-	-	-	-
7. Other loans[2]	250,410	-	29,945	246,389	-	12,940
8. Debt securities	-	-	-	31	-	-
8.1 Structured securities	-	-	-	-	-	-
8.2 Other debt securities	-	-	-	31	-	-
Total (carrying value)	**1,202,149**	**-**	**164,141**	**1,238,995**	**-**	**103,500**
Total (fair value)	**1,196,693**	**-**	**164,141**	**1,189,210**	**-**	**103,500**

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 €5.1m in 2012 and €5.5m in 2011.

2 The amount includes building leasing turnkey operations for €4.1m in 2012 and €0.2m in 2011.

7.2 Loans and advances to banking customers: breakdown by debtor/issuer

Type of transaction/Amounts	2012			2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities issued by:	**-**	**-**	**-**	**31**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	31	-	-
- non-financial corporations	-	-	-	31	-	-
- financial corporations	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans to:	**1,202,149**	**-**	**164,141**	**1,238,964**	**-**	**103,500**
a) Governments	-	-	-	100	-	-
b) Other public entities	103,721	-	-	93,379	-	-
c) Other debtors	1,098,428	-	164,141	1,145,485	-	103,500
- non-financial corporations	1,012,514	-	159,559	1,090,442	-	96,948
- financial corporations	58,444	-	2,323	25,076	-	4,400
- insurance companies	-	-	-	-	-	-
- others	27,470	-	2,259	29,967	-	2,152
Total	**1,202,149**	**-**	**164,141**	**1,238,995**	**-**	**103,500**

7.4 Finance lease

Items	31/12/2012			31/12/2011		
	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	13,087	11,020	2,067	12,423	10,005	2,418
1 - 5 years	32,191	25,719	6,472	40,133	32,612	7,521
Over 5 years	25,431	22,455	2,976	30,198	26,372	3,826
Total	**70,709**	**59,194**	**11,515**	**82,754**	**68,989**	**13,765**

	Gross	Adjust.	Net	Gross	Adjust.	Net
Advances in the balance sheet	59,936	267	**59,669**	69,705	363	**69,342**

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.	2,904	87	(21)	1	1	
B. Joint ventures						
C. Companies under significant influence						
1. Essedi Strategie d'Impresa S.r.l.	3,078	1,240	67	226	72	
2. Biorendena S.p.a.	795	-	(30)	395	79	
Total	**6,777**	**1,327**	**16**	**622**	**152**	

1 Statement of Financial Position data as at 31/12/2012 for the subsidiary Paradisidue S.r.l., and as at 31/12/2011 for Essedi Strategie d'Impresa S.r.l. and for Biorendena S.p.A..
2 Equity includes year-end profit and loss results.
3 The fair value of companies under significant influence is not shown as they are unlisted companies.

10.3 Equity investments: annual changes

	2012	2011
A. Opening balance	**159**	**198**
B. Increases	**43**	**25**
B.1 Purchases	31	-
B.2 Write-backs	12	25
B.3 Revaluation	-	-
B.4 Other changes	-	-
C. Decreases	**50**	**64**
C.1 Sales	-	-
C.2 Write-downs	50	64
C.3 Other changes	-	-
D. Closing balance	**152**	**159**
E. Total revaluations	-	-
F. Total write-down	211	173

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 €2.895m was been withdrawn as at 31st December 2012 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

	2012	2011
Unpaid calls on shares (equity investment in Biorendena S.p.A.)	-	31

The payment of the remaining €31 thousand relating to participation in Biorendena SpA was carried out during the month of June 2012 and is represented in the table "10.3 Equity investments: annual changes" in "B1. Purchases ".

SECTION 11 – PROPERTY, PLANT AND EQUIPMENT – ITEM 110

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

Assets/Amounts	2012	2011
A. Assets for operational use		
1.1 owned	**11,816**	**10,706**
a) land[1]	1,950	1,950
b) buildings[2]	7,610	6,414
c) furniture	1,056	1,162
d) IT equipment	169	189
e) others	1,031	991
1.2 purchased under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) IT equipment	-	-
e) others	-	-
Total A	**11,816**	**10,706**
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)	**11,932**	**10,822**

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**	**10,700**	**2,426**	**640**	**2,400**	**18,116**
A.1 Net decreases	-	4,286	1,264	451	1,409	7,410
A.2 Net opening balance	**1,950**	**6,414**	**1,162**	**189**	**991**	**10,706**
B. Increases:	-	**1,508**	**146**	**32**	**232**	**1,918**
B.1 Purchases	-	1,508	59	25	216	1,808
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	-	-	87	7	16	110
C. Decreases:	**-**	**312**	**252**	**52**	**192**	**808**
C.1 Sales [1]	-	-	63	-	11	74
C.2 Depreciation	-	312	164	43	155	674
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 [2]	-	-	25	9	26	60
D. Net closing balance	**1,950**	**7,610**	**1,056**	**169**	**1,031**	**11,816**
D.1 Total net write-downs	-	4,598	1,341	487	1,547	7,973
D.2 Gross closing balance	**1,950**	**12,208**	**2,397**	**656**	**2,578**	**19,789**
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 €0.4 thousand, 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 amortisation fund relating to such assets, of equal amount, is shown in entry "B.7 – other increases".

2 The values under "other changes" refers to the sale of fully depreciated assets for €25 thousand, under "Furniture", and €2 thousand under "Other" and to the disposal of assets not fully depreciated for €9 thousand under "IT equipment". The amount shown in the column "Other" also includes €24 thousand for the sale of a company car, partially amortised, which generated a loss of €5,400 and a cash flow of €16 thousand, highlighted in the statement of cash flows under the heading "Cash generated from sale of tangible assets". In order to balance the item "Net decreases" the change in the accumulated depreciation related to these assets has been exposed in "B.7 - Other changes" - 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 the valuation at fair value equal €116,000.

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

At the end of the year, the Bank has not contractual commitments for purchasing tangible assets.

SECTION 12 – INTANGIBLE ASSETS – ITEM 120

12.1 Intangible assets: breakdown by type of assets

Assets/Amounts	2012		2011	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets	**460**	**-**	**700**	**-**
A.2.1 Assets carried at cost:	460	-	700	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	460	-	700	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**460**	**-**	**700**	**-**

Depreciation was calculated:

- on the basis of the expected useful life at a percentage of 33.33% with regard to application software;
- 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;
- applying the rate of 20% for the software of the new data and network internal infrastructure.

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	**-**	**-**	**-**	**2,747**	**-**	**2,747**
A.1 Net decreases	-	-	-	2,047	-	2,047
A.2 Net opening balance	**-**	**-**	**-**	**700**	**-**	**700**
B. Increases	**-**	**-**	**-**	**107**	**-**	**107**
B.1 Purchases	-	-	-	107	-	107
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	**-**	**-**	**-**	**347**	**-**	**347**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	347	-	347
- Amortisations		-	-	347	-	347
- 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	**-**	**-**	**-**	**460**	**-**	**460**
D.1 Net adjustment values	-	-	-	2,394	-	2,394
E. Gross closing balance	**-**	**-**	**-**	**2,854**	**-**	**2,854**
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

	2012	2011
	4,989	**4,192**
A. With contra-entry to income statement	**4,521**	**2,328**
Payroll	28	41
Adjustment to/Impairment of loans deductible in future years	4,123	1,868
Depreciation of buildings for operational use	33	27
Other	337	392
B. With contra-entry to equity	**468**	**1,864**
Valuation of IRS Cash Flow Hedge	138	59
Financial assets held for sale at fair value	330	1,805

13.2 Deferred tax liabilities: breakdown

	2012	2011
	7,922	**7,087**
A. With contra-entry to income statement	**6,826**	**6,830**
Reserve for loan losses	5,530	5,530
Write-down of loans exceeding the tax deductibility limit	1,164	1,167
Depreciation of buildings for operational use	109	110
Change in employee leaving indemnity	23	23
B. With contra-entry to equity	**1,096**	**257**
Financial assets held for sale at fair value	1,096	257

Percentages used in the calculation of deferred taxes:

IRES: 27.50%;
IRAP [30]: 4.45% for 2013;
4.65% for following years.

[30] For the determination of deferred tax assets and liabilities, the rate of 4.45% was applied limited to those taxes that are expected to be utilised in 2013, as the reduction by 0.20% established by the P.L. Trento 27th December 2012 nr. 25 applies only to that year.

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

	2012	2011
1. Opening balance	**2,328**	**1,991**
2. Increases	**2,431**	**495**
2.1 Deferred tax assets recognised during the year	2,431	491
a) related to previous years	-	-
b) due to change in accounting policies	-	-
c) write backs	-	-
d) others	2,431	491
2.2 New taxes or increases in tax rates	-	4
2.3 Other increases	-	-
3. Decreases	**238**	**158**
3.1 Deferred tax assets derecognised during the period	205	133
a) reversals	205	133
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	33	25
a) transformation of tax credits pursuant to Law 214/2011	-	-
b) other [1]	33[1]	25
4. Closing balance	**4,521**	**2,328**

1 This amount represents the reversal of deferred tax assets recognised in 2010 against the impairment of a title available for sale, which in both 2011 and 2012 saw a recovery in value recorded with contra-entry to equity (see footnote to Table 18.1 Part C) net of related deferred taxes.

13.3.1 Change in deferred tax assets pursuant to Law 241/2011 (with contra-entry to income statement)

The Bank has not recorded any activities related to deferred tax assets pursuant to Law 241/2011.

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

	2012	2011
1. Opening balance	**6,830**	**6,841**
2. Increases	**-**	**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
2.3 Other increases	-	-
3. Decreases	**4**	**11**
3.1 Deferred tax assets derecognised during the period	4	11
a) reversals	4	11
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**6,826**	**6,830**

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

	2012	2011
1. Opening balance	**1,864**	**2**
2. Increase	**117**	**1,863**
2.1 Deferred tax assets recognised during the period	117	1,863
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	117	1,863
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,513**	**1**
3.1 Deferred tax assets derecognised during the period	1,510	1
a) reversals	1,510	1
b) written down as now considered unrecoverable	-	-
c) due to change in accounting policies	-	-
3.2 Reduction in tax rates	3	-
3.3 Other decreases	-	-
4. Final balance	**468**	**1,864**

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

	2012	2011
1. Opening balance	**257**	**121**
2. Increases	**880**	**228**
2.1 Deferred tax liabilities recognised during the period	880	224
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	880	224
2.2 New taxes or increases in tax rates	-	4
2.3 Other increases	-	-
3. Decreases	**41**	**92**
3.1 Deferred tax liabilities derecognised during the period	8	67
a) reversals	8	67
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	0	-
3.3 Other decreases [1]	33	25
4. Final balance	**1.096**	**257**

1 This amount represents the reversal of deferred tax assets recognised in 2010 against the impairment of a title available for sale, which in both 2011 and 2012 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 €720 thousand and relates to the net balance of amounts paid to (€4.556m) and due to (€5.276m) the Revenue with regard to IRES and IRAP; in 2011 the balance included under "current tax assets" was of €372 thousand (paid to for €4.185m, due to for €4.557m).

SECTION 15 – OTHER ASSETS – ITEMS 150

15.1 Other assets: breakdown

	2012	2011
Illiquid assets	2.437	10.043
Tax assets (indirect taxes and substitute tax)	558	212
Accrued income and prepayments	259	206
Amounts due for unpaid commissions	207	215
Various prepayments and advances	179	165
Items awaiting definition [1]	147	-
Amounts due in relation to invoices – issued or not	84	113
Leasehold improvements	9	14
Receivables for contributions	-	27
Amounts due from subsidiary Paradisidue Srl	-	295
Other items with finances suspended	-	121
Deposit for purchase new building for branch in Treviso	-	358
Other items	7	20
Total	**3.887**	**11.789**

1 The amount refers to transfers arranged but pending charge.

LIABILITIES

SECTION 1 – AMOUNTS DUE TO BANKS – ITEM 10

1.1 Amounts due to banks: breakdown by sector

Type of transaction/Amounts	2012	2011
1. Amounts due to central banks	**302,161**	**-**
2. Amounts due to banks	**456,180**	**414,855**
2.1 Current accounts and demand deposits	-	-
2.2 Time deposits	135,265	79,439
2.3 Loans	320,915	335,416
2.3.1 Repurchase agreements	-	-
2.3.2 Others[1]	320,915	335,416
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other debts	-	-
Total	**758,341**	**414,855**
Fair value	**735,112**	**393,036**

1 In 2011, 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. In December 2012, such loans equal €82.8m for the 3Y, while the activity of LTRO funding directed to the Central Bank is shown under item 1.

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 2012 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	2012	2011
1. Current accounts and demand deposits	1,132	2,318
2. Time deposit	57,552	70,783
3. Loans	55,978	58,648
3.1 Repurchase agreements	-	-
3.2 Others	55,978	58,648
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other amounts due[1]	56,664	57,520
Total	**171,326**	**189,269**
Fair value	**170,946**	**187,522**

1 Sub-item "Other amounts due" includes funds managed on behalf of third parties to the amount of €56,436 thousand in 2012 and €57,192 thousand in 2011, according to supervisory regulations.

SECTION 3 – DEBT SECURITIES IN ISSUE – ITEM 30

3.1 Debt securities in issue: breakdown by sector

Type of transaction/ Amounts	2012				2011			
	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	687,889	-	686,868	-	754,580	-	750,392	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	687,889	-	686,868	-	754,580	-	750,392	-
2. Other securities	30	-	30	-	30	-	30	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others [1]	30	-	30	-	30	-	30	-
Total	**687,919**	**-**	**686,898**	**-**	**754,610**	**-**	**750,422**	**-**

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

	2012	2011
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:	**50,174**	**50,371**
a) interest rate risk [1]	50,174	50,371
b) exchange rate risk	-	-
c) other risks	-	-

1 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	2012					2011				
	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	**7,659**		**364**		**364**	**21,424**		**1,107**		**176**
1.1 held for trading	7,659		364		364	1,424		75		75
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	**7,659**		**364**		**364**	**21,424**		**1,107**		**176**
Total (A+B)	**7,659**		**364**		**364**	**21,424**		**1,107**		**176**

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	**75**	**1,032**	**1,107**
B. Increases	**298**	**-**	**298**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	298	-	298
B4. Other changes	0	-	0
C. Decreases	**9**	**1,032**	**1,042**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	9	1,004	1,014
C4. Other changes	-	28	28
D. Closing balance	**364**	**-**	**364**

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	2012					2011				
	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	**10,000**		**10,111**		**10,151**	**39,500**		**38,956**		**40,247**
3.1 Structured	10,000		10,111			29,500		29,178		
3.2 Others						10,000		9,778		
Total	**10,000**		**10,111**		**10,151**	**39,500**		**38,956**		**40,247**

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 €39 thousand.

The Bank has adopted a measurement at fair value (the Fair Value Option) for €10.0m 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	**-**	**-**	**38,956**	**38,956**
B. Increases	**-**	**-**	**1,301**	**1,301**
B1. Issues	-	-	-	-
B2. Sales	-	-	-	-
B3. Positive changes in fair value	-	-	1,236	1,236
B4. Other changes	-	-	65	65
C. Decreases	**-**	**-**	**30,146**	**30,146**
C1. Purchases	-	-	-	-
C2. Redemptions	-	-	29,500	29,500
C3. Negative changes in fair value	-	-	-	-
C4. Other changes	-	-	646	646
D. Closing balance	**-**	**-**	**10,111**	**10,111**

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 2012			NV	Fair Value 2011			NV
	Level 1	Level 2	Level 3	2012	Level 1	Level 2	Level 3	2011
A) Financial derivatives		**614**		**50,000**		**168**		**50,000**
1) Fair value								
2) Cash flows		614		50,000		168		50,000
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**614**		**50,000**		**168**		**50,000**

Legend
NV = nominal or notional value

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

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	-	-		-		-	614		
2. Portfolio							-		-
Total liabilities	**-**	**-**		**-**	**-**	**-**	**614**	**-**	**-**
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

	2012	2011
Items in processing[1]	1,780	1,540
Amounts due to third parties[2]	1,505	1,092
Amounts due to suppliers	596	1,115
Withholdings made as tax collection agent	567	485
Commission fees to be paid	372	378
Accrued liabilities and deferred income[3]	256	41
Withholdings on employee compensation	234	236
Payables for contributions	17	359
Provision for guarantees issued	12	17
Other liabilities	7	61
	5,346	**5,324**

1 In 2011 this item included transfers yet to be credited to correspondents for the amount of €859 thousand and in 2012 for €944 thousand.

2 They mainly refer to: €745 thousand to be paid to participants in syndicated transactions led by Mediocredito, €170 thousand for monetisation of employees' leave credits, €228 thousand for 2012 bonuses and €61 thousand for rewarding the extra time of managerial staff.

3 In 2012, this item includes accrued expenses on the commission recognised to the State for the guarantees on the securities issued by the Bank for €247 thousand.

SECTION 11 – PROVISION FOR SEVERANCE INDEMNITIES – ITEM 110

11.1 Provision for severance indemnities: annual changes

	2012	2011
A. Opening balance	**1,679**	**1,495**
B. Increase	**151**	**184**
B.1 Provisions for the period[1]	151	184
B.2 Other increases	-	-
C. Decreases	**128**	**-**
C.1 Indemnities paid	128	-
C.2 Other decreases	-	-
D. Closing balance	**1,702**	**1,679**

1 These amounts corresponds to provisions shown in table 9.1 "Payroll: breakdown" of Part C "Information on the income statement" (€57 thousand) net of the substitute tax (€6 thousand).

11.2 Other information

Pursuant to IAS 19 paragraphs 64 and 65, the Provision for severance indemnities is calculated utilising 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	2012	2011
1 Post retirement benefit obligations	-	-
2. Other provisions for risks and charges	1,803	1,931
2.1 legal disputes	657	789
2.2 personnel expenses	100	150
2.3 others	1,046	992
Total	**1,803**	**1,931**

12.2 Provisions for risks and charges: annual changes

	Post retirement benefit obligations	Other funds	Total
A. Initial balance	**-**	**1,931**	**1,931**
B. Increases	**-**	**400**	**400**
B.1 Provisions for the period [1]	-	100	100
B.2 Changes over time	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases [2]	-	300	300
C. Decreases	-	**528**	**528**
C.1 Use during the period [3]	-	528	528
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other decreases	**-**	-	-
D. Final balance	**-**	**1,803**	**1,803**

1 This amount is made up entirely of provisions for the personnel incentive scheme.

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 €246 thousand for donations as for article 21 of the Bylaws, for €150 thousand in provision for staff to fund the personnel incentive scheme based on results achieved in 2011 and for €132 thousand for the disbursement due to the negative resolution, for the Bank, of a legal dispute.

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 fully paid up capital stock is set at €58,484,608 represented by 112,470,400 ordinary shares at €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:	**93,996**		**93,946**
- Legal reserve [2]	18,809	A-B-C	18,809
- Extraordinary reserve	53,927	A-B-C	53,927
- Reserve under Leg. Decree. 38/2005[3]	2,274	A-B	2,274
- Other reserves	50		-
	18,936	A-B-C	18,936
Valuation reserves:			
- Valuation reserve under Laws 413/91 e 342/2000	**6,598**		**6,598**
- Valuation reserve under Leg. Decree 38/2005: revaluation of AFS	4,318	A-B	4,318
- Valuation reserve under Leg. Decree 38/2005: cash flow hedges	2,573		2,573
	(293)		(293)
Total			

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 use 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.

3 The reserve will be reduced in an amount corresponding to the amount of capital gains realised or become non-existent as a result of the depreciation.

OTHER INFORMATION

1. Guarantees issued and commitments

Operations	2012	2011
1) Financial guarantees given to	**1,040**	**1,036**
a) Banks [1]	1,040	1,036
b) Banking customers	-	-
2) Commercial guarantees given to	**3,803**	**9,830**
a) Banks	-	-
b) Banking customers	3,803	9,830
3) Irrevocable commitments to disburse funds	**9,350**	**13,681**
a) Banks		
i) certain usage		
ii) uncertain usage		
b) Banking customers	9,350	13,681
i) certain usage	-	31
ii) uncertain usage	9,350	13,650
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments		
Total	**14,193**	**24,547**

1 The item also includes €7 thousand (€3 thousand in 2011) 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	2012	2011
1. Financial assets held for training	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	201,516	144,531
4. Financial assets held to maturity	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	61,818	67,391
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 €382m, guaranteed by securities classified as financial assets available for sale (Item 3. Table 2.), in addition to other securities not reported in the balance sheet, of which:

- €82.0m are guaranteed by securities for an operation concluded on 22.12.2011 (due to expire on 29.01.2015).
- €300.0m are guaranteed by securities for an operation concluded on 01.03.2012 (due to expire on 26.02.2015);

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 securities not reported in the balance sheet

At the year's end, the Bank has €156.8m in liabilities guaranteed by securities that are not reported in the balance sheet.
Such securities serve in part, as a guarantee for the €300m financing concluded on 01.03.2012 (see
Eurosystem credit operations).

During the year, the Bank has issued and subscribed its own securities with a State guarantee for €185m: such securities, which are not reported in the balance sheet also partially serve as a guarantee for the €300m financing concluded on 01.03.2012 (see Eurosystem credit operations).

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 €38.5m in relation to the contract signed on 28 November 2005 and to €23.4m 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.

In November 2012, the Bank obtained a new placement of €50m by the EIB, against which a first contract has been signed but not yet used for €14m. Such a contract will be guaranteed by the sale of receivables due to Mediocredito from the final beneficiaries.

4. Management and intermediation on behalf of third parties

Type of services	2012	2011
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	**859,450**	**379,251**
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)	48,901	56,463
1. securities issued by the Bank preparing the accounts	28,061	38,350
2. other securities	20,840	18,073
c)) third-party securities on deposit with third parties	14,840	12,087
d) own securities on deposit with third parties [1]	795,709	310,700
4. Other transactions	**2,103**	**2,846**
Of which Transactions on behalf of the Autonomous Provinces	*1,738*	*2,172*
Risk funds set up by various entities	*262*	*572*
Management of state contributions under Law 488/92	*103*	*102*

[1] This item includes Senior and Junior securities originating from the securitisation operation and lodged with Montetitoli S.p.A. for the overall amount of €229,694 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	-	-	383	383	766
2	Financial assets available for sale	12,999	-	-	12,999	1,933
3	Financial assets held to maturity	-	-	-	-	-
4	Loans to banks	74	589	-	663	750
5	Loans to banking customers	1	44,510	-	44,511	45,171
6	Financial assets held at fair value	-	-	-	-	-
7	Hedging derivatives			-	-	-
8	Other assets			-	-	-
	Total	**13,074**	**45,099**	**383**	**58,556**	**48,620**

Changes in connection with interest income – against the comparison accounting period (2011) – 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 and the securisation operation started in 2009.

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 was equal to €3.867m (against €2.131m in 2011).
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 31st December 2012.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in currency

	2012	2011
Interest income from financial assets denominated in currency	31	34

1.3.2 Interest income on finance lease transactions

	2012	2011
Deferred financial income	11,515	13,765
Potential rent recorded as revenues for the period	(680)	(670)

1.4 Interest expenses and similar charges: breakdown

Items/Technical Forms	Debits	Securities[1]	Other Liabilities[2]	Total 2012	Total 2011
1. Amount due to central bank	2,172		-	2,172	-
2. Amount due to banks	7,746		-	7,746	7,155
3. Amount due to banking customers	3,381		-	3,381	2,153
4. Debt securities in issue		17,879	-	17,879	14,317
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities valued at fair value	-	863	-	863	1,523
7. Other liabilities			-	-	-
8. Hedge derivatives			267	267	97
Total	**13,299**	**18,742**	**267**	**32,308**	**25,245**

Changes in connection with interest expenses against the accounting period 2011 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	2012	2011
A. Positive differentials on hedging transactions:	-	-
B. Negative differentials on hedging transactions:	267	97
C. Balance (A-B)	**(267)**	**(97)**

1.6 Interest expenses and similar charges: Other information

1.6.1 Interest expense on liabilities denominated in currency

	2012	2011
Interest expense on liabilities denominated in currency	10	10

SECTION 2 - FEES & COMMISSIONS – ITEMS 40 & 50

2.1 Fee and commission income: breakdown

Type of service/Amount	2012	2011
a) guarantees issued	86	60
b) credit derivatives		
c) management, brokerage and consultancy services:	304	120
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	304	120
8.1 investments		
8.2 structured finance	304	120
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	2	4
e) securitisation 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]	2,162	2,059
Total	**2,554**	**2,243**

Changes of single items against the data for the accounting period 2011 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 €68 thousand, consisting of various commissions on loans granted for €998 thousands and of commissions for corporate finance activities for €1,088 thousands.

2.3 Fee and commission expense: breakdown

Services/Amounts	2012	2011
a) guarantees received[1]	1,306	17
b) credit derivatives		
c) management and brokerage services:	39	13
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	39	13
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[2]	103	205
Total	**1,452**	**239**

Changes of single items against the data for the accounting period 2011 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 paid to the State for the guarantee on bonds issued by the Bank for a value of €1.289m.
2 Of which €41 thousand is for the processing of funding applications.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income; breakdown

Items/Incomes	2012		2011	
	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	87	-	146	-
C. Financial assets held at fair value	-	-	-	-
D. Investment securities	-		-	
Total	**87**	**-**	**146**	**-**

The amount of €87 thousand consists mainly of dividends received from Enercoop S.r.l. (€53 thousand) and Alto Garda Servizi S.p.A (€32 thousand). The makeup of the residual amount and the changes with respect to 2011 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) [1]	Trading profits (B) [2]	Capital losses (C) [3]	Trading losses (D) [4]	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					**0**
4. Derivatives	**307**	**286**	**298**	**186**	**109**
4.1 Financial derivatives:	307	286	298	186	109
- On debt securities and interest rates	307	286	298	186	109
- On equity instruments and share indices					
- On currencies and gold					
- Others					
4.2 Credit derivatives					
Total	**307**	**286**	**298**	**186**	**109**

1 The item "capital gains" includes positive fair value changes at 31/12/2011, accrued on IRS classified as "held for trading" for €9 thousand and on Cap options sold to customers for €298 thousand.
2 The item "trading gains" includes premiums received in relation to Cap options sold to customers.
3 The item "capital losses" includes negative fair value changes accrued on Cap options bought from banks.
4 The item "trading losses" includes premiums paid in relation to Cap options bought from banks for €161 thousand and negative differentials accrued on swap contracts classified as "held for trading" (Circular of the Bank of Italy 262/2005 chapter 2 – paragraph 3) for €25 thousand.

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

6.1 Gains (losses) from disposal or repurchase: breakdown

Items/Income items	2012			2011		
	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	1.522	17	1.505	492	-	492
3.1 Debt securities [1]	-	-	-	-	-	-
3.2 Equity securities	1.522	17	1.505	492	-	492
3.3 Investments in UCITS	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**1.522**	**17**	**1.505**	**492**	**-**	**492**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to banking customers	-	-	-	-	-	-
3. Debt securities in issue [2]	3	-	3	-	-	-
Total liabilities	**3**	**-**	**3**	**-**	**-**	**-**

1 The amounts recorded under item 3.1 of the financial assets relate to the gain realised on the sale of government bonds for €1.522m and the loss on the sale of securities issued by banks for €17 thousand.

2 The amounts recognised in item 3 of the financial liabilities refer to the repurchase of a bond issued by the Bank.

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	**-**	**-**	**1,237**	**-**	**(1,237)**
2.1 Debt securities [2]	-	-	1,237	-	(1,237)
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	**1,004**[3]	**-**	**111**[4]	**-**	**893**
Total	**1,004**	**-**	**1,348**		**(344)**

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 losses are shown in table "Financial liabilities valued at fair value: annual changes" item B.

3 This amount is under item C.3 of table "Trading financial liabilities: annual changes" which refer to financial derivatives relating to the fair value option.

4 This item is under item C. of table "Trading financial assets: annual changes" 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

Transactions/Income items	Write-downs (1)			Write-backs (2)				Total 2012	Total 2011
	Specific			Specific [3]		Portfolio			
	Write-offs [1]	Others [2]	Portfolio	A	B	A	B[3]		
A. Loans and advances to banks	-	-	-	-	-	-	-	-	0
- loans	-	-	-	-	-	-	-	-	0
- debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to banking customers	(12)	(16,772)	-	2,080	2,660	-	42	(12,002)	(4,684)
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
Other loans	(12)	(16,772)	-	2,080	2,660	-	42	(12,002)	(4,684)
- loans	(12)	(16,772)	-	2,080	2,660	-	42	(12,002)	(4,684)
- debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(12)**	**(16,772)**	**-**	**2,080**	**2,660**	**-**	**42**	**(12,002)**	**(4,684)**

Legend

A= from interests

B= other write-backs

1 The item "write-downs – specific - write-offs" (€12 thousand) coincides with the "loan losses" item in the table "Item 130: net impairment adjustment" shown in the report on operations.

2 The total value of specific write backs equals €16,772 thousand which differs from 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" (€13,271 thousand) and "Initial FV of loans granted at an interest rate lower than the market rate – write-back" (€263 thousand)and for €3,238 thousand related 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 amount shown under item "Loans and advances to customers – loans – portfolio write backs" (€42 thousand) net of the transfer of -€3,328 thousand described in note 2, correspond to 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 (€3,196m 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).

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

Transactions/Income items	Write-downs (1)		Write-backs (2)		Total 2012 (3)=(1)-(2)	Total 2011 (3)=(1)-(2)
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	18			(18)	(479)
C. Investments in UCITS	-	-		-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to banking customers	-	-	-	-	-	-
F. Total	**-**	**18**	**-**	**-**	**(18)**	**(479)**

Legend

A= from interests

B= other write-backs

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

Transactions/Income items	Write-downs (1)			Write-backs (2)				Total 2012 (3)= (1)-(2)	Total 2011 (3)= (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees issued	-	-	-	-	-	-	4	4	9
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**	**9**

Legend

A= from interests

B= other write-backs

SECTION 9 – ADMINISTRATIVE COSTS – ITEMS 150

9.1 Payroll: breakdown

Type of expenses/Amounts	Total 2012	Total 2011
1) Employees	**6,630**	**6,470**
a) wages and salaries	4,346	4,353
b) social insurance	1,155	1,183
c) severance indemnities [1]	246	281
d) social security contributions	-	-
e) provision for severance indemnities [2]	157	190
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g)) payments to external supplementary pension funds:	157	165
- defined contribution [3]	157	165
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	569	298
2) Other personnel currently employed	-	-
3) Directors and Auditors	435	425
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	**7,065**	**6,915**

[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.

[2] In 2012 this item was made up of interest cost (€30 thousand) and actuarial losses for (€127 thousand); in 2011 such amounts corresponded respectively to €2 thousand and €162 thousand.

[3] This amount includes contributions to the supplementary pension schemes.

9.2 Average number of employees by category[1]

	2012	2011
Employees:	**76**	**77**
a) executives	4	4
b) total managers	36	35
- of which: third and fourth level managers	19	16
c) remaining employees	36	38
Other personnel	-	-

1 The annual average is obtained by calculating the average number of employees at the end of each month.

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.

	2012	2011
Employees:	**80.3**	**81.8**
a) executives	3.9	4.0
b) total managers	37.1	36.1
- of which: third and fourth level managers	19.2	15.8
c) remaining employees	39.3	41.7
Other personnel	-	-

9.4 Other employees benefits

	2012	2011
Costs for early termination of employment	251	-
Insurance policies	114	113
Lunch vouchers	71	74
Training courses and travel expenses	63	49
Benefits in kind	21	20
Other short term benefits	49	42
Total	**569**	**298**

9.5 Other administrative expense: breakdown

	2012	2011
1. IT costs	**630**	**591**
- outsourcing costs	397	394
- Other EDP (Electronic Data Processing) costs	233	197
2. Property related expenses	**491**	**521**
a) rental expenses	145	165
- property rental expenses	*145*	*165*
b) other expenses	346	356
- office cleaning	*96*	*100*
- building service charges	*19*	*22*
- maintenance and repair costs	*46*	*54*
- electricity, heating, water	*97*	*87*
- motor vehicles maintenance	*88*	*93*
3. Purchase of non-professional goods and services	**346**	**336**
- books, magazines, subscriptions	37	36
- information and cadastral services	86	72
- stationery, printing supplies, storage mediums	22	21
- surveillance	85	83
- databases and value-added networks	64	75
- post and telephones	52	49
4. Purchase of professional services	**880**	**745**
- legal and procedural costs	428	429
- professional fees	452	316
5. Insurance premiums	**83**	**69**
- insurance for the company bodies	38	32
- other insurance policies	45	37
6. Advertising expenses	**208**	**157**
- advertising and sponsorships	177	130
- entertainment and gifts	31	27
7. indirect taxes and duties	**166**	**1,836**
- substitute tax	93	118
- registration tax and dues	14	1,688
- local tax on real estate	50	22
- other taxes and duties (advertising, occupation of public property, waste removal)	9	8
8. Other	**296**	**312**
- subscriptions and memberships [1]	180	198
- other expenses [2]	116	114
Total	**3,100**	**4,567**

[1] It is mainly due to the subscription to ABI, Consob and to the "Federazione Trentina delle Cooperative".

[2] Includes the analytical and documented reimbursement of costs for accommodation and meals incurred by employees for business for €88 thousand in 2012 and €83 thousand in 2011. See note 1 on the previous page.

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

10.1 Net provisions for risks and charges: breakdown

	Total 2012	Total 2011
Provision for employee incentive system	(100)	(114)
Total	**(100)**	**(114)**

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	(673)	-	-	(673)
- For operational use	(673)	-	-	(673)
- For investments	-	-	-	-
A.2 Held under finance lease	-	-	-	-
- For operational use	-	-	-	-
- For investments	-	-	-	-
Total	**(673)**	**-**	**-**	**(673)**

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	(347)	-	-	(347)
- Generated internally by the company	-	-	-	-
- others	(347)	-	-	(347)
A.2 Purchased under finance lease	-	-	-	**-**
Total	**(347)**	**-**	**-**	**(347)**

SECTION 13 – OTHER OPERATING CHARGES/INCOME – ITEM 190

13.1 Other operating expense: breakdown

	Total 2012	Total 2011
Securitisation costs refunded to the SPV company	(451)	(269)
SPV on-going operating expenses	(64)	(55)
Amortisation of leasehold improvement	(5)	(5)
Sundry operating expenses[1]	(102)	(10)
Total	**(622)**	**(339)**

1 In 2012 the item includes €89 thousand relating to the transfer of receivables related mainly to invoices for consultancy and contributions and considered not due.

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 securitisation	269	285
Recovery of legal expenses	244	431
Recovery of substitute tax and stamp-duty	119	160
Sundry operating income[1]	71	49
Total	**2,373**	**1,055**

1 In 2012, the item includes €263 thousand relating to the transfer of receivables considered not due.

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

14.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	2012	2011
A. Incomes	**12**	**26**
1. Revaluations	-	-
2. Profit on disposal	-	-
3. Write-backs[1]	12	26
4. Other incomes	-	-
B. Charges	**(50)**	**(64)**
1. Write-downs[2]	(50)	(64)
2. Adjustments due to impairment	-	-
3. Loss from disposal	-	-
4. Other charges	-	-
Net result	**(38)**	**(38)**

1 Incomes recorded because of the application of the equity method to the valuation of equity investments refer to the company under significant influence of the bank Essedi Strategie d'Impresa S.r.l.

2 Losses recorded because of the application of the equity method to the valuation of equity investments refer entirely to the affiliated company Biorendena S.p.A. and subsidiary Paradisidue S.r.l.

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

17.1 Gains (losses) on disposal of investments: breakdown

Income items/amounts	2012	2011
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(7)	2
- Gains on disposal [1]	0	2
- Losses on disposal [2]	(7)	0
Net result	**(7)**	**2**

1 This item relates to the sale of tangible assets completely amortised and of limited value for €423 (€1,750 in 2011).

2 This item consists mostly of a loss arising from the disposal of a vehicle only partially amortised.

SECTION 18 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 260

18.1 Income tax on current opertations: breakdown

	Items/Amounts	Total 2012	Total 2011
1.	Current taxes (-)	(5,253)	(4,508)
2.	Change in current taxes of previous periods (+/-)	-	-
3.	Decrease in current taxes of the period (+)	-	-
3.a	Decrease in current taxes as for law no 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)[1]	+2,226	+362
5.	Change in deferred tax liabilities (+/-)	+4	+11
6.	**Income taxes for the period (-) (-1+/-2+3+/-4+/-5)**	**(3,023)**	**(4,135)**

[1] The amount under item "Change in deferred tax assets "(€2.226m) 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" (€2.431m) and "3. Decreases" (€238 thousand) for an amount equal to €32 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 2012 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 IS)		**5,983**		
Corporate income tax (IRES) –theoretical values:		**(1,645)**		**27.50%**
IRES variation due to decreases in the taxable income		335		27.50%
1/18 depreciation of previous periods			*112*	
95% dividends			*26*	
Employees costs not deducted from the previous years			*41*	
IRAP personnel cost deduction			*81*	
Other decreases			*75*	
IRES variation due to increases in the taxable income		(2,863)		27.50%
non-deductible interest expense			*(355)*	
Loan write-downs exceeding the tax deductibility limit – 0.30%			*(2,368)*	
net adjustments on equity investments and AFS securities			*(19)*	
Other increases			*(121)*	
A. Actual tax charge – current corporate income tax (IRES)		**(4,173)**		
Increases in deferred tax assets		2,431		27.50%
Decreases in deferred tax assets		(191)		27.50%
Increases in deferred tax liabilities		-		
Decreases in deferred tax liabilities		3		27.50%
B. Total effect of deferred corporate income tax (IRES)		**2,243**		
C. Total actual IRES charge (A+B)		**(1,930)**		**32.25%**
Regional tax on industrial activities IRAP – theoretical tax rate **(difference between revenues and expenses allowed as a deduction)**		**(1,111)**		**4.45%**
IRAP variation due to a decrease in production value		118		4.45%
Detraction of personnel expenses (disables)			*99*	
Other decreases			*19*	
IRAP variation due to an increase in production value		(87)		4.45%
4% non-deductible interests			*(57)*	
Other increases			*(30)*	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)		**(1,080)**		
Increases in deferred tax assets		-		4.65%
Decreases in deferred tax assets		(14)		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)		**(13)**		
F. Total actual IRAP charge	**(D+E)**	**(1,093)**		**18.27%**
Total current taxes IRES/IRAP (item 260 CE)	**(A+D)**	**(5,253)**		
Total actual tax charges IRES/IRAP (item 260 CE)	**(C+F)**	**(3,023)**		**50.52%**

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 €2.9m as at 31.12.2012) 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 the dilution of capital stock

During the business period 2012 there was no dilution of Mediocredito's capital stock as neither the number of its shares nor their nominal value changed.

The profit per share amounted to €0.02632 and is distributable for €0.02627.

EARNINGS PER SHARE

	2012	2011
Profit per share	0.0263	0.0582
Diluted profit per share	0.0263	0.0582

PART D

COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Tax	Net amount
10.	NET INCOME (LOSS) FOR THE YEAR			**2,960**
Other income components				
20.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**7,646**	**(2,345)**	**5,301**
	a) fair value changes	7,033	(2,148)	4,885
	b) reversal to income statement	613	(197)	416
	- adjustments due to impairment	-	-	-
	- capital gains/losses	613	(197)	416
	c) other changes	-	-	-
60.	CASH FLOW HEDGES	**(248)**	**79**	**(169)**
	a) fair value changes	(248)	79	(169)
	b) reversal to income statement			
	c) other changes			
110.	TOTAL OTHER INCOME COMPONENTS	**7,398**	**(2,266)**	**5,132**
120.	TOTAL COMPREHENSIVE INCOME (item 10+110)	**7,398**	**(2,266)**	**8,092**

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 Organisational aspects

Credit risk is defined as the risk of facing an unexpected loss/impairment of value/earnings because of the failure of the debtor, in other words the "Risk arising out of a credit exposure as a result of an unforeseen change in the creditworthiness of the borrower that involves a change in the value of the exposure itself ". At Mediocredito, it also includes the counterparty risk, i.e. the risk that the counterparty could default before the final settlement of all the cash flows linked to the operation.

The Bank has always given great emphasis to the efficiency and effectiveness of the credit process and its control system. In the light of the provisions contained in Title IV, Chapter 11 of the Supervisory Instructions of the Bank of Italy in the field of internal controls, the Bank has set up a dedicated organisational structure to achieve the objectives of credit risk management and control, indicated by the above prudential regulations.

The whole process of credit management and control is governed by internal regulations which:

- Identify the proxy and the sign-off authority concerning credit disbursement;
- Define the criteria for the assessment of creditworthiness;
- Defines the methods for the renewal of credit;
- Defines the methods of performance monitoring and credit risk measurement and the types of actions to be taken in case of detection of anomalies.

These rules define internal control activities, management and mitigation for credit risk by developing a structured system that involves different organisational functions whose activities are within the complex global risk control and management system adopted by the Bank.
The credit risk organisational process management is based on the principle of separation between its own investigation process activities and those of credit management. This principle has been implemented through the establishment of separate organisational structures.

With regard to the operating methods that characterise the lending activities of the Bank, credit management is split into the following main areas:

- Credit planning: carried out in accordance with the policies of development and risk/reward as defined by the Board of Directors.
- Granting and review: this phase covers the whole credit granting process from the request for funding (or the review of existing credit lines granted) to the application assessment and the decision by the competent body. The rules governing such stages are contained in the company procedures (mapped into the filing system) and in the Internal Regulations.
- Monitoring: includes all activities necessary for the timely detection and subsequent management of risky phenomena that may occur during the credit process. The monitoring is managed by the Credit Services - Office of Analysis and Credit Control. The body dedicated to a constant check of credit quality reports every two months to the Credit Risk Management Committee.
- Dispute management: refers to all the activities carried out following the classification of a position under doubtful loans and other impaired loans as identified by the Credit Risk Management Committee to safeguard the interests of the Bank. The different stages of the process are assigned to the Legal and Contracts Department.

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 organisation 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.

In addition to the functions mentioned above the activities of the Specialised Function Planning and Control and Risk Management fall within the scope of credit risk monitoring. In particular, the above functions proceed to conduct quarterly and half-year analysis of the evolution and development of credit risk, reporting periodically to senior management, to the Audit Committee (as a body formed for the purpose of ensuring constant and integrated supervision of corporate risk) and the Board of Directors.

For the purpose of determining the internal capital against the credit risk, the Bank uses the standardised approach adopted for the determination of capital requirements in respect of credit risk. In its periodic review of the interim process of Internal Assessment of Current and Future Capital (ICAAP) quarterly the Bank determines the absorbed internal capital to cover the credit risk of credit. It also does this by conducting stress testing.

Regarding stress testing, in 2012 the stress tests normally carried out were increased in number and scope, due to the economic situation and the trend of the key indicators on credit risk.

2.3 Credit risk mitigation techniques

In accordance with the Bank's specific fields of operation, Credit Risk Mitigation techniques consist in "Exposures secured by real estate."
The Board of Directors has approved the finalised process of the policies for granting loans and the mapping of business' processes related to the use of real estate as collateral for loans.

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.
In the period under examination, 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) amounted to €48.5m in 2012 (€118.5m in 2011). At 31st December 2012 the ratio of the operations to loans due to expire came to 21.81% (21.26% at the end of 2011), a ratio lower than the limit set for the year (24.0%) although it has to be considered that 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 9.36% of the "full risk" to performing loans ratio as at 31st December 2012 (7.23% at 31.12.2011), leaving the 12.45% to the other operations (it was 14.03% at 31.12.2011).

With reference to this "sector" disbursement came to €2.6m in 2012 (€5.6m in 2011) and overall amounts equalled 9.3% of the total at 31st December 2012, down from 10.7% at 31st December 2011 and below the set limits for the financial year 2012.
A breakdown by geographical area shows that the concentration profile of the target areas remains substantially unchanged (the loan portfolio is concentrated for 47% in Trentino-Alto Adige, 25.1% in Veneto, 8.8% in Emilia Romagna, 11.4%, in Lombardy and 7.7% in other areas).
In relation to "significant risk", at 31.12.2012 we highlight seven loans belonging to the category of loans in the portfolio of exposures to central governments, supervised mediators and local government bodies.

2.4 Impaired financial assets

The situations that 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, members of the Committee of Credit and Risk Management in coordination with the Directorate General held an evaluation meeting to verify the existence of objective signs of possible impairment losses (impairment test). The evaluation process provided an analytical examination on impaired positions by applying the methodologies and criteria set out in Part A - Accounting Policies.

Regarding risk's indicator of the portfolio developed by the Bank of Italy it is reported that the crisis of 2008 brought a general worsening of the indicator, that can be noticed both when analysing 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 and 2012, 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.

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	-	-	-	-	298	**298**
2. Financial assets available for sale	-	-	-	-	370,183	**370,183**
3. Financial assets held to maturity	-	-	-	-	-	**-**
4. Loans and advances to Banks	-	-	-	-	64,253	**64,253**
5. Loans and advances to banking customers	59,438	85,353	2,912	16,438	1,202,149	**1,366,290**
6. Financial assets valued at fair value	-	-	-	-	-	**-**
7. Financial assets being sold	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	-	**-**
Total 2012	**59,438**	**85,353**	**2,912**	**16,438**	**1,636,883**	**1,801,024**
Total 2011	**54,354**	**41,481**	**5,704**	**1,961**	**1,456,992**	**1,560,492**

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	-	-	-			298	**298**
2. Financial assets available for sale	-	-	-	370,183	-	370,183	**370,183**
3. Financial assets held to maturity	-	-	-	-	-	-	**-**
4. Loans and advances to banks	-	-	-	64,283	30	64,253	**64,253**
5. Loans and advances to banking customers	209,916	45,775	164,141	1,207,289	5,140	1,202,149	**1,366,290**
6. Financial assets held at fair value	-	-	-			-	**-**
7. Financial assets to be sold	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-			-	**-**
Total 2012	**209,916**	**45,775**	**164,141**	**1,641,755**	**5,170**	**1,636,883**	**1,801,024**
Total 2011	**137,229**	**33,729**	**103,500**	**1,461,570**	**5,212**	**1,456,992**	**1,560,492**

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	64,246	-	-	-	38
5. Loans and advances to banking customers	1,159,096	41,559	2,907	3,727	-
Of which					
Subject to renegotiation under collective agreements [1]	*16,581*	*839*	-	-	-
Other exposures	*1,142,515*	*40,720*	*2,907*	*3,727*	-

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	64,284	-	-	-	38
5. Loans and advances to banking customers	1,207,289	3,708	59	98	-
Of which					
Subject to renegotiation under collective agreements [1]	*17,420*	*6*	-	-	-
Other exposures	*1,189,869*	*3,702*	*59*	*98*	-

[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 28th of February 2012 which extended the deadlines.

A.1.3 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	211,991		30	211,961
Of which financial assets available for sale [1]	*147,708*		*-*	*147,708*
Loans to bank	*64,283*		*30*	*64,253*
TOTAL A	**211,991**	**-**	**30**	**211,961**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	-	-		-
b) Other	1,338		-	1,338
Of which derivatives	*298*	*-*	*-*	*298*
Guarantees issued [2]	*1,040*	*-*	*-*	*1,040*
TOTAL B	**1,338**	**-**	**-**	**1,338**

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 €7 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	91,155	31,717		59,438
b) Substandard loans	99,145	13,792		85,353
c) Restructured exposures	3,112	200		2,912
d) Expired exposures	16,504	67		16,437
e) Other assets	1,429,765		5,140	1,424,625
Of which loans to customers	*1,207,289*		*5,140*	*1,202,149*
Financial assets available for sale [1]	*222,476*		*-*	*222,476*
TOTAL A	**1,639,681**	**45,776**	**5,140**	**1,588,765**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	690	-		690
b) other	12.476		12	12,464
Of which commitments	*8.660*		*-*	*8,660*
Guarantees issued	*3.816*		*12*	*3,804*
TOTAL B	**13.166**	**-**	**12**	**13,154**

1 These are securities issued by the Italian Government eligible for ECB refinancing and by the French Government purchased to guarantee the securitisation operation started in 2009. 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	**80,316**	**48,556**	**6,391**	**1,966**
- of which: exposures sold and not de-recognised	-	-	-	-
B. Increases	**16,265**	**67,183**	**115**	**31,199**
B.1 transfers from performing loans	1,508	46,724	-	30,807[1]
B.2 transfers from other categories of impaired loans	13,572	18,908	-	-
B.3 other increases [2]	1,185	1,551	115	392
C. Decreases	**5,427**	**16,594**	**3,394**	**16,661**
C.1 transfers to performing loans	-	717	22	60
C.2 derecognised items	267	53	-	-
C.3 recoveries [2]	5,050	2,147	366	636
C.4 sale proceeds	-	-	-	-
C.5 transfers to other categories of impaired loans	110	13,407	3,006	15,957
C.6 other decreases	-	270[3]	-	8
D. Closing balance	**91,155**	**99,145**	**3,112**	**16,504**
- of which: exposures sold and not de-recognised	-	-	-	-

1 The amount also includes loans past due for more than 90 days with effect from 1st January 2012.

2 The column doubtful loans also includes €585 thousand related to cashing in of doubtful loans expired in the previous year as directed by the Bank of Italy (Letter "Budget and Supervision reports" - February 2012).

3 The amount includes mostly the write-down of € 263 thousand recorded on transactions concluded at rates lower than market rate (zero).

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	**25,962**	**7,075**	**687**	**5**	**5,182**	
- of which: exposures sold and not de-recognised	-	-	-	-	-	
B. Increases	**9,387**	**8,947**	**-**	**62**	**-**	
B.1 write-downs	7,776	8,684	-	62	-	
B.1bis losses on disposal	-	-	-	-	-	
B.2 transfers from other categories of impaired loans	1,026	263	-	-	-	
B.3 other increases [1]	586	-	-	-	-	
C. Decreases	**3,633**	**2,230**	**487**	**-**	**42**	
C.1 write-backs from valuations	2,663	1,151	224	-	42	
C.2 collection write-backs [1]	703	-	-	-	-	
C.2bis gains on disposal	-	-	-	-	-	
C.3 write-offs	267	53	-	-	-	
C.4 transfers to other categories of impaired loans	-	1,026	263	-	-	
C.5 other decreases	-	-	-	-	-	
D. Closing balance	**31,717**	**13,792**	**200**	**67**	**5,140**	
- of which: exposures sold and not de-recognised	-	-	-	-	**-**	
Losses due to below market rates	-	(263)	-	-	-	
Total net credit adjustment	**(4,410)**	**(7,796)**	**224**	**(62)**	**42**	**12,002**[2]

1 The column doubtful loans also includes €585 thousand related to cashing in of doubtful loans expired in the previous year as directed by the Bank of Italy (Letter "Budget and Supervision reports" - February 2012)

2 The amount correspond 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 that exclusively have credit institutions as counterparts. In particular, the overall notional amount of €57.7m is distributed: €56.1m with counterparts rated BBB+/Baa2, €1.6m with counterparts rated Baa3.

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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	Financial leasing	Securities	Other assets	Credit link notes	Government & central bank	Other public bodies	Banks	Others	Government & central bank	Other public bodies	Banks	Others	
1. Secured Balance sheet credit exposures															
1.1 fully secured	910,966	749,699	59,669	5,288	741	-	-	-	-	-	-	32,410	11,851	139,429	999,087
- of which impaired	142,611	165,094	1,529	26	-	-	-	-	-	-	-	18	371	14,710	181,748
1.2 partially secured	177,256	37,375	-	4,096	2,589	-	-	-	-	-	-	3,293	29,456	22,289	99,098
- of which impaired	14,992	10,062	-	250	-	-	-	-	-	-	-	3,293	596	3,570	17,771
1. Secured off-Balance sheet credit exposures															
1.1 fully secured	5,249	4,203	-	720	-	-	-	-	-	-	-	-	-	369	5,292
- of which impaired	690	690	-	-	-	-	-	-	-	-	-	-	-	-	690
1.2 partially secured	747	-	-	-	-	-	-	-	-	-	-	-	-	750	750
- 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													57,816	31,468		1,622	249	
A.2 Substandard							2,323	3,066					82,763	10,678		268	48	
A,3 Restructured exposures													2,642	199		270	0	
A.4 Expired exposures													16,338	67		100	0	
A.5 Other exposures	222,476			103,721		104	58,444		47				1,012,514		4,950	27,470		39
Total A	**222,476**			**103,721**		**104**	**60,767**	**3,066**	**47**				**1,172,073**	**42,412**	**4,950**	**29,729**	**298**	**39**
B. Off-balance sheet exposures																		
B.1 Doubtful																		
B.2 Substandard													690					
B.3 Other impaired assets																		
B.4 Other exposures													12,439		12	25		
Total B													**13,129**		**12**	**25**		
Total (A+B) (2011)	**222,476**			**103,721**		**104**	**60,767**	**3,066**	**47**				**1,185,202**	**42,412**	**4,962**	**29,754**	**298**	**39**
Total (A+B) (2010)	**30,920**			**93,379**		**48**	**34,466**	**1,228**	**21**				**1,205,886**	**32,206**	**5,101**	**32,144**	**293**	**28**

B.2 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by area (book value) [31]

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	59,438	31,717	*36,410*	*20,855*	*23,028*	*10,862*	-	-	-	-
A.2 Substandard	83,463	13,453	*56,307*	*8,950*	*27,156*	*4,503*	1,891	339	-	-
A.3 Structured exposures	2,912	200	*1,604*	*12*	*1,308*	*188*	-	-	-	-
A.4 Expired exposures	16,437	67	*9,599*	*41*	*6,838*	*26*	-	-	-	-
A.5 Other exposures	1,411,985	5,135	*1,020,328*	*4,161*	*391,657*	*974*	12,514	4	126	0
Total A	**1,574,235**	**50,572**	***1,124,247***	***34,020***	***449,988***	***16,552***	**14,405**	**343**	**126**	**0**
B. Off-balance sheet exposures										
B.1 Doubtful	-	-	-	-	-	-	-	-	-	-
B.2 Substandard	690	-	*690*	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	12,464	12	*9,524*	*10*	*2,940*	*2*	-	-	-	-
Total B	**13,154**	**12**	***10,213***	***10***	***2,940***	***2***	**-**	**-**	**-**	**-**
Total (A+B) 2011	**1,587,389**	**50,584**	***1,134,461***	***34,030***	***452,928***	***16,554***	**14,405**	**343**	**126**	**0**
Total (A+B) 2001	**1,392,865**	**38,916**	***1,107,209***	***26,463***	***285,656***	***12,454***	**3,769**	**10**	**160**	**0**

[31] 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's 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 destination of the investment as its area.

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	211,953	-	-	-	-	-	-	-	8	30
Total A	**211,953**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**
B. Off-balance sheet exposures										
B.1 Doubtful	-	-	-	-	-	-	-	-	-	-
B.2 Substandard	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,338	-	-	-	-	-	-	-	-	-
Total B	**1,338**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2012	**213,291**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**
Total (A+B) 2011	**188,206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**

B.4 Significant risks

	2012	2011
a) Amount		
a.1 book value	456,319	229,728
a.2 weighted value	225,071	184,216
b) Number	7	7

C. SALES AND SECURITISATION TRANSACTIONS

C.1 Securitisation 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 securitisation transaction that was arranged and managed by Cassa Centrale Banca pursuant to Law 130/99 and was called "Cassa Centrale Finance 3" as well as "BCC SME Finance 1" started in 2009 and 2012.
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-securitisation 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 "securitisation 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 with regard to both 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 and 10 interest rate cap options, of which 5 are with ordinary customers and 5 are undertaken with other banks. 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.
It is highlighted 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 amortisation 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. This type of hedge management ended during the current year.

C. Cash flow hedging

During 2012, the Bank did not initiate interest rate swap hedging transactions in order to stabilise floating-rate funding costs.
The total notional value of the only operation registered as at 31st December 2012 (recorded using the hedge accounting method) amounted to €50.0m.

Quantitative information

Banking portfolio: internal models and other methods of sensitivity analysis

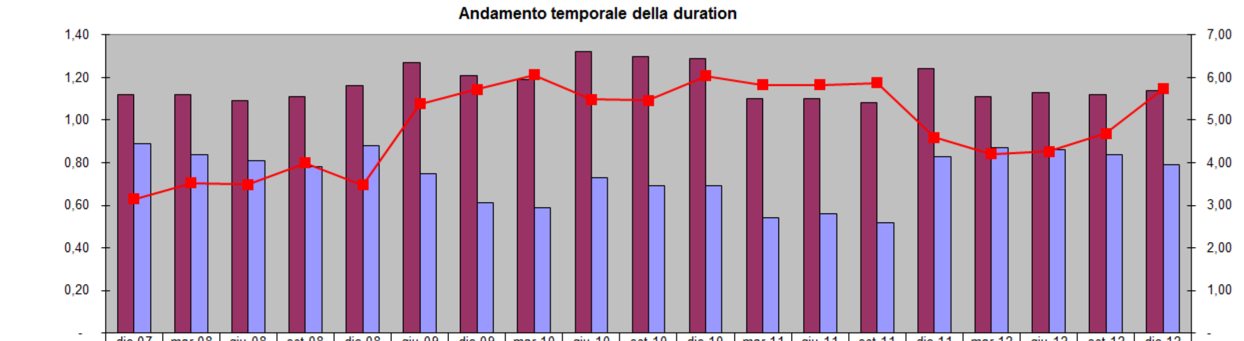
As we have already mentioned, the Bank uses asset liability management techniques to measure the impact that changes in the interest rates structure could have on the expected financial margin and on the market value of equity in relation to the overall portfolio of the Bank.
The Asset/Liability Management 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	-770	+770
Net income change	-381	+381

The analysis of the effect of the interest margin shows an increase in its volatility (- / +464 in December 2011, amounting to +65%), in addition to a reversal of the sign compared to 2011 due to the LTRO refinancing (€382m) theoretically repriced to a month, although mitigated by the reversed gap sign in the rest of the bands.
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 2007-2012:



	dic-07	mar-08	giu-08	set-08	dic-08	giu-09	dic-09	mar-10	giu-10	set-10	dic-10	mar-11	giu-11	set-11	dic-11	mar-12	giu-12	set-12	dic-12
Attivo	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	1,11	1,13	1,12	1,14
Passivo	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	0,87	0,86	0,84	0,79
Portafoglio	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	4,21	4,26	4,69	5,73

The model provides the following measurement of the volatility of the net equity market value as at 31.12.2012, 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	- 7,942	+ 7,942

Data is substantially in line with the values measured at the end of 2011.

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, based on 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. Starting from 2011, we have 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 2012.

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	**109**				**1,183**	
A.1 Debit securities						
A.2 Equity securities						
A.3 Loans to banks	0				4	
A.4 Loans to customers	109				1,179	
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**107**				**1,163**	
C.1 Amount due to banks	107				1,163	
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	**109**				**1,183**	
Total liabilities	**107**				**1,163**	
Difference (+/-)	**2**				**20**	

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	2012		2011	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate	14,225	-	1,424	-
a) Options[1]	13,133			
b) Swap[2]	1,092		1,424	
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	**14,225**	**-**	**1,424**	**-**
Average amounts	**3,912**		**1,622**	

1 It is cap options sold to customers and their hedging corresponding option purchased from bank counterparties.
2 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	2012		2011	
	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**		**50,000**	

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	2012		2011	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	-	-	39,500	-
a) Options				
b) Swap[1]	-		39,500	
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**	**-**
Average values	**-**		**39,500**	

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	298	-	-	-
a) Options [1]	298			
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Banking portfolio-hedging derivatives	-	-	-	-
a) Options				
b) Interest rate swap	-		-	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C. Banking portfolio-other derivatives		-	634	-
a) Options				
b) Interest rate swap [2]			634	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**298**	**-**	**634**	**-**

1 It is cap options purchased from bank counterparties hedging corresponding options sold to customers.

2 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			
	2012		2011	
	Over the counter	Clearing house	Over the counter	Clearing house
A. Regulatory trading portfolio	365	-	75	-
a) Options[1]	298			
b) Interest rate swap[2]	67		75	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Banking portfolio – hedging derivatives	614	-	168	-
a) Options				
b) Interest rate swap[3]	614		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 [4]			1,032	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**979**	**-**	**1,275**	**-**

1 It is cap options sold to customers.
2 These are interest rate swaps related to lending operations but classified as held for trading.
3 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".
4 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.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			7,659			6,567	
- positive fair value			298			-	
- negative fair value			67			298	
- future exposure			105			98	
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			50,000				
- positive fair value			-				
- negative fair value			614				
- future exposure			-				
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	**-**	**1,241**	**13,133**	**14.374**
A.1 Financial derivative contracts on debt securities and interest rates	-	1,241	13,133	14,374
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	**50,000**	**-**	**-**	**50,000**
B.1 Financial derivative contracts on debt securities and interest rates	50,000	-	-	50,000
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 2012	**50,000**	**1,241**	**13,133**	**64,374**
Total 2011	**29,500**	**61,424**	**-**	**90,924**

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 period. 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 Bank continues to pay special attention in order to keep a substantial equilibrium between the duration of borrowing and lending, and to diversify the sources and types of funds it raises to mitigate non-systemic liquidity risks.

Following the fourth update of Bank of Italy's Circular n. 263/2006, the Bank has implemented organisational 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 organisational 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;
- formalisation 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 utilisation 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 optimisation of funding costs.

With regard to dealing with securities in terms of liquidity management, the structural model of Basel III, on which the Bank has based its own governance model for liquidity risk, provides for government bonds with a maturity of over 1 year with a weighing factor (RSF) of only 5% of their nominal value, given their high level of liquidity. This weighting would produce a significant reduction in the current ratio between assets and liabilities over 1 year. Nevertheless, the Bank has sought to maintain 100% weighing factor, as the stock of government bonds contributes to fund a pool of liquid assets to cover for liability deadlines in future years.

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 summarises 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 organisational/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.

2012 was characterised by volatile spreads on bank bond issues – similarly to the trend of sovereign debt spreads.
This has led to bond issuing opportunities that have been seized mainly by larger national banks for which it was possible to return on the capital market in one or two occasions during the year.
The capital market did not offer a valid alternative financial resource for our bank, due to the emission characteristics required by potential investors: the high issue amount and spread on the benchmark.
In light of these considerations, the European Central Bank has maintained a high level of liquidity in the system confirming on several occasions its expansionary monetary policy.
In February 2012, the Bank put in place a second 3-year refinancing operation with the ECB, to which our bank participated for an amount of €300m, bringing to a total of €382m the amount of liquidity drawn from this source. To guarantee this refinancing (next to the Italian Government bonds and those resulting from the first self-securitisation operation) in late January 2012, securities guaranteed by the Treasury (for a total of €185m) and securities resulting from the securitisation of loans to SMEs were both issued. This strengthened the extent of the eligible portfolio and further reduced the liquidity risk.
To completely cover the financial requirements, the Bank also used short-term funding; the presence on the interbank deposit market (MID) (although with less long-term maturities available) was maintained with the objective of maintaining relations with the historical counterparts and maintaining the credit lines. It was also possible to further segment the funding market through the instrument of the current account/deposit, a product offered to a selected number of corporate or financial counterparties.
Bond funding for the year amounts to about €100m and has been carried out exclusively through wholesale and private placements to members and local entities.
Although the situation of the financial markets continues to be volatile and funding needs for the entire banking system gets more and more stringent, the Bank still has undrawn credit lines with credit institutions, mostly shareholders, as well as credits on MID, which remain active only on short term maturities.
In addition, the Bank has:

- assets eligible for refinancing operations with the Central Bank for about €642m (€579m net of the ECB haircut), of which €165m free;
- an award by the EIB of €50m to be finalised in the course of 2013, after starting in December;
- an EMTN programme renewed in March 2013.

As at 31st December 2012, the situation of eligible securities was the following:

Type of issuer	Available	Constrained
Governments	215,000	202,031
Co-operative credit banks	50,000	39,160
Other banks	35,000	27,854
Senior notes from securitisation transactions	156,821	102,623
Own bonds guaranteed by the State	185,000	177,482
Total	**641,821**	**549,151**
Liquidity already drawn		384,308
Residual available liquidity		**164,843**

Securitisation transaction

In order to increase the liquidity of its assets, the Bank has taken part in the multi originator securitisation transaction that was arranged and managed by Cassa Centrale Banca S.p.A., pursuant to Law 130/99 and was called "Cassa Centrale Finance 3" and "BCC SME Finance 1". The sole purpose of the transaction is to create financial assets eligible for refinancing with the European Central Bank for Mediocredito and Casse Rurali – Co-operative credit banks.

Cassa Centrale Finance 3

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 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-securitisation.
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/A2	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 securitisation 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 securitisation 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 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 Securitisation, 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 and DBRS Ratings
- Legal Advisor: Orrick, Herrington & Sutcliffe – Roma
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- SPV's Auditors: Deloitte and Touche Spa

BCC SME Finance 1

The transaction was finalised in August 2012 and implied handing over to a Special Purpose Vehicle of a portfolio of performing loans secured by a mortgage of first degree.
The *Special Purpose Vehicle* in its turn issued listed and rated Senior notes and Junior notes. Both types of notes were purchased pro rata by the Bank that 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 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-securitisation.
The overall gross nominal value of the assigned loans are equal to €2,189.7m out of which €150.3m refer to the Bank; in correspondence with such loans, Senior notes in the amount of €1,533.0m out of which €105.2m refer to the Bank and Junior notes in the amount of €656.78m were issued 7m out of which €45.1m refer 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	A/A2	IT0004846116	10.08.2012	29/05 – 29/11	29/05/2060	6ME+20
Class B	Junior	No rating	IT0004846058	10.08.2012	29/09 – 29/11	29/05/2060	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 €65.9m (out of which €4.5m 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).

In relation to the internal systems for measuring and controlling securitisation 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 securitisation 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 9th August 2012;
- 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: Società Veicolo: BCC SME Finance 1 Srl, a limited liability company incorporated under Law 130/99 on Securitisation, 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. 6646750965 and it is enrolled in the register of special purpose vehicle for securitisations ABI code 35037; we confirm that the Bank does not hold any interest nor do its employees hold any corporate position in SPV BCC SME Finance 1 Srl. 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 AG, London Branch
- Corporate Servicer Provider: FIS Spa, Rome
- Rating Agency: Moody's Investors Service and DBRS Rating
- Legal Advisor: Orrick, Herrington & Sutcliffe – Roma
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- SPV's Auditors: Crowe Horwath AS S.r.l.

Quantitative information

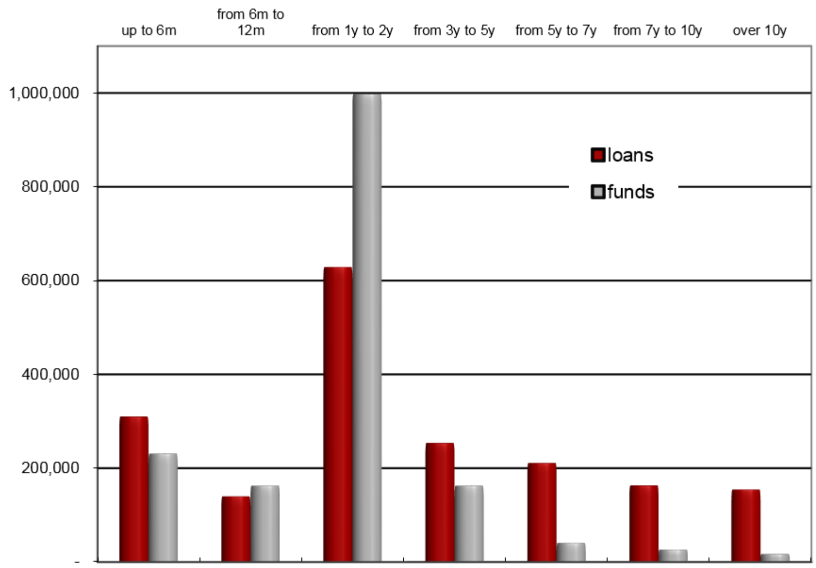
1. Breakdown of financial assets and liabilities by residual contractual maturity (foreign currency denominated items are shown separately)

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	**46,769**	**10,750**	**4,729**	**16,686**	**119,478**	**111,859**	**140,044**	**882,910**	**529,384**	**468**
A.1 Government securities	-	-	-	-	16,107	12,625	2,144	150,000	50,000	-
A.2 Other debt securities	-	-	-	3,959	22,752	1,410	2,821	120,000	-	-
A.3 Units in UCITS.	4,935	-	-	-	-	-	-	-	-	-
A.4 Loans	41,834	10,750	4,729	12,727	80,619	97,823	135,079	612,910	479,384	468
- banks	8,721	10,000	-	10,033	35,062	-	-	-	-	468
Of which dollars	*0*	-	-	-	-	-	-	-	-	-
Of which Swiss francs	*4*	-	-	-	-	-	-	-	-	-
- customers	33,113	750	4,729	2,694	45,557	97,823	135,079	612,910	479,384	-
Of which dollars	*2*	-	-	-	*1*	*24*	*25*	*96*	-	-
Of which Swiss francs	*47*	-	-	-	-	*88*	*88*	*585*	*644*	-
Balance sheet liabilities	**21,226**	**31,850**	**1,321**	**5,239**	**135,979**	**35,653**	**162,819**	**1,161,217**	**84,450**	**-**
B.1 Deposits and current accounts	13,867	31,850	1,269	5,239	72,625	21,075	32,353	10,374	5,298	-
- banks	12,736	29,004	1,269	5,239	72,625	-	4,032	10,361	-	-
Of which dollars	-	-	*106*	-	-	-	-	-	-	-
Of which Swiss francs	-	-	*1,163*	-	-	-	-	-	-	-
- customers	1,132	2,846	-	-	-	21,075	28,321	14	5,298	-
B,2 Debt securities	7,092	-	-	-	52,214	3,303	101,920	544,672	-	-
B.3 Other liabilities	267	-	52	-	11,140	11,275	28,546	606,171	79,152	-
Off balance sheet transactions	**10,453**	**604**	**-**	**-**	**799**	**1,935**	**925**	**2,069**	**4,304**	**690**
C.1 Physically settled financial derivatives	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives	70	-	-	-	799	-	800	64	313	-
- long positions	2	-	-	-	261	-	261	32	157	-
- short positions	68	-	-	-	538	-	539	32	157	-
C.3 Deposit to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	9,350	604	-	-	-	1,935	125	2,005	3,991	690
- long positions	-	604	-	-	-	1,935	125	2,005	3,991	690
- short positions	9,350	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,033	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7. Physically settled credit derivaives	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8. Cash settled credit derivaives	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

For a better representation of flows generated by the Bank's operations, prevalently medium/long term ones and with an amortisation 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:

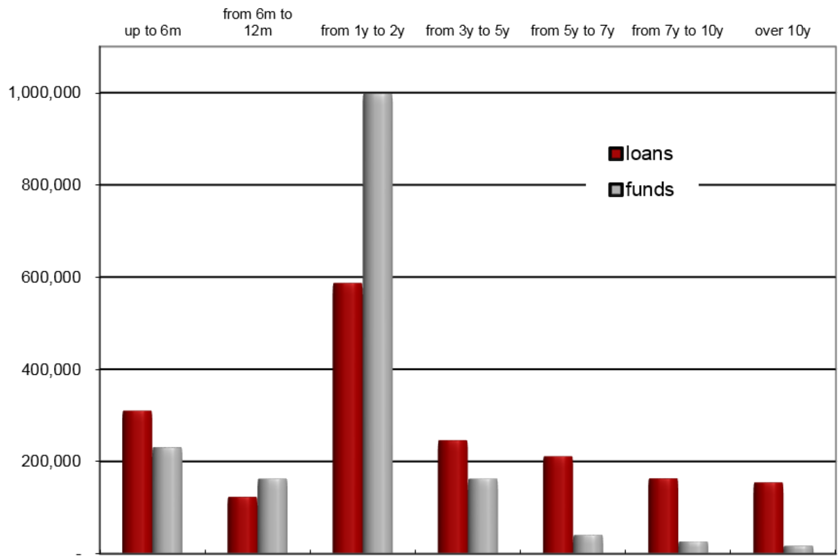
- a positive gap in the short-term band (up to 6 months) of about €79m partially compensated (in value) from a negative gap in the "up to 1 year" band (-€23m; -€40m net of estimated flows on doubtful loans);
- a negative gap in the "1 to 3 year" band of about €369m (€411m net of doubtful loans) characterised by the expiring in 2015 of the 3-year financing for €382m by the ECB;

– a positive gap in the "3 to 5 year" band of about €91m (€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	from 6m to 12m	from 1y to 2y	from 3y to 5y	from 5y to 7y	from 7y to 10y	over 10y
loans	310,272	140,043	628,975	253,936	211,322	163,342	154,720
funds	231,268	162,820	998,218	162,999	40,845	26,456	17,148

The situation net of flows from doubtful loans is shown in the following graph:



	up to 6m	from 6m to 12m	from 1y to 2y	from 3y to 5y	from 5y to 7y	from 7y to 10y	over 10y
loans	310,256	123,279	587,333	246,205	211,322	163,342	154,720
funds	231,268	162,820	998,218	162,999	40,845	26,456	17,148

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 that 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 organisational 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 organisational 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 organisational 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 organisational 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 Organisation 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 2012 the mapping of 47 processes has been updated, 4 processes already in force were revised and 25 new second-level controls (operating on six different fields) have been set up.
- contract signing with the company OASIS Diagram SpA for the supply of the product "GIANOS 3D Mediocrediti" management, an analysis and control tool pursuant to anti-money laundering and proliferation of weapons of mass destruction opposition regulations;
- the definition of the "Anti-Money Laundering Policy" document, aimed to describe in a single compendium the approach and attention that Mediocredito poses against this risk. The document was published on the website of the Bank (www.mediocredito.it).

The above-mentioned organisational 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 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	2012	2011
1. Capital stock	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	93,996	93,596
- profits	93,996	93,596
a) legal	18,809	18,484
b) statutory	53,977	53,902
c) treasury shares	-	-
d) other	21,210	21,210
- others	-	-
4. Equity instruments		
5. (Treasury shares)		
6. Valuation reserves	6,598	1,466
- Financial assets available for sale	2,573	(2,728)
- Property, plant and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges	(293)	(124)
- 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	2,960	6,549
Total	**191,880**	**189,936**

B.2 Revaluation reserves for available-for-sale assets: breakdown

Items/Amount	2012		2011	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,183	675	449	3,808
2. Equity securities	965	-	561	-
3. Units in UCITS	122	22	70	-
4. Loans	-	-	-	-
Total	**3,270**	**697**	**1,080**	**3,808**

B.3 Revaluation reserves for available-for-sale assets: annual changes

	Debt securities	Equity securities	Unit in UCITS	Loans
1. Opening balance	**(3,359)**	**561**	**70**	**-**
2. Positive changes	**4,928**	**404**	**69**	**-**
2.1 Fair value increases	4,928	404	69	-
2.2 Reclassification through profit or loss of negative reserves	-	-	-	-
- due to impairment	-	-	-	-
- following disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**61**	**-**	**39**	**-**
3.1 fair value decreases	61	-	39	-
3.2 Adjustments due to impairment	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves:	-	-	-	-
Following disposal	-	-	-	-
3.3 Other changes	-	-	-	-
4. Closing balance	**1,508**	**965**	**100**	**-**

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 €93.996m and reinvested profits (€228 thousand). The capital amount is adjusted to take into consideration the negative elements due to intangible assets (€460 thousand) and negative prudential filters - calculated with the asymmetrical approach[32] - related to fair value changes of items related to the fair value option that is attributable to a change in the Bank's creditworthiness for €39 thousand.

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 (€2.573m) 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 (€1.286 thousand).

3. Tier 3 capital.

There are no values to be disclosed.

[32] 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

			2012	2011
A.	**Tier 1 capital before the application of prudential filters**		**182,090**	**181,623**
B.	Prudential filters of Tier 1 capital:		-39	-3,713
B1	- positive Ias/Ifrs prudential filters	(+)	-	-
B2	- negative Ias/Ifrs prudential filters	(-)	-39	-3,713
C.	**Tier 1 capital gross of items to be deducted**	**(A+B)**	**182,051**	**177,910**
D.	**Items to be deducted from Tier 1 capital**		**-**	**-**
E.	**Total Tier 1 capital**	**(C-D)**	**182,051**	**177,910**
F.	**Tier 2 capital before the application of prudential filters**		**6,891**	**4,950**
G.	**Prudential filters of Tier 2 capital:**		**-1,286**	**-316**
G1	- positive Ias/Ifrs prudential filters	(+)	-	-
G2	- negative Ias/Ifrs prudential filters	(-)	-1,286	-316
H.	**Tier 2 capital gross of items to be deducted**	**(F+G)**	**5,605**	**4,634**
I.	**Items to be deducted from Tier 2 capital**		**-**	**-**
L.	**Total Tier 2 capital**	**(H-I)**	**5,605**	**4,634**
M.	**Items to be deducted from total Tier 1 and 2 capital**		**-**	**-**
N.	**Regulatory capital**	**(E+L-M)**	**187,656**	**182,544**
O.	**Tier 3 capital**		**-**	**-**
P.	**Regulatory capital including Tier 3 capital**	**(N+O)**	**187,656**	**182,544**

The net profit for the period (€2.960m) is included in the calculation of the regulatory capital to the amount of €228,000 after deducting dividends to the amount of €2.587m and €145 thousand that 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.

At 31st December 2012 these ratios (respectively equal to 13.52% and 13.93%) 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 June 2012, the Bank prepared and published the disclosure document in accordance with the requirements of Basel 2 Pillar 3, i.e. public disclosure as at 31/12/2011. 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 27th 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	
	2012	2011	2012	2011
A. RISK-WEIGHTED ASSETS				
A.1 Credit risk and counterparty risk				
1. Standardised approach	1,907,895	1,690,736	1,296,383	1,229,230
2. Internal ratings-based approach				
2.1 Basic				
2.2 Advanced				
3. Securitisation framework				
B. MINIMUM CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			103,711	98,338
B.2 Market risk				
1. Standardised approach				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic approach			4,025	3,868
2. Standard approach				
3. Advanced approach				
B.4. Other capital requirements				
B.5. Other calculation elements				
B.6 Total capital requirements			**107,736**	**102,207**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,346,699	1,277,585
C.2 Tier 1 capital/Risk-weighed assets (Tier 1 capital ratio)			13.52	13.93
C.3 Regulatory capital (including Tier 3)/Risk-weighted assets			13.93	14.29

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 2012, as per IAS 24 paragraph 17.
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	285,352	-	-
Managers with strategic responsibilities	567,439	20,642	46,223
Statutory Auditors	149,511	-	-

2. RELATED PARTIES 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 18 and 19 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	51,055	49,281	46,329	13,455[1]	84,051	73,510	130,791	1,592[2]	41
Subsidiary companies			2,895[3]						
Affiliated companies									
Joint venture									
Managers with strategic responsibilities									
Other related parties									
Total	**51,055**	**49,281**	**49,224**	**13,455**	**84,051**	**73,510**	**130,791**	**1,592**	**27**

1 The item includes illiquid items on current account towards banks for €5.1m.
2 These are two swap contracts written in the Statement of Financial Position at a negative fair value of €67,000 and a cap contract with positive fair value of €20 thousand.
3 This amounts relates to a credit line granted by the Bank to the subsidiary company Paradisidue S.r.l., with headquarters in Trento in via Paradisi 2, 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.

Costs and revenues

Related parties	Interest income	Fees and commissions income	Dividens/Sundry proceeds	Interest expenses	Fees and commissions expenses	Trading charges	Other expenses
Entities that have joint control and significant influence over the Company	4,066	217	2	7,780	65	11	13
Subsidiary companies	26						
Affiliated companies							2
Joint venture							
Managers with strategic responsibilities							
Other related parties							
Total	**4,092**	**217**	**2**	**7,780**	**65**	**11**	**15**

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.

In addition, the Autonomous Provinces of Trento and Bolzano provide a surety ship for us to the EIB to the amount of €11.752m; 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, based on 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 based on 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 organisational 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 shows a higher cost of risk (in absolute terms) which is concentrated in the building and real estate sector.

The primary segment and the secondary segment, appear to benefit respectively from a significant contribution to the margins by the "Head Office" (primary segment) and by "other activities" (second segment) due to the low risk cost of operation managed by the head office, to the important capital effect and to a lesser extent, to the maturity transformation enacted by the treasury management team.

PRIMARY SEGMENT REPORTING BASIS

A.1 Breakdown by geographical segment: statement of income 2012

	Trentino	Alto Adige	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Net interest income	**3,308**	**3,113**	**3,626**	**2,151**	**1,131**	**12,919**	**26,249**
Net commissions	316	213	265	168	69	72	**1,103**
Dividends and other trading and hedging income						1.360	***1.360***
Operating income	**3,624**	**3,326**	**3,891**	**2,319**	**1,200**	**14,351**	**28,712**
Net adjustments/write-backs	(2,888)	(1,308)	(3,303)	(2,229)	(822)	(1,465)	**(12,015)**
Net income from financial activities	**736**	**2,018**	**588**	**90**	**378**	**12,886**	**16,696**
Total operating expenses	(707)	(832)	(1,391)	(771)	(533)	(6,435)	**(10,669)**
Profit (Loss) from associates and investment securities						(45)	**(45)**
Profit before income taxes	**29**	**1,186**	**(803)**	**(681)**	**(155)**	**6,407**	**5,983**

A.1 Breakdown by geographical segment: statement of income 2011

	Trentino	Alto Adige	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Net interest income	**3,078**	**3,272**	**3,498**	**2,125**	**1,062**	**10,339**	**23,374**
Net commissions	336	256	87	80	-15	1,260	**2,004**
Dividends and other trading and hedging income						919	**919**
Operating income	**3,414**	**3,528**	**3,585**	**2,204**	**1,048**	**12,518**	**26,298**
Net adjustments/write-backs	(738)	365	(2,204)	(1,190)	(675)	(712)	**(5,154)**
Net income from financial activities	**2,676**	**3,893**	**1,381**	**1,015**	**373**	**11,806**	**21,144**
Total operating expenses	(698)	(844)	(1,357)	(834)	(492)	(6,197)	**(10,423)**
Profit (Loss) from associates and investment securities						(37)	**(37)**
Profit before income taxes	**1,978**	**3,049**	**24**	**180**	**(120)**	**5,573**	**10,684**

A.2 Breakdown by geographical segment: Statement of Financial Position Dec. 2012

	Trentino	Alto Adige	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Lending operations	341,262	320,403	286,986	198,227	94,624	625,921	**1,867,423**
Borrowing operations						1,627,697	**1,627,697**

A.2 Breakdown by geographical segment: Statement of Financial Position Dec. 2011

	Trentino	Alto Adige	Veneto	Lombardia	Emilia	Structure/ Head office	Overall amounts
Lending operations	354,167	323,913	296,211	212,149	93,072	336,580	**1,616,093**
Borrowing operations						1,398,088	**1,398,088**

SECONDARY SEGMENT REPORTING BASIS

B.1 Breakdown by business segment: statement of income 2012

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Net interest income	**9,383**	**2,098**	**639**	**2,947**	**11,182**	**26,249**
Net commissions	*1,714*	*69*	*51*	*45*	*(776)*	***1,103***
Dividends and similar incomes					1,360	**1,360**
Operating income	**11,097**	**2,167**	**691**	**2,992**	**11,765**	**28,712**
Adjustments/write backs	(7,017)	(4,823)	(411)	248	(13)	**(12,015)**
Net income from financial activities	**4,080**	**(2,656)**	**280**	**3,240**	**11,752**	**16,696**

B.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**

B.2 Breakdown by business segment: Statement of Financial Position Dec. 2012

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Lending operations	907,446	137,284	65,981	284,848	471,864	**1,867,423**
Borrowing operations					1,627,697	**1,627,697**

B.2 Breakdown by business segment: Statement of Financial Position Dec. 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 1

FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANY PARADISIDUE S.R.L.

(prepared in abridged form under Article 2435 bis of the Civil Code)

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	31/12/2012	31/12/2011
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	**2,903,629**	**2,804,295**
I. Stocks	2,683,726	2,597,237
- immovables leftovers	2,395,020	2,308,531
- immovables for commercial use/ leftovers	288,706	288,706
- advance payments to suppliers	-	-
II. Receivables with maturity within one year	217,931	205,521
- tax credit for advance withholding tax on interest	0	1
- VAT credit and tax prepayment	217,814	205,436
- caution money	117	84
III. Investments	-	-
IV. Cash at bank and in hand	1,972	1,538
- Unicredit Bank c/c 40066549	1,972	1,538
D. PREPAYMENTS AND ACCRUED INCOME	-	-
TOTAL ASSETS	**2,903,629**	**2,804,295**

STATEMENT OF FINANCIAL POSITION (IN EURO UNITS)

LIABILITIES	31/12/2012	31/12/2011
A. CAPITAL AND RESERVES	**1,482**	**22,784**
I. Capital stock	10,000	10,000
II. Additional paid-in capital	-	-
III. Valuation reserve	-	-
IV. Legal reserve	1,547	1,207
V. Reserve for own shares	-	-
VI. Statutory reserves	-	-
VII. Other reserves	11,237	4,768
VIII. Losses brought forward	-	-
IX. Income (Loss) for the year	(21,302)	6,810
B. RESERVE FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. CREDITORS	**2,902,148**	**2,781,511**
Amounts becoming due and payable within one year		
- prepayments received	-	-
- other creditors	25	14,151
- suppliers and incoming invoices	2,541	2,541
- loans to Parent Company	2,895,352	2,764,819
- tax debt to be paid over the next financial period	2,430	-
- INPS debt to be paid over the next financial period	1,800	-
E. ACCRUALS AND DEFERRED INCOME	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**2,903,629**	**2,804,295**

GARANTEES AND COMMITMENTS (IN EURO UNITS)

GUARANTEES AND COMMITMENTS	31/12/2012	31/12/2011
Personal guarantees given/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

INCOME STATEMENT (IN EURO UNITS)

INCOME STATEMENT	**31/12/2012**	**31/12/2011**
A. PRODUCTION VALUE	**86,567**	**346,647**
1) Revenues from sales and services	-	30,112
2) Variation in stocks of finished goods and in work in progress	86,490	316,536
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	78	0
B. PRODUCTION COSTS	**81,308**	**310,685**
6) Raw materials, subsidiary materials, consumable stores and goods	60,647	289,733
7) Services	12,606	13,394
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	8,055	7,558
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	*5,259*	*35,963*
C. FINANCIAL INCOME AND CHARGES	**(25,982)**	**(26,802)**
15) Income from participating interests		
16) Other financial income	0	0
17) Other interest receivable and similar income	25,982	26,802
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	*(20,722)*	*9,161*
INCOME TAX	580	2,351
NET INCOME (LOSS) FOR THE YEAR	**(21,302)**	**6,810**

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 (€10.669m).
Operating income is calculated for the whole amount shown in the Statement of Financial Position i.e. €28.712m.

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" (€187.656m) and 2.2.B "Capital adequacy – Quantitative information" (€1,346.699m) 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 €91.155m and €1,481.489m 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 €59.438m and €1,430.543m 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 €91.155m.
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 €187.656m.

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 €59.438m.
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 €187.656m.

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 €209.954m and €1,481.489m 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 €164.148m and €1.430.543m 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 €209.954m.
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 €187.656m.

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 €164.148m.
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 €187.656m.

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 €2.587m and €2.960m respectively.

PAYROLL TO OPERATING INCOME

$$\frac{\textit{payroll}}{\textit{Net interest and other banking income}}$$

The amounts of payroll (€7.065m) and of operating income (€28.712m) 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

$$\frac{\textit{payroll}}{\textit{Average number of employee}}$$

The payroll cost, used for the calculation in the Report on Operations in the section dedicated to the economic dynamics of the year, amounted to €6.630m and is found in Table 9.1 of the "C - Information on the Income Statement" in item 1 of the notes).

The average number of employees (80.3) is given in the notes, "Part C - Information on the Income Statement " in the supplementary table at the footnote to Table 9.2, showing the average number of employees calculated considering the part-time employees in proportion to the actual hours in the individual 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 (€28.712m) 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 (80.3) 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 €1,838.048m, as shown in the financial statements.

The average number of employees (80.3) 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 €2.960m, as shown in item 290. of the income statement.

Net equity (before dividends) is equal to €188.920m 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, 99.58% of the shareholders representing 111,998,400 shares out of 112,470,400 that make up the capital of the Company, on 02 May 2013,

the Shareholders unanimously approved

- the Report on Operations relative to the business year closed on 31 December 2012;

- the Statement of Financial Position as at 31 December 2012 (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.