ANNUAL REPORT
2013

60th Accounting period
1953-2013

MEDIOCREDITO
INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

ANNUAL REPORT AND ACCOUNTS 31st DECEMBER 2013

60th Accounting Period

1953-2013

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]

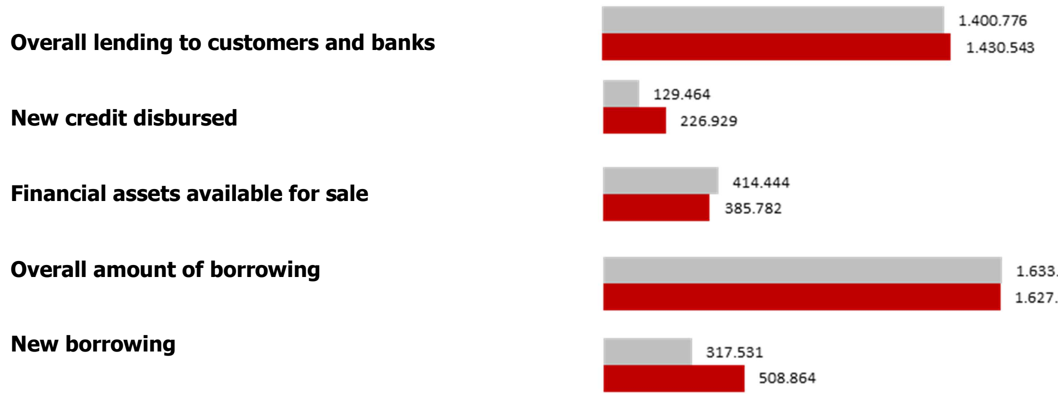
(Amounts are in thousands of Euros)

Rating

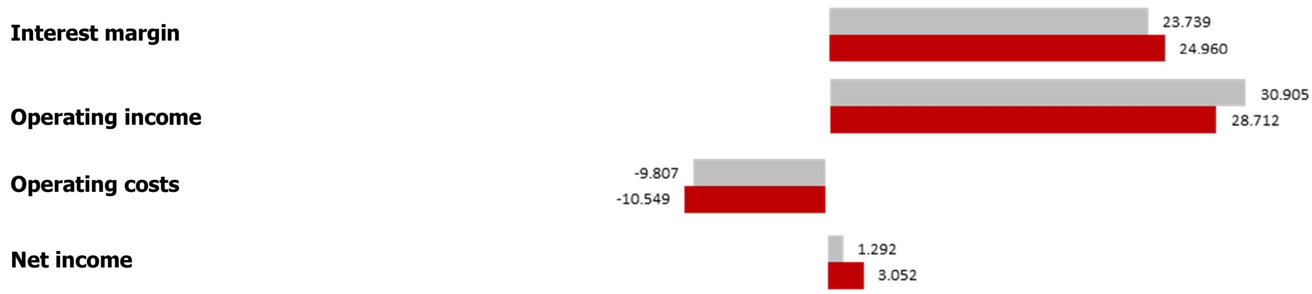
MOODY'S INVESTOR SERVICE	2013	2012
- Bank Deposits	Baa3 / P-3	Baa2 / P-2
- Outlook	Negative	Negative

FITCH RATINGS	2013	2012
- Bank Deposits	BBB+ / F2	*n.a.*
- Outlook	Negative	

Data sheet and flow data



Financial data



Capital and capital ratios

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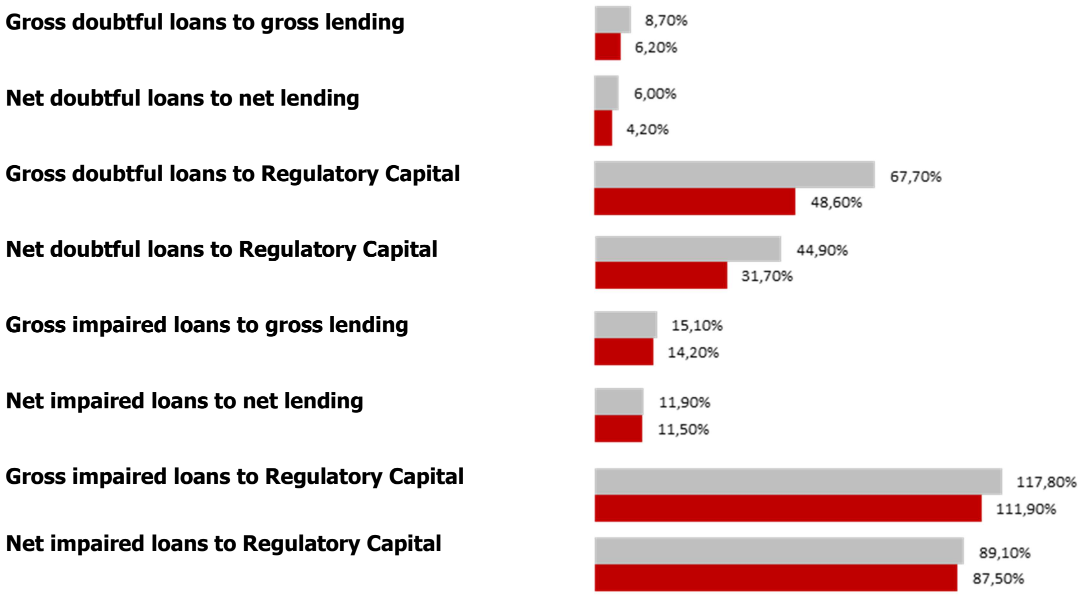
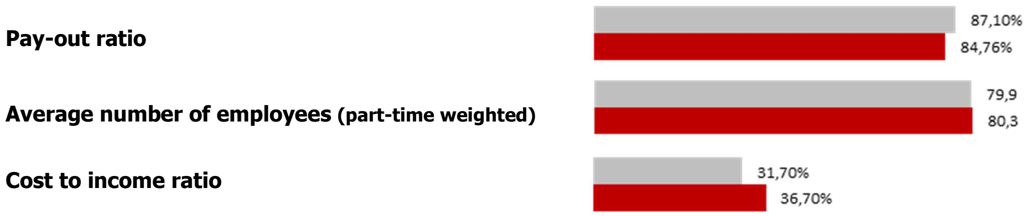
[1] All the ratios in the table are explained clearly in appendix 2 "Glossary of ratios".

[2] Data represented in grey refer to 2013; red to 2012.

Risk ratios



Other ratios

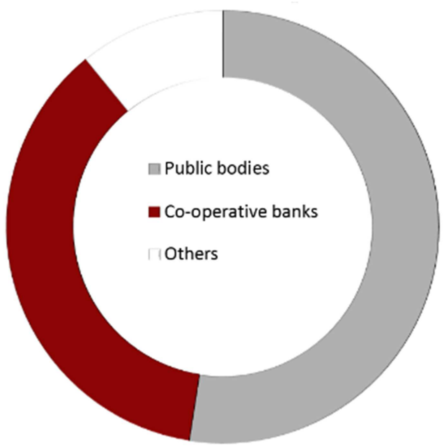


SHAREHOLDERS

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 in A.S.
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]
Giorgio Marchiodi [4]
Stefano Mengoni [3]
Giorgio Pasolini
Franz Pircher [5]
Filippo Sartori [4]
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] Since 02.05.2013.
[5] Resigned as of 05.11.2013. Member of the Executive Committee to that date.

SHAREHOLDERS' ORDINARY GENERAL MEETING

The shareholder are requested to attend the Ordinary General Meeting on the 14th April 2014 at 11am. for the first meeting date and if necessary on the 18th of April 2014 as a second option at 4pm 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 2013; 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 one Director;
3) 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 07.03.2014 in appliance with article 7 of the bylaws)

REPORT ON OPERATIONS

GENERAL ECONOMICAL OVERVIEW

Italian and international economic situation

Global GDP growth, after the slowdown of more than one percentage point recorded in 2011 and the slowing down in 2012, has weakened even further during 2013. The world growth rate for the year has been estimated at 3.0% compared to 3.1% in 2012, due to the reduction in the pace of growth for emerging economies. When looking at only the results for the advanced economies, the growth is much smaller, estimated to be +1.3%[6].
The Eurozone shows persisting difficulties, the U.S. and the U.K. have seen a growth of 1.9% and Japan has seen a growth of 1.6%.

In 2013, the economic situation of the Eurozone carried on showing signs of improvement.
In 2013, the GDP of the Eurozone showed a slight recovery with annual growth figures standing at -0.4% (compared to -0.7% in 2012). The industrial production index also fell, although moderately, by 0.8% on an annual basis (-2.4% in 2012).
During 2013, expectations of economic recovery in the Eurozone have consolidated: in December, the composite Purchasing Managers Index, indicator of the general economic climate, has accelerated, keeping above the 50 points threshold for the sixth consecutive month.
In 2013, inflation trends in the Eurozone still showed signs of mitigation in a framework of weak demand: in 2013, consumer prices in the Eurozone increased by 1.4% with Italy showing below average values (+1.3%; a strong decrease when compared to +3.3% in 2012)[7].

The Italian economic situation, in the second half of the year, has started to show the first signs of a turnaround, although with different strength depending on business sectors and their geographic location: the best performers are larger industrial firms and more export-oriented companies, while smaller firms, the service sector and businesses in the weakest areas still show difficulties.
The situation in the financial markets in Europe and Italy also improved further, due to prospects of a recovery, the accommodating monetary policies of the ECB and the stabilisation of the Italian internal framework. Interest rates on long-term Italian government bonds fell, with the yield difference with Germany's 10-year Bund falling to around 200 basis points.
In the first half of 2013, the Italian GDP followed the trend of decline shown since the third quarter of 2011, but as in the third quarter, Italian GDP stabilised and in the last quarter showed a slight recovery which contributed to limiting the decline on an annual basis to 1.9% (-2.4% in 2013).
Industrial activity, after declining consistently since the summer of 2011, returned to show signs of recovery in the last months of 2013. Nevertheless, the average for the whole year 2013 saw production fall by 3.0% over the previous year while halving the decline compared to 2012. This reduced slightly, to -23.8%, the difference from the pre-crisis peak of activity dating back to April 2008 (it was 24.9% at the end of 2012). Business confidence has improved during 2013, particularly in the manufacturing sector.

[6] International Monetary Fund, World Economic Outlook Update, January 2014.
[7] Eurostat, preliminary data.

Unemployment has grown considerably, with an increase of 293,000 units (+10%) on annual basis. The unemployment rate has now reached 12.7%, up by 1.2% in twelve months.
The large margins of spare capacity, although improved when compared with 2012, have continued to slow down investments (the degree of capacity utilisation is up from 68.7%, as registered by ISTAT in the last quarter of 2012, to 72.7% in the last quarter of 2013). The contraction rate (-4.7%) is still high, although it shows a positive trend when compared to 2012, when over twelve months there was a contraction of 8.0%.
In 2013 there has been a positive growth in foreign trade. When compared to 2012, 2013 recorded a sharp fall in imports (-5.5%) and a stable trend for exports (-0.1%). Exports were up towards non-EU countries (+1.3%) and down towards EU countries (-1.2%). In 2013, the trade balance was positive and reached 30.4 billion (and nearly 85 billion when excluding the energy component) showing a strong improvement when compared with the previous year (+9.9 billion).

Economic situation in the areas of interest for the Bank[8]

In the second half of the year, the first signs of an inversion in trend of the economic situation became apparent in the regions where Mediocredito operates, particularly in the manufacturing sector.
In the first three quarters of 2013 the industrial sector in Trentino increased both turnover (+2.4% on annual basis) and production. These good results were almost exclusively determined by the strong recovery in exports, while domestic demand remained weak.
In South Tyrol, the manufacturing sector is still suffering from the economic crisis: only 66% of companies reported a profits in the second half of 2013. Demand decreased on both the South Tyrolean and on the Italian market to an even greater extent. With regard to individual industries, there were increases in the food sector, in chemical and plastic manufacturing and in the production of machinery and equipment. Building materials, paper, printing and graphics, wood and the furniture sectors are still suffering.
In the Veneto region during the last quarter of 2013, there has been a positive change in industrial production (+1.4% compared to the same period last year). The resumption of production was also confirmed by the degree of capacity utilisation, which stood at 74.4% of full productive capacity.
Looking across sector by sector, positive changes were recorded for all sectors except for marble, glass and ceramics (-2.7%) with more noticeable improvements in the rubber and plastic sectors (+2%), wood, furniture, metals and metal products (both +1.9%). Growth in the food, textile and paper industries came in below the regional average.
Emilia Romagna is still lagging behind. In the first three quarters of 2013, both the average industrial production (- 3.1%) and the turnover (- 3.2%) have decreased when compared to 2012. The reduction of production and sales went hand in hand with demand, which was down by 3.8% because of the difficulties experienced by the domestic markets, despite orders from abroad registering a growth of 1.1 %.
Finally in Lombardy, the last quarter of 2013 saw a positive change (+2.6%) in industrial production. This positive result came after one quarter at zero growth rate and four negative quarters. It's confirmed by a similar growth in sales, with an increasing proportion in exports

[8] Data obtained from the Chamber of Commerce reports.

(39.4%). At the sectorial level, non-metallic minerals, textiles and clothing, paper and chemistry have maintained a negative trend. The other sectors have shown positive changes, with mechanical, steel and transport doing particularly well.

Banking activity in Italy

As for the main banking indicators, in 2013 private sector loans showed a sharp decline with a drop of 4.2% on an annual basis. Even more marked was the decline in loans to non-financial corporations which decreased to 5.3% in December 2013, compared to December 2012[9]. In relation to non-financial companies, this intense reduction has been reflected in all areas of operations of the Bank (-6.0% in Trentino-Alto Adige, -7.5% in Lombardy, -4.6% in Emilia-Romagna and -4.05% in Veneto).
During 2013, the weak demand for loans to enterprises gradually showed signs of attenuation, benefiting from a less negative demand for funds for fixed investment compared to 2012, in the presence of containment in the demand for working capital and debt restructuring[10], compared to the near past.
Throughout the year, the trend of interest rates charged by banks on loans remained stable: the average interest rate on new transactions with non-financial corporations stood at 3.54% during the last month of 2013 (it was 3.62% in January).
With reference to the bank funding activities, the annual growth rate progressively weakened over the year to stand at -1.8% on an annual basis by December. Considering the dynamics of the different major funding components there has been an increase in deposits from customers +1.93% and a decrease in bonds of 9.77%. The average rate on bank deposits from customers (households and non-financial companies) was down to 1.88% in December 2013 (it was 2.08% in December 2012). The bond component showed stability at 3.44%[11] when compared to the end of 2012.
During the year, the quality of bank assets continued to deteriorate to a bigger extent: the level of doubtful loans increased by 24.7% compared to December 2012 (+29.7% when considering only non-financial corporations), showing a considerable increase compared to the rate of growth in 2012 (+16.6% for the general data, +18.9% for non-financial corporations).
In relation to the total loans, the gross doubtful loans for the System amounted to 8.1% at the end of 2013 (6.3% a year earlier), although the figure for productive activities is far higher, reaching 14% for small businesses (it was 11.8% in December 2012) and 13.3% for firms (it was 9.7% a year earlier). The incidence of total non-performing loans on the banks' portfolio has continued to grow considerably from the already high levels set in 2012: by 30th September 2013, the ratio of NPL ranged from 13.26% to 19.9% in the top five Italian banks' budgets.
The weak growth in margins due to spread compression and deleveraging of Italian banks and the heavy impact of the cost of credit, particularly in the corporate sector, have had a marked effect on the profitability of the Italian banking system. The forecast for 2013 is for a practically nil ROE, after this indicator has been negative both in 2011 and in 2012[12].

[9] Bank of Italy, *Main items of bank financial statements*, February 2014.
[10] Bank of Italy, Quarterly survey on bank lending in the Eurozone Bank Lending Survey, January 2014.
[11] ABI Monthly Outlook, *Deposits from customers and debt securities of Italian banks*, February 2014.
[12] ABI Financial Outlook, *Forecast Report 2012-2014*. December 2013.

Extraordinary finance

With regard to extraordinary financing activities, 2013 saw the first issue of bonds and promissory notes made by smaller non-listed companies, a market opened by recent legislative and tax developments introduced by the Development Decree 2012 and the launching of the new segment ExtraMOT pro by the Bank of Italy. This is a new tool in Italy, aimed at diversifying the sources of financing for small and medium enterprises away from bank loans alone, in line with an established practice in other major international markets.
During the year, the first specialised funds were launched, including one at regional level in Trentino-Alto Adige, and 21 companies have listed new issues, including an IT company based in the Province of Trento.
In 2013, the Italian M&A[13] market has consolidated signs of recovery with an increase in total value of €28.7 billion compared with €25.7 billion in 2012 (+12%) thanks to a considerable acceleration of activities during the second half of the year. There has been a slight increase in volumes too, with 352 transactions compared to 340 last year.
There was a positive balance for the Italian Stock Exchange, that in in 2013 saw a recovery of the IPOs with 12 new listings (compared to 4 occurred in 2012), whilst there are 14 confirmed delisting.
The Italian private equity and venture capital markets remain shaky. According to the AIFI analysis, during the first half of 2013, 161 new operations were recorded in the Italian private equity and venture capital markets, an increase of 10% compared with the same period last year, for a total of €1,407 million, corresponding to a 62% increase compared to the same period in 2012. Most of the resources invested was allocated to buy-outs and expansions. With regard to the geographical distribution of investments, a further growth in the value of the transactions carried out in Northern Italy should be noted with regard to the areas of interest to the Bank (94% compared to 83% in the first half of 2012) and the absence of operations in our region[14].
Less positive was the trend of the later stage segment market according to *Private Equity Monitor*[15] analysis updated until the third quarter of the year. The report shows a decrease of around a third in the number of operations, compared to the same period of 2012.
The average estimate was also up, in terms of EBITDA multiples for Italian target companies valued at 8.4x from 7.3x in 2012. This level is higher than the pre-crisis one and this seems to reflect the positive expectations for corporate profitability.
With regard to project financing and in particular in the renewable energy sector, there has been a further worldwide decline[16] of 12% in the investment in clean energy during 2013. In Europe in particular, 2013 saw a fall of 41% in investments, particularly in Germany, France and Italy, due to the gradual reduction of incentives to the sector.
Growth expectations remain positive, despite a sharp slowdown in the photovoltaic segment, especially bearing in mind the 2020 goals that still require an investment policy that is better than the distributed funds on other segments that, at least in Italy over the last few years, have seen modest growth rates.

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[13] KPMG Corporate Finance Report, December 2013.
[14] AIFI data available at the time of the preparation of the report.
[15] Carlo Cattaneo University, Osservatorio Private Equity Monitor, "Operations of *Expansion*, *Buy out*, *Replacement* e *Turnaround*".
[16] Bloomberg New Energy Finance, *Global trends in clean energy investment*, January 2014.

MEDIOCREDITO IN 2013

2013 was a difficult year for our economy, which is still struggling to recover after years of crisis in which about a quarter of the country's productive base has been lost. However, the last part of the year started to show the first signs of a desirable trend reversal.
In 2012, Mediocredito recorded a growth in lending operations, in contrast to the System. This growth was the result of some extraordinary transactions and in 2013 the Bank suffered the effect of the weak lending markets recording a decline by 5.2% in gross typical loans when compared to December 2012. The Bank result was very much in line with the data for the System for the segment of non-financial firms.
The sharp decline in demand, due to the persisting negative trend of business and investment activities, has resulted in a significant slowdown in the volume of new credit granted and disbursed compared to 2012. In a context of general decline in the extraordinary finance sector, revenues from services and consulting in investment banking activities, particularly in the segment of corporate finance, have also decreased.
The Bank has persevered in the search for useful solutions to help overcome this severe economic phase, with the activation of new tools for internationalisation (integrating the already operational relationships with SACE with the signing of new agreements with Simest and Finest), and with the development of new lines of credit facilitated by the local public bodies, and finally, with the activation of a new EIB global loan in favour of small and medium firms in the region.

In terms of funding, 2013 did not present particular problems: the reduced demand for new loans and the modest repayments have resulted in a reduction in funding activities, especially when compared with the flows of 2012 which benefited from the use of the three-year funding by the European Central Bank. New flows are linked to the issue of bonds, placed mainly on local institutions under the EMTN programme.
The Bank always maintains ample reserves of eligible securities and, pursuing a better control of the liquidity risk, it concluded the activation of the ABACO procedure in order to also include bank loans in the pooling of ECB eligible collaterals.

In April, Fitch Ratings granted Mediocredito a credit rating of BBB + on long-term deposits. In December, Moody's updated the Bank's rating to Baa3. The rating levels of the Bank are in line with those of the best national financial institutions.

With reference to lending risk, the long crisis that is gripping our country continued to be reflected in tangible measure on the portfolio which since 2012 had begun to show an upward trend in impaired positions. In 2013 however, the overall trends of impaired loans showed a moderate increase, both in absolute terms and in relation to total lending. The predicted significant increase in the category of doubtful loans was partially balanced by a reduction of other types of impaired loans.

For a bank that operates primarily with small and medium enterprises, particularly affected by the crisis, this is now the most critical point, mitigated by the Bank's experience in the valuation of companies and their projects, from the awareness of a traditionally prudent conduct in the provision of credit and an adequate capital base.

From an economic point of view, 2013 saw revenues improving when compared to 2012 and reaching levels never achieved before, thanks to the significant revenues from trading activities; despite the containment of administrative costs (with a cost/income ratio in further significant decline settling at a level of excellence) the increased cost of risk, intensified by the high number of doubtful loans and the decline in the values guarantees, lead to a net profit more than halved compared to 2012.

BUSINESS REVIEW

LENDING OPERATIONS

Outline of lending operations (thousands of Euros)

Surveyed activities		2013	2012	Change %
Credit granted	number	196	254	-22.8
	amount	167,240	243,640	-31.4
Credit disbursed	amount	129,464	226,929	-42.9
		31 Dec 2013	**31 Dec 2012**	**Change %**
Total lending		1,400,776	1,430,543	-2.1
	- loans to banks	108,909	64,253	+69.5
	- loans to customers	1,291,867	1,366,290	-5.4

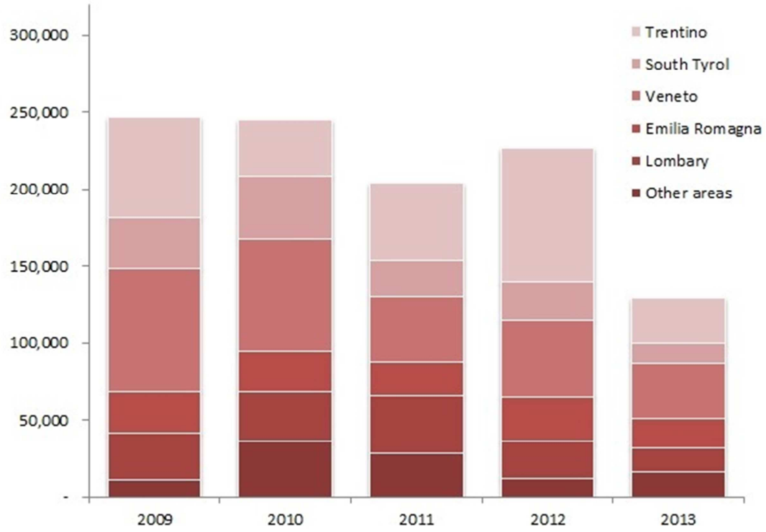
Credit granted

In 2013, the amount of credit granted by Mediocredito reached €167.2m: the substantial decrease in volumes, when compared with the previous year, is due in part to the loans granted in 2012 to companies linked to the Province of Trento for operations related to public actions to support the local economy and in part to the already mentioned decrease in the demand for funding in the first part of the year.
This change, in spite of a decline in the number of loans, has led to a reduction in the average amount granted (from €1.0m to €0.9m). Excluding the abovementioned transactions there is a reversal of trend, with the average amount approved passing from €0.8m to €0.9m.
In 2013, Veneto and Trentino-Alto Adige each made up for just under 30% of the credit granted, in spite of recording a reduction by 26.3% and 58.4%. Emilia Romagna accounted for 20.0% of the credit granted (+9.1%), 13.5% was towards investment in Lombardy (+16.4%) and 10.6% for the other areas (+13.8%). As explained previously, the reduction in the province of Trento was due to €40m for the operations mentioned above.

Breakdown of applications granted by area (thousands of Euros)

	2013	%	2012	%	Chg.	Chg. %
Trentino	35,276	21.1	90,764	37.3	-55,488	-61.1
South Tyrol	13,664	8.2	26,919	11.0	-13,255	-49.2
Veneto	44,222	26.4	60,030	24.6	-15,808	-26.3
Emilia Romagna	33,738	20.2	30,924	12.7	+2,814	+9.1
Lombardy	22,572	13.5	19,389	8.0	+3,183	+16.4
Other areas	17,768	10.6	15,614	6.4	+2,154	+13.8
Total	**167,240**	**100.0**	**243,640**	**100.0**	**-76,400**	**-31.4**

Trend of applications granted by area 2009-2013



At sector level, grants to public bodies (-€29m) and finance companies/banks (-€22.5m) felt the effect of the operations outlined earlier. Funding to the mining/manufacturing sector underwent a significant contraction (-42.6%). When also considering the companies classified in the agricultural sector, the energy sector showed an excellent performance, despite the reduction of incentives that started in 2012. The construction industry and the real estate sector are also down, while other sectors remained stable with the exception of the other services that saw its funding doubled.

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

	2013	%	2012	%	Chg.	Chg. %
Non-financial corporations	**160,450**	**95.9**	**185,373**	**76.1**	**-24,923**	**-13.4**
Mining/manufacturing sector	50,226	30.0	87,462	35.9	-37,236	-42.6
Energy	34,523	20.6	14,766	6.1	+19,757	+133.8
Other services	20,850	12.5	10,650	4.4	+10,200	+95.8
Market services	19,450	11.6	16,007	6.6	+3,443	+21.5
Real estate	9,728	5.8	12,695	5.2	-2,967	-23.4
Transport services	8,962	5.4	6,240	2.6	+2,722	+43.6
Hospitality	8,857	5.3	3,838	1.6	+5,019	+130.8
Agriculture	6,730	4.0	21,355	8.8	-14,625	-68.5
Building industry	1,124	0.7	12,360	5.1	-11,236	-90.9
Government Agencies, families and others	**4,290**	**2.6**	**33,267**	**13.7**	**-28,977**	**-87.1**
Financial corporations and banks	**2,500**	**1.5**	**25,000**	**10.3**	**-22,500**	**-90.0**
Total	**167,240**	**100.0**	**243,640**	**100.0**	**-76,400**	**-31.4**

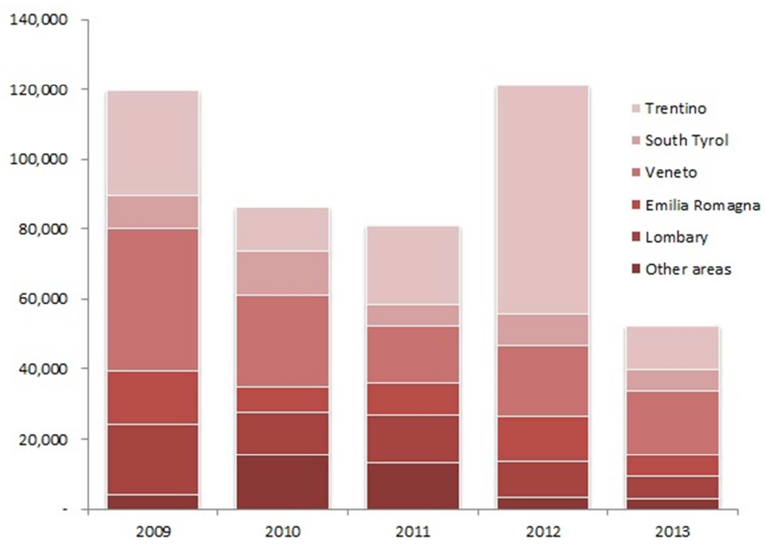
Credit disbursed

During 2013, disbursements were made amounting to €129.5m compared to €226.9m from the previous year: net of the previously mentioned system operations in the Province of Trento, the decrease reduces to about €50m.
The effect of the operation mentioned is fully showed in the values for Trentino (-€57.3m), but decreases were also relevant in other areas of interest for the Bank. Disbursements were down in Emilia-Romagna by 31.1% (-€8.9m), in South Tyrol by 48.7% (-€12.1m) and in Lombardy by 36.1% (-€8.8m). In contrast, Other Areas showed an increase in disbursements by 38.1%, equal to €4.4m.

Breakdown of credit disbursed by area (thousands of Euros)

	2013	%	2012	%	Var.	Var. %
Trentino	30,225	23.3	87,557	38.6	-57,332	-65.5
South Tyrol	12,754	9.9	24,854	11.0	-12,100	-48.7
Veneto	35,182	27.2	49,950	22.0	-14,768	-29.6
Emilia Romagna	19,635	15.2	28,488	12.6	-8,853	-31.1
Lombardy	15,651	12.1	24,479	10.8	-8,828	-36.1
Other areas	16,017	12.4	11,600	5.1	+4,417	+38.1
Total	**129,464**	**100.0**	**226,929**	**100.0**	**-97,464**	**-42.9**

Trend of credit disbursed by area 2009-2013



At sector level, the same considerations made for credit granted were applied to the disbursements to public bodies and financial companies/banks. With regard to non-financial companies, the Bank confirmed its support to the mining/manufacturing sector (36.1% of the total disbursed) and energy, although both sectors didn't deviate from the general trend. Disbursements to the transport (+€3.1m) and other services (+€2.7m) were up, while they were down for the other sectors: in particular, the market services went from €18.3m to €14.5m and construction-related industries went from €24.7m to €11.8m.

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

	2013	%	2012	%	Chg.	Chg. %
Non-financial corporations	**122,740**	**94.8**	**165,952**	**73.1**	**-43,212**	**-26.0**
Mining/manufacturing sector	46,716	36.1	67,133	29.6	-20,417	-30.4
Energy	17,575	13.6	18,725	8.3	-1,150	-6.1
Market services	14,464	11.2	18,260	8.0	-3,796	-20.8
Other services	12,800	9.9	10,136	4.5	+2,664	+26.3
Agriculture	7,955	6.1	19,142	8.4	-11,187	-58.4
Transport services	6,910	5.3	3,834	1.7	+3,076	+80.2
Real estate	6,225	4.8	9,571	4.2	-3,346	-35.0
Building industry	5,578	4.3	15,151	6.7	-9,573	-63.2
Hospitality	4,517	3.5	4,000	1.8	+517	+12.9
Government Agencies, families and others	**4,224**	**3.3**	**35,977**	**15.9**	**-31,752**	**-88.3**
Financial corporations and banks	**2,500**	**1.9**	**25,000**	**11.0**	**-22,500**	**-90.0**
Total	**129,464**	**100.0**	**226,929**	**100.0**	**-97,464**	**-42.9**

The drop, in absolute value, of the new credit disbursed and the more general process of deleveraging which affects also the cooperative credit system have gradually slowed down the operations in synergy with the co-operative system itself. When considering, in addition to direct presentation, participation in syndicated loans linked to the co-operative system or in which it is involved, the percentage of disbursements was 27.0% of the total, compared to 42.0% registered by the end of 2012 (which benefited from a sustained improvement due to the above mentioned operations in Trentino). The percentage of disbursements was 34.0% in the first half of the year.
The level of operations subsidiary to the co-operative credit was stronger at regional level.

Loans and advances[17]

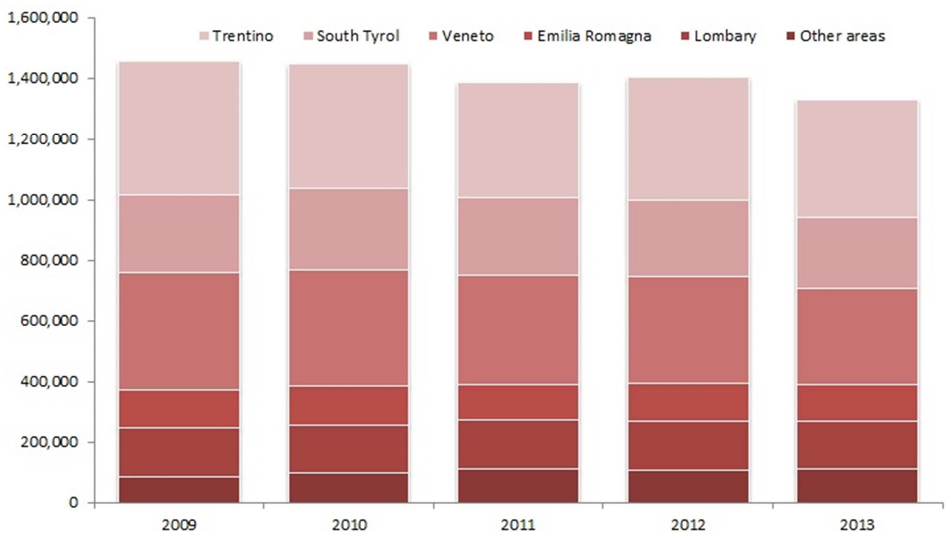
Overall amounts of credit stood at levels below those of December 2012 (-1.4%): the increase of liquidity on current accounts and bank deposits (+€53.0m) partially offset the decrease in typical loans (-€73.3m, -5.2%).

Except for the Other Areas, which recorded an increase of 5.9% of the total portfolio, all geographical areas of business for the Bank recorded contractions between -9.6% in Veneto and -2.8% in Emilia Romagna. Trentino - South Tyrol has seen its loan portfolio shrink by 5.4%.

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

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Trentino	386,903	29.1	405,963	28.9	-19,060	-4.7
South Tyrol	236,832	17.8	253,696	18.1	-16,864	-6.6
Veneto	318,033	23.9	351,801	25.1	-33,768	-9.6
Emilia Romagna	120,442	9.1	123,896	8.8	-3,454	-2.8
Lombardy	154,965	11.7	161,436	11.5	-6,471	-4.0
Other Areas	112,774	8.5	106,444	7.6	+6,330	+5.9
Total typical loans and advances	**1,329,949**	**100.0**	**1,403,236**	**100.0**	**-73,287**	**-5.2**
Current accounts and deposits [18]	*131,342*		*78,249*		*+53,093*	*+67.9*
Contributions and other corrections	*-*		*4*		*-4*	*-100.0*
Total credit	***1,461,292***		***1,481,489***		***-20,197***	***-1.4***

Trend of typical gross loans and advances by area 2009-2013



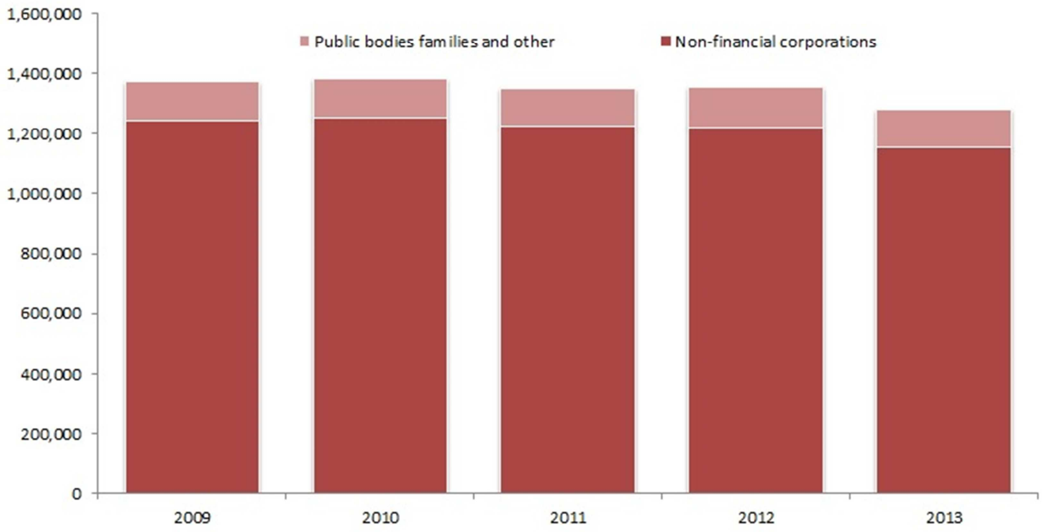
Loans to non-financial companies settled to €1.154m against €1.219m in the previous year: the contraction was concentrated mostly in the mining/manufacturing sector (-€38.7m), in the sectors

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

[18] Data for 2013 includes €20,726 thousand and data for 2012 includes €27,544 thousand of credit towards SPV claimed from the securitisation transaction and €1,715 thousands from the sale of a doubtful portfolio.

linked to the building industry (-€15.3m) and other services (-€8.7m). Loans to those companies active in the energy sector were up, while transport and market services were stable.

Trend of typical gross loans and advances to non-financial corporations, government agencies, families and others 2009-2013



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

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Non-financial corporations	**1,154,376**	**86.8**	**1,219,434**	**86.9**	**-65,058**	**-5.3**
Mining/manufacturing sector	302,834	22.8	341,523	24.3	-38,691	-11.3
Agriculture	137,432	10.3	143,353	10.2	-5,921	-4.1
Real Estate	138,362	10.4	143,965	10.3	-5,603	-3.9
Building industry	118,117	8.9	127,807	9.1	-9,690	-7.6
Energy	111,089	8.4	101,824	7.3	+9,265	+9.1
Market services	102,226	7.7	102,815	7.3	-589	-0.6
Hospitality	96,663	7.3	102,471	7.3	-5,808	-5.7
Other services	89,257	6.7	97,937	7.0	-8,680	-8.9
Transport services	58,397	4.4	57,739	4.1	+658	+1.1
Government Agencies, families and others	**125,328**	**9.4**	**133,888**	**9.5**	**-8,559**	**-6.4**
Financial corporations and banks	**50,245**	**3.8**	**49,914**	**3.6**	**+330**	**+0.7**
Total	**1,329,949**	**100.0**	**1,403,236**	**100.0**	**-73,287**	**-5.2**

Performing loans [19]

Due in part to the increase in impaired loans, the trend for performing loans (to customers and banks) showed a decrease of 2.5%.

The breakdown by geographical area shows that the negative trend is particularly relevant in the main areas of the Bank's activity: in Trentino-South Tyrol volumes were down by €42m, and in Veneto by €31.0m.

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

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Trentino	345,384	31.2	363,933	30.5	-18,549	-5.1
South Tyrol	225,160	20.3	248,762	20.8	-23,602	-9.5
Veneto	251,002	22.6	281,961	23.6	-30,959	-11.0
Emilia Romagna	96,166	8.7	102,462	8.6	-6,296	-6.1
Lombardy	111,812	10.1	120,887	10.1	-9,075	-7.5
Other Areas	79,240	7.1	75,277	6.3	3,963	5.3
Total typical loans	**1,108,764**	**100.0**	**1,193,282**	**100.0**	**-84,518**	**-7.1**
Current accounts and bank deposits [20]	*131,342*		*78,249*		*+53,093*	*+67.9*
Contributes on subsidised credits	*-*		*4*		*-4*	*-100.0*
Total performing loans	***1,240,106***		***1,271,535***		***-31,429***	***-2.5***

The breakdown by sector of activity confirmed what is already shown for total loans, although changes prove to be more prominent in the areas most affected by the crisis, in particular the real estate and construction sectors, which recorded an overall decline of 35%.

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

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Non-financial corporations	**941,677**	**84.9**	**1,017,463**	**85.3**	**-75,786**	**-7.4**
Mining/manufacturing sector	245,069	22.1	279,623	23.4	-34,555	-12.4
Agriculture	128,719	11.6	133,654	11.2	-4,935	-3.7
Energy	111,089	10.0	99,998	8.4	+11,091	+11.1
Real Estate	97,116	8.8	112,794	9.5	-15,678	-13.9
Market services	87,450	7.9	89,766	7.5	-2,316	-2.6
Hospitality	83,567	7.5	87,127	7.3	-3,560	-4.1
Other services	73,827	6.7	84,862	7.1	-11,035	-13.0
Building industry	58,321	5.3	74,008	6.2	-15,687	-21.2
Transport services	56,519	5.1	55,630	4.7	+890	+1.6
Government Agencies, families and others	**122,772**	**11.1**	**131,331**	**11.0**	**-8,559**	**-6.5**
Financial corporations and banks	**44,315**	**4.0**	**44,488**	**3.7**	**-173**	**-0.4**
Total	**1,108,764**	**100.0**	**1,193,282**	**100.0**	**-84,518**	**-7.1**

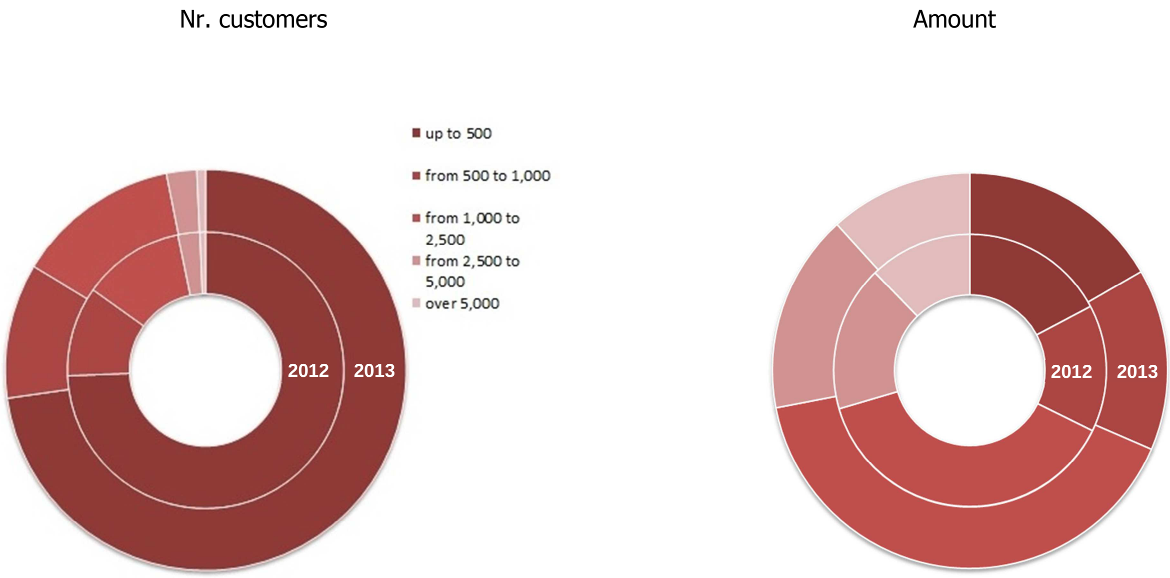
[19] Loans and advances are shown in the tables relative to overall amounts, gross of depreciation but net of current accounts with bank deposits and of contributions in relation to subsidised credit.

[20] Data for 2013 includes €20,726 thousand and data for 2012 includes €27,544 thousand of credit towards SPV claimed from the securitisation transaction and €1,715 thousands from the sale of a doubtful portfolio.

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

	No of Customers	Amount	% customers	% amount	Average amount
Up to 500	1,550	184,769	72.7	16.7	119.2
from 500 to 1,000	232	164,405	10.9	14.8	708.6
from 1,000 to 2,500	282	449,104	13.2	40.5	1,592.6
from 2,500 to 5,000	52	180,213	2.4	16.3	3,465.6
above 5,000	15	130,273	0.8	11.7	8,684.9
Total	**2,131**	**1,108,764**	**100.0**	**100.0**	**520.3**

Distribution by loan amount – comparison 2013/2012



All indices of the performing loan portfolio show higher values than those recorded in 2012 because of the contraction of the portfolio itself.

The performing loans portfolio shows that:

- The overall amount of transactions with borrowers, with an overall exposure exceeding €2.5m was equal to 28.0% of the total, down against the end of December 2012 (29.5%);
- the average amount for performing loans went from €501 thousand to €520 thousand;
- The incidence on total loans by the first transaction grew (from 2.1% to 2.3%), as well as the one for the top twenty transactions (from 10.7% to 11.2%) and the top one hundred (from 27.6% to 28.3%).

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

	Dec 2013	%	Dec 2012	%
Top transaction	25,154	2.3	25,169	2.1
Top 20 transactions	124,138	11.2	127,703	10.7
Top 100 transactions	313,728	28.3	328,733	27.6

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

- overall exposure to the top borrower, who also belong to the top group of debtors, grew from 2.1% to 2.3%; while the first group of borrowers as a whole went from 2.1% to 2.3%;
- overall exposure to the top 20 borrowers equals 13.9%, stable when compared to 2012, while overall exposure to the top 100 borrowers is up (34.9%);
- overall exposure to the top group of borrowers is up from 3.5% to 3.7%, the top 20 groups equalled 16.0 % of the total performing loans portfolio (15.8% at the end of 2012) and the top 100 groups came to 39.0% (37.8% at the end of 2012). In this case, there is an increase in the index even in the presence of a contraction of the overall exposures.

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

	Dec 2013	%	Dec 2012	%
top borrower	25,154	2.3	25,169	2.1
top 20 borrowers	154,367	13.9	165,864	13.9
top 100 borrowers	386,614	34.9	407,391	34.1

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

	Dec 2013	%	Dec 2012	%
top group of borrowers	40,554	3.7	41,456	3.5
top 20 groups of borrowers	176,847	16.0	188,775	15.8
top 100 groups of borrowers	433,015	39.0	451,265	37.8

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 2013:

	Dec 2013		Dec 2012	
Counterpart	**Nominal**	**Weighted**	**Nominal**	**Weighted**
Government	258,276	-	211,248	-
Public bodies	40,409	20,409	41,388	21,388
Banks	208,335	111,699	203,683	203,683
Total	**507,020**	**132,108**	**456,319**	**225,071**

The exposure risk to Governments and banks for a total of €338.8m, relates mainly to securities eligible for refinancing with the European Central Bank.

Impaired loans

The amount of gross impaired loans showed an increase of €11.2m (+5.3%), the result of increases in the portfolio of doubtful loans (+€35.9m) and restructured loans (+€8.5m), offset partially by the decrease in the amount of substandard loans (-€25.1m) and past due loans (-€8.1m).
Faced with a decline in total gross loans (-1.4%), the incidence of non-performing loans in the total loan portfolio rose from 14.2% at the end of 2012 to 15.1%. The figure net of overall adjustments is up by 17.7%, going from 11.5% to 11.9%. The coverage of the entire loan portfolio improved while there was a contraction for doubtful and substandard loans.

The loans situation compared with the balance as at 31 December 2012 is shown in the following table.

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

Dec 2013	Gross exposure	Overall adjustment	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and credit risk	**221,186**	**53,932**	**167,253**	**15.1**	**11.9**	**24.4**
- doubtful	127,106	42,698	84,407	8.7	6.0	33.6
- substandard	74,028	9,884	64,144	5.1	4.6	13.4
- restructured	11,606	1,253	10,353	0.8	0.7	10.8
- past due	8,408	67	8,341	0.6	0.6	0.8
over 180 days	4,930	47	4,882	0.4	0.3	1.0
over 90 days	3,479	20	3,459	0.2	0.2	0.6
- country risk	38	30	8	0.0	0.0	80.0
Performing loans	**1,240,106**	**6,584**	**1,233,523**	**84.9**	**88.1**	**0.5**
Total loans	**1,461,292**	**60,516**	**1,400,776**	**100.0**	**100.0**	**4.1**

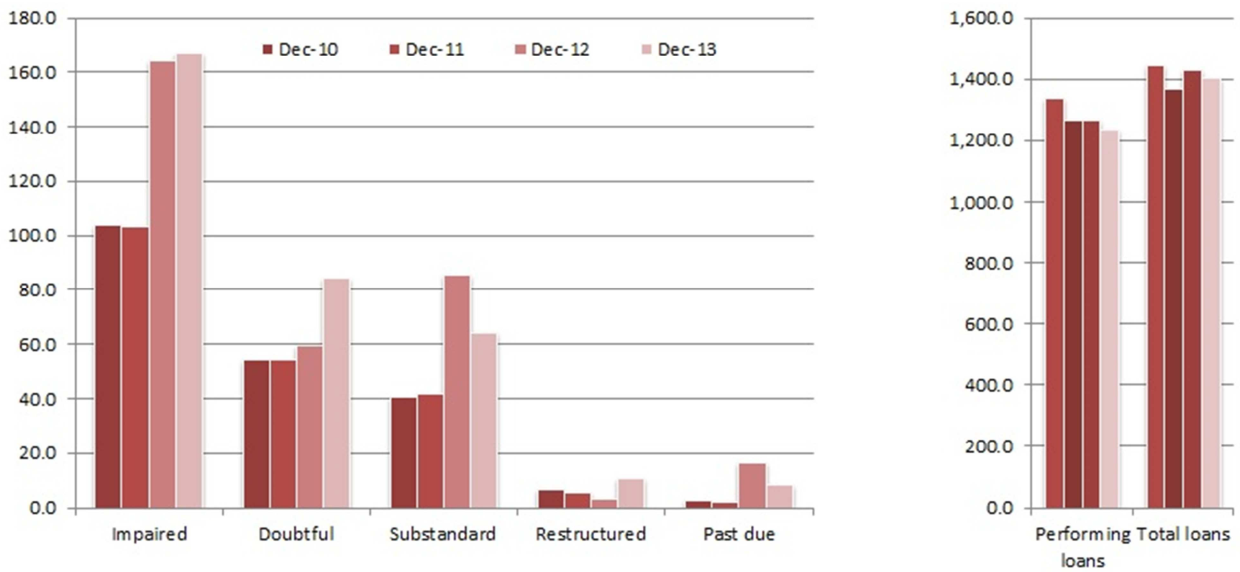
Dec 2012	Gross exposure	Overall adjustment	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and credit risk	**209,954**	**45,806**	**164,148**	**14.2**	**11.5**	**21.8**
- doubtful	91,155	31,717	59,438	6.2	4.2	34.8
- substandard	99,145	13,792	85,353	6.7	6.0	13.9
- restructured	3,112	200	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**	**100.00**	**3.4**

Change % 2013/2012	Gross exposure	Overall adjustments	Net exposure
Impaired loans and credit risk	**+5.3**	**+17.7**	**+1.9**
- doubtful	+39.4	+34.6	+42.0
- substandard	-25.3	-28.3	-24.8
- past due	-49.1	+0.7	-49.3
Performing loans	**-2.5**	**+28.1**	**-2.6**
Total loans	**-1.4**	**+18.8**	**-2.1**

The dynamics of the level of coverage of doubtful loans was affected by the sale of a long-standing portfolio with low levels of guarantees which took place at the end of the year, on average characterised by a high degree of coverage (74.5%).
Gross of this effect, the coverage of doubtful loans would stand at 36.7%, a level considerably higher than the one of the previous year.

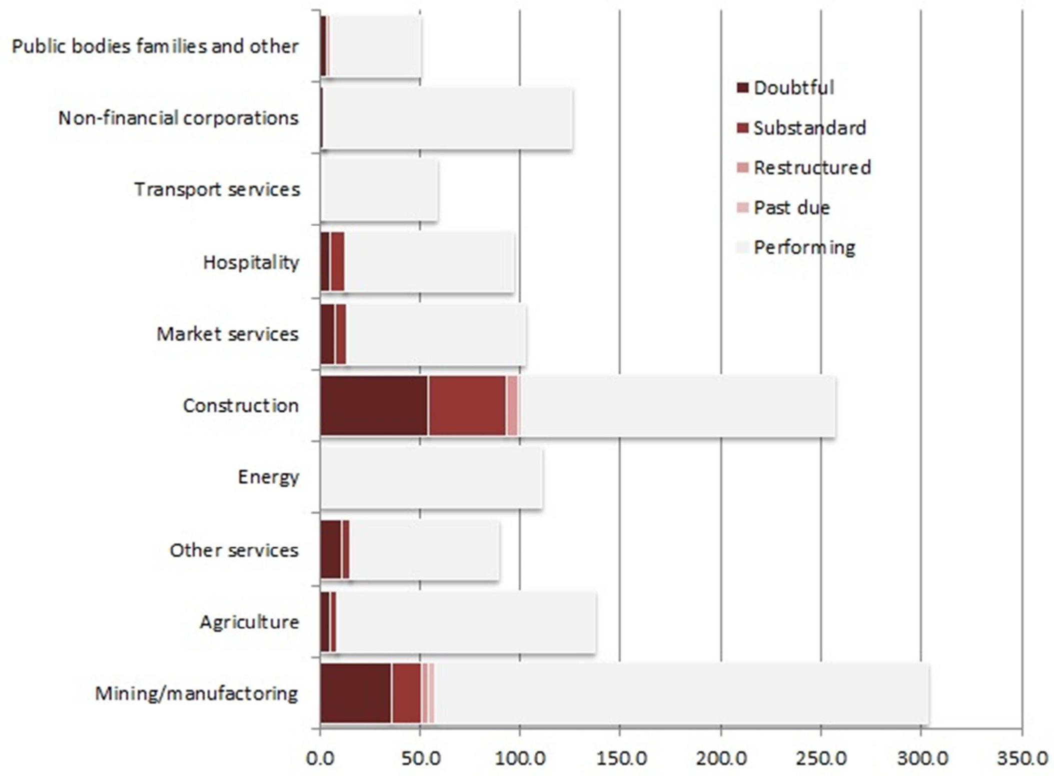
	Gross exposure	Overall adjustments	Net exposure	% coverage
Doubtful loans at 31 December 2013	127,106	42,698	84,407	33.6
Sold portfolio	10,552	7,857	2,695	74.5
Recalculated doubtful loans at 31 December 2013	**137,658**	**50,555**	**87,102**	**36.7**

Dynamic of net loans (thousands of Euro)



At the sectoral level, the incidence of gross impaired loans on the total typical loan portfolio is particularly relevant in sectors related to constructions: slightly more than 50% of loans to construction companies are deteriorated and 30% of those to real estate businesses. Approximately 19% of loans to companies operating in the extractive industry/manufacturing are also impaired

Gross impaired loans: overall incidence by counterparty and economic sector (millions of Euro)

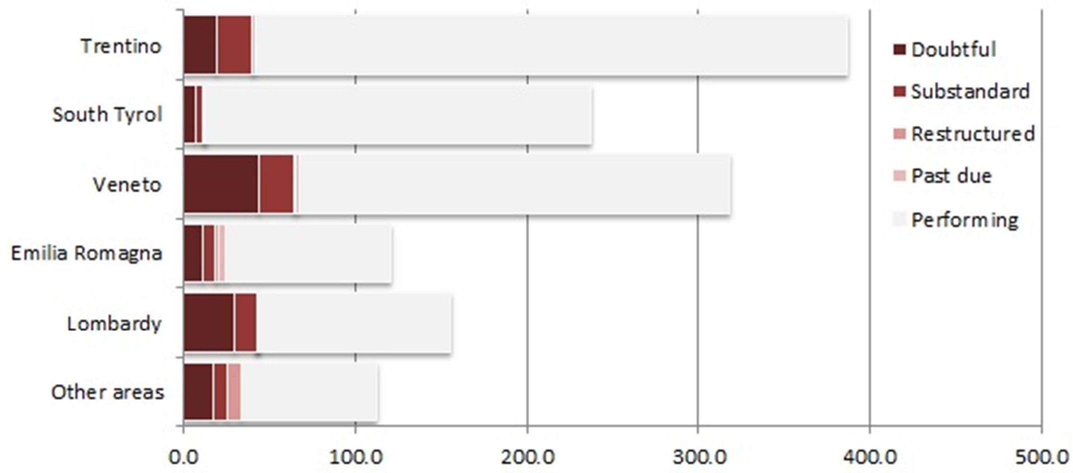


Breakdown of gross impaired loans by counterparty and economic sector (data in %)

	Doubtful	Substandard	Restructured	Past due	Total
Non-financial corporations	**10.5**	**6.4**	**0.9**	**0.7**	**18.4**
Mining/manufacturing sector	11.9	4.8	1.2	1.1	19.1
Agriculture	4.0	2.0	0.0	0.3	6.3
Real estate	14.1	11.8	3.5	0.4	29.8
Other services	13.0	4.2	0.0	0.1	17.3
Energy	0.0	0.0	0.0	0.0	0.0
Building industry	29.4	18.9	1.0	1.3	50.6
Market services	7.7	6.0	0.0	0.8	14.5
Hospitality	5.6	7.9	0.0	0.0	13.5
Transport services	0.8	0.0	1.2	1.2	3.2
Government Agencies, families and others	**1.6**	**0.3**	**0.1**	**0.1**	**2.0**
Financial corporations and banks	**7.8**	**0.0**	**2.4**	**1.5**	**11.8**

The breakdown by area shows that the phenomenon of credit deterioration is concentrated mostly outside the region: in Trentino impaired loans make up for 10% of the loans and in South Tyrol 5%. In other areas of operation for the Bank, there are incidences ranging from 20% in Emilia Romagna to 30% in Other Areas.

Gross impaired loans: overall incidence by geographical area (millions of Euro)



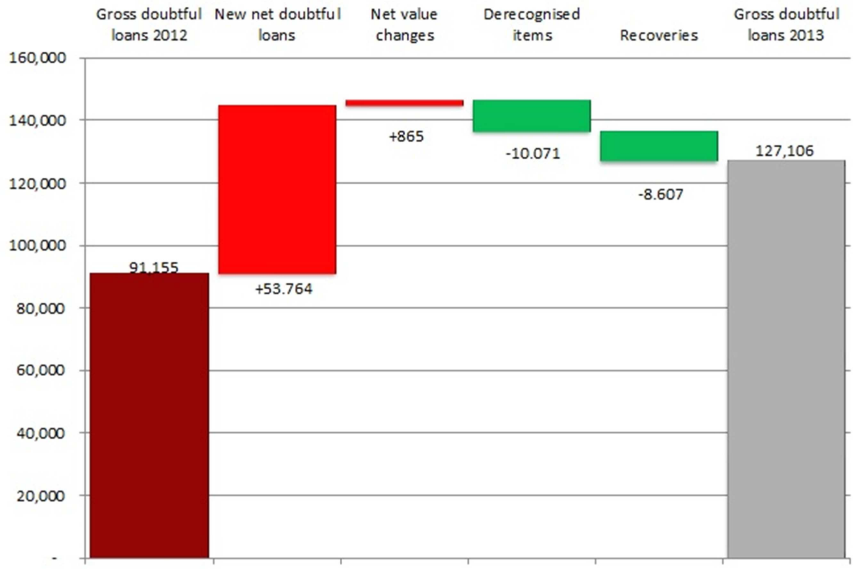
Gross impaired loans: incidence of single type by area (data in %)

	Doubtful	Substandard	Restructured	Past due	Total
Trentino	5.0	5.2	0.0	0.5	10.7
South Tyrol	3.1	1.8	0.1	0.0	4.9
Veneto	13.7	6.5	0.4	0.6	21.1
Emilia Romagna	9.2	6.2	1.2	3.5	20.2
Lombardy	18.8	8.7	0.2	0.2	27.8
Other Areas	14.9	7.3	7.6	0.0	29.7

Doubtful loans

Doubtful loans gross of write-downs amount to €127.1m, up by 39.4% in comparison to 2012. The construction sector (building industry and real estate) accounted for 42.7% of doubtful loans (it was 39.1% in 2012), followed by the manufacturing sector with 28.4% (it was 37.0% in 2012).

Dynamic of gross doubtful loans 2012-2013 (thousands of Euros)



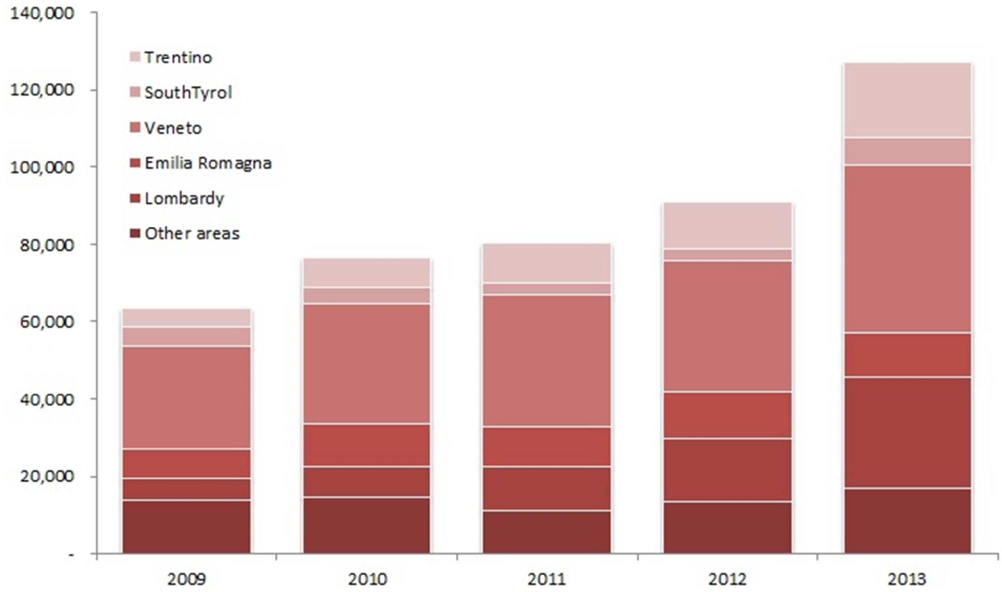
Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Non-financial corporations	**121,236**	**95.4**	**89,284**	**97.9**	**+31,952**	**+35.8**
Mining/manufacturing sector	36,063	28.4	33,719	37.0	+2,344	+7.0
Building industry	34,760	27.3	24,658	27.1	+10,102	+41.0
Real estate	19,551	15.4	10,983	12.0	+8,568	+78.0
Other services	11,565	9.1	5,659	6.2	+5,906	+104.4
Market services	7,854	6.2	7,266	8.0	+588	+8.1
Agriculture	5,536	4.4	5,796	6.4	-260	-4.5
Hospitality	5,430	4.3	1,148	1.3	+4,282	+373.0
Transport services	476	0.4	0	0.0	+476	
Energy	0	0.0	55	0.1	-55	-100.0
Government Agencies, families and others	**1,956**	**1.5**	**1,871**	**2.1**	**+85**	**+4.6**
Financial corporations and banks	**3,914**	**3.1**	**-**	**-**	**+3,914**	
Total	**127,106**	**100.0**	**91,155**	**100.0**	**+35,951**	**+39.4**

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

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Trentino	19,390	15.3	12,268	13.5	+7,122	+58.0
South Tyrol	7,261	5.7	3,110	3.4	+4,151	+133.5
Veneto	43,489	34.2	33,816	37.1	+9,673	+28.6
Emilia Romagna	11,125	8.8	12,151	13.3	-1,026	-8.4
Lombardy	29,088	22.9	16,480	18.1	+12,608	+76.5
Other Areas	16,753	13.2	13,330	14.6	+3,423	+25.7
Total	**127,106**	**100.0**	**91,155**	**100.0**	**+35,951**	**+39.4**

Trend of gross doubtful loans by area 2009-2013



From a geographical point of view, the majority of doubtful loans were in Veneto (34.2%) while Trentino, Emilia Romagna, Lombardy and Other Areas each accounted for around 13-23% of the doubtful loans portfolio. South Tyrol stands out, accounting for less than 6% of the total doubtful loans, for a total amount of €7m.

Doubtful loans, net of write-downs amounted to €84.4m, up by €25.0m in comparison with 31st December 2012.
The ratio of net doubtful loans to net lending was 6.0%, against 4.2% at the end of the previous business period; the same ratio gross of write-downs went from 6.2% to 8.7%.
The coverage of doubtful loans equalled 33.6%, slightly down when compared with the data at the end of 2012 (34.8%). However, as already pointed out, such value would have settled at 36.7% if it wasn't for the sale at the end of the year.

Key ratios relative to doubtful loans

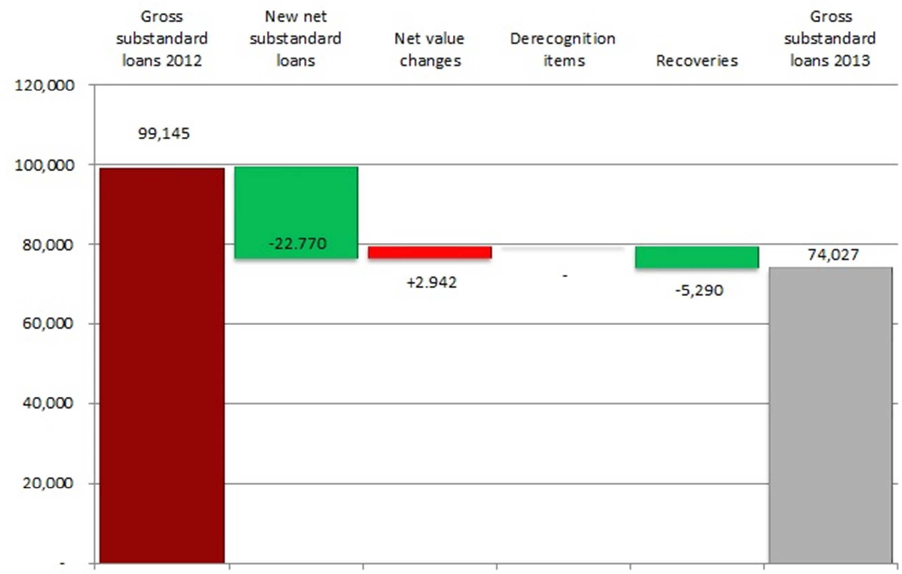
in %	Dec 2013	Dec 2012
Gross doubtful loans / total gross loans	8.7	6.2
Gross doubtful loans /total gross loans to customers	9.4	6.4
Gross doubtful loans / regulatory capital	67.7	48.6
Net doubtful loans / total net loans	6.0	4.2
Net doubtful loans /total net loans to customers	6.5	4.4
Net doubtful loans / regulatory capital	44.9	31.7

Substandard loans

Substandard loans equalled €74.0m gross of write-downs, decreasing substantially against the results at the end of 2012 (-€25.1m, +25.3%).

The decrease is the result of widespread contractions: financial corporations (-€5.4m), mining/manufacturing (-€10.0m), construction sector (-€3.5m) and hospitality (-€3.9m).

Dynamic of sub-standard loans by area 2012-2013 (thousands of Euro)



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

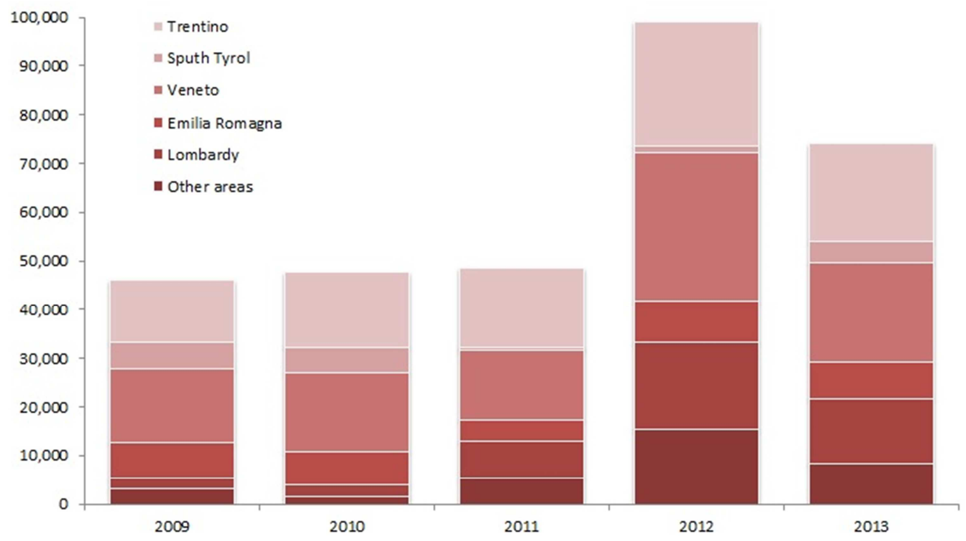
	31 Dec 2013	%	31 Dec 2012	%	Var.	Var. %
Non-financial corporations	**73,647**	**99.5**	**93,440**	**94.2**	**-19,793**	**-21.2**
Building industry	22,285	30.1	25,250	25.5	-2,965	-11.7
Real Estate	16,335	22.1	16,853	17.0	-518	-3.1
Mining/manufacturing sector	14,667	19.8	24,944	25.2	-10,277	-41.2
Hospitality	7,653	10.3	11,594	11.7	-3,941	-34.0
Market services	6,150	8.3	5,287	5.3	+863	+16.3
Other services	3,744	5.1	2,691	2.7	+1,053	+39.1
Agriculture	2,814	3.8	2,941	3.0	-127	-4.3
Transport services	-	0.0	2,109	2.1	-2,109	-100.0
Energy	-	0.0	1,771	1.8	-1,771	-100.0
Government Agencies, families and others	**381**	**0.5**	**316**	**0.3**	**+65**	**+20..5**
Financial corporations and banks	**-**	**0.0**	**5,389**	**5.9**	**-5,389**	**-100.0**
Total	**74,028**	**100.0**	**99,145**	**100.0**	**-25,117**	**-25.3**

Geographically, there are substantial decreases in Veneto (-€9.8m, -32.4%), in Other Areas (-€7.3m, -47.2%), in Trentino (-€5.3m, -20.9%) and in Lombardy (-€4.4m, -24.5%). The increase in substandard loans in South Tyrol is the exception to the general trend (+€2.6m), although values are contained.

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

	31 Dec 2013	%	31 Dec 2012	%	Chg.	Chg. %
Trentino	20,192	27.3	25,532	25.8	-5,340	-20.9
South Tyrol	4,183	5.6	1,580	1.6	+2,603	+164.8
Veneto	20,518	27.7	30,334	30.6	-9,816	-32.4
Emilia Romagna	7,434	10.0	8,308	8.4	-874	-10.5
Lombardy	13,523	18.3	17,911	18.1	-4,388	-24.5
Other Areas	8,178	11.0	15,480	15.6	-7,302	-47.2
Total	**74,028**	**100.0**	**99,145**	**100.0**	**-25,117**	**-25.3**

Trend of sub-standard loans by area 2009-2013



Substandard loans net of write-downs, equalled €64.1m, down by 24.8% against 31st December 2012.
The ratio of net substandard loans to total net loans was 4.6% compared to 6.0% at the end of the previous business period.

Key ratios relative to substandard loans

in %	Dec 2013	Dec 2012
Gross substandard loans / total gross loans	5.1	6.7
Gross substandard loans / total gross loans to customers	5.5	7.0
Net substandard loans / total net loans	4.6	6.0
Net substandard loans / total net loans to customers	5.0	6.2

Restructured loans

Restructured loans net of write-down amounted to €10.4m, up when compared to the €2.9m at the end of 2012.
The ratio of net restructured loans to total net loans was up, settling to 0.7%.

Past due loans

This item is made up of all cash loans to borrowers that are 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 €8.3m, a substantial decrease against 31st December 2012 (-49.3%).
The ratio of "loans past due" to total net loans is 0.6% against the 1.1% recorded at the end of the previous business period.

EQUITY INVESTMENT ACTIVITIES

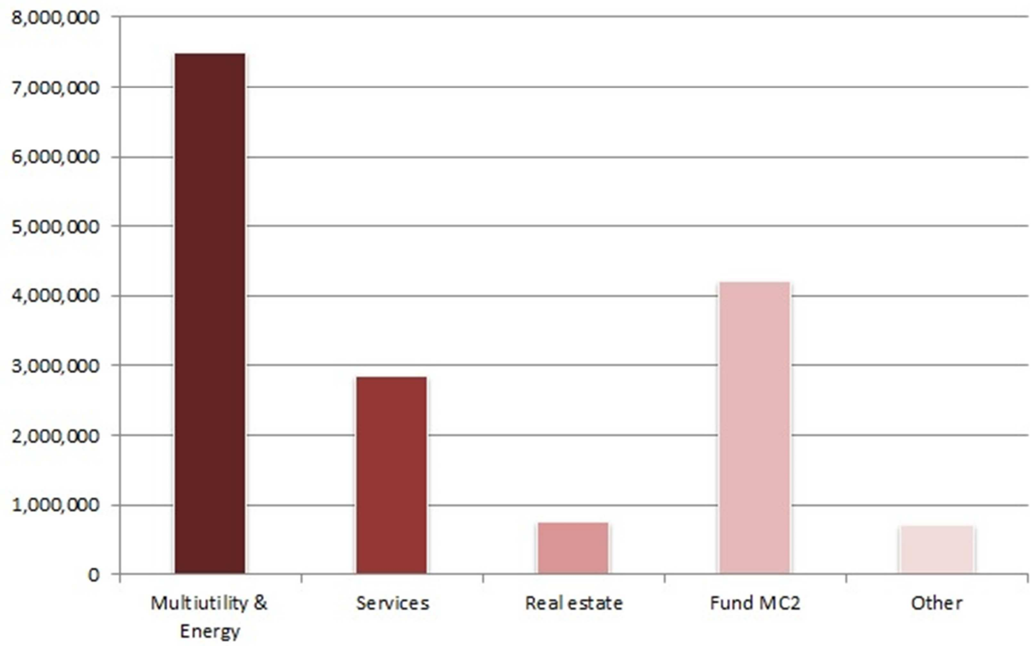
Equity Investment

Equity investment activities both direct and through participation in the closed-end securities investment fund "MC^2 Impresa", showed overall amounts of approximately €16m, slightly up (+1.7%) against December 2012.
In 2013, there were no new investments and therefore the sectorial distribution of the portfolio remains broadly in line with that of the end of 2012.

Equity Investment (thousands of Euro)

	Dec 2013			Dec 2012		
	Afs	Equity invest.	Total	Afs	Equity invest.	Total
Merchant banking investments	10,705	72	10,777	10,319	79	10,398
Investment fund units (UCITS)	4,891	-	4,891	4,935	-	4,935
Other equity investments	246	99	345	345	73	418
Total	**15,842**	**171**	**16,013**	**15,599**	**152**	**15,751**

Equity investment per economic sector



The impairment test on equities led to a financial loss considered durable and registered in the income statement on equity investments in Trentino Volley for €40 thousand, zeroing its balance value. Equity investments in AEDES S.p.A. underwent a value adjustment for €23 thousand.

Fair value evaluation is shown in the accounts with contra-entry to net equity values of a positive change in the fair value of shares in Alto Garda Servizi S.p.A. for €125.1 thousand, in in the fund

«MC² Impresa» for €10.5 thousand, in Valsugana Energia S.p.A for €120.0 thousand, in Encoop S.r.l. for €196.5 thousand and a negative change in fair value for the fund "Clesio" for €54.7 thousand.

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 €3.5 thousand. Additionally it led to the devaluation of the stock held in Biorendena S.p.A., for an amount of €6.6 thousand and in Paradisidue S.r.l. for an amount of €16.9 thousand.

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 2013 with a loss of €16.9 thousand.

Other equity investment	
Balance at 31/12/2012	**1.5**
Purchases	+38.2
Sales	-
Gains	-
Losses	-16.9
Impairment	-
Balance at 31/12/2013	**22.8**
Stake held	**100.000%**

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

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

The company changed its corporate 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 €3.5 thousand.

Other equity investments	
Balance at 31/12/2012	**72.0**
Purchases	-
Sales	-
Gains	+3.5
Losses	-
Impairment	-
Balance at 31/12/2013	**75.5**
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.

Also in 2013, 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 the investment.

The equity method valuation of the latest situation of available budget led to the recognition of a loss of €6.6 thousand

Merchant Banking Investment	
Balance at 31/12/2012	**79.0**
Purchases	-
Sales	-
Gains	-
Losses	-6.6
Impairment	-
Balance at 31/12/2013	**72.4**
Stake held	**20.000%**

Notes on other equity investments and stakes available for sale

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

In 2013, the company has been conferred the parent company Green Hunter Group SpA (described below): the operation carried out at a price of appraisal and has produced a gain of €404 thousand.

Merchant Banking Investments	
Balance at 31/12/2012	**1,337.3**
Purchases	-
Sales	-1,337.3
Gains/Losses on disposal	+404
Fair value changes	-
Reversal to income statement negative reserve	-404
Impairment	-
Balance at 31/12/2013	**-**
Stake held	**-**

Green Hunter Group S.p.A. – Milano

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 the year, the company business activities continue to flourish and there are no significant changes in the fair value compared to the recent shares evaluation.

Merchant Banking Investments	
Balance at 31/12/2012	**-**
Purchases	+1,337.3
Sales	**-**
Gains/Losses on disposal	**-**
Fair value changes	**-**
Reversal to income statement negative reserve	**-**
Impairment	**-**
Balance at 31/12/2013	**1,337.3**
Stake held	**3.819%**

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 most recent value assessments do not show significant changes compared to the purchase price and, therefore, the investment is maintained in the balance sheet at a fair value of €1.2m.

Merchant Banking Investments	
Balance at 31/12/2012	**1,201.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**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

Merchant Banking Investments	
Balance at 31/12/2012	**528.8**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**528.8**
Stake held	**4.840%**

increase. The resort has started being operational in 2011 and in 2013 has increased significantly in terms of business volumes and profit margins, achieving better results than was envisaged in the business plan.
During 2014, there is a planned increase in the share capital to partially pay off of debt and the consolidation of the company's financial situation.

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.
In December 2013, the financing partners, who control 40% of the share capital, have expressed their willingness to dispose of the investment, which will be repurchased by STET, recognising a return to the outgoing shareholders which to date has not yet been precisely determined. The value of the investment has been increased based on the minimum return expected by the shareholders' agreements.

Merchant Banking Investments	
Balance at 31/12/2012	**300.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+120.0
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**420.0**
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.. 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 thousand. From this amount €19.8 thousand was in the capital account and €1,635 thousand represented a loan to shareholders intended for the purchase of a share in Dolomiti Energia S.p.A.
The estimate as at 31st December 2013 shows and increase in fair value by €196.5 thousand since 2012.

Merchant Banking Investments	
Balance at 31/12/2012	**1,720.7**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+196.5
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**1,917.2**
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 the company financial position, the value of the Bank's stake at 31st December 2013 has increased by €125.1 thousand.

Merchant Banking Investments	
Balance at 31/12/2012	**2,136.1**
Purchases	-
Sales	-15.2
Gains/Losses on disposal	-
Fair value changes	+125.1
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**2,246.0**
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

Merchant Banking Investments	
Balance at 31/12/2012	**1.500,0**
Purchases	-

the controlling company Alto Garda Servizi S.p.A. (AGS) intends to manage the district heating service for the area of Riva del Garda and its surrounding municipalities. AGS brought a few financiers into the initiative as minority shareholders amongst which are Mediocredito (as advisor), Fincoop S.p.A. 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 2013. 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 shareholders' agreement accounts for a minimum return for minority shareholders, we do not have further information on its current value compared to the amount paid out. The value of the investment at 31st December 2013 has no changes in fair value.

Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**1.500,0**
Stake held	**16,130%**

Piteco S.p.A. – Milan (previously Alto Srl)

In 2012, 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. During the summer, Alto Srl became part of Piteco Srl; afterwards it was turned into a S.p.A.. In 2013, the company showed positive economic results in line with the business plan. The Bank holds 10% of the company for an investment of €1.555m, a figure that expresses its current fair value.

Merchant Banking Investments	
Balance at 31/12/2012	**1,555.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**1,555.0**
Stake held	**10.000**

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 thousand. The company Castello SGRpa assigned the value of €48,331.695 to each unit on 31st December 2013 compared to €52,240.053 on 31st December 2012. Therefore, the equity investment shows a negative fair value change of €55 thousand.
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 31/12/2012	**731.4**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-54.7
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**676.6**

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.
The unit value of the 80 shares held by the Bank (valued at 31.12.2013 by SGR) amounted to €52,682.613, generating a positive change in net equity reserve of €10.5 thousand.

Investments in UCITS	
Balance at 31/12/2012	**4,204.1**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+10,5
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2013	**4,214.6**

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

Other equity investments	
Balance at 31/12/2012	**75.7**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-

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 2013 produced an impairment of €23.2 thousand.

Reversal to income statement negative reserve	-
Impairment	-23.2
Balance at 31/12/2013	**52.5**
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 Banking Investments	Fondo RETEX Other equity investments
Balance at 31/12/2012	**50.2**	**3.4**	**40.1**	**100.4**
Purchases	-	-	-	-
Sales	-	-	-	-100.4
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve	-	-	-	-
Impairment	-	-	-40.1	-
Balance at 31/12/2013	**50.2**	**3.4**	**-**	**-**
Stake held	**0.025%**	**0.820%**	**5.363%**	

(thousands of Euros)

	Trevefin S.p.A. Tarzo Other equity investments	Funivie Madonna di Campiglio S.p.A. – Pinzolo (TN) Other equity investments	Lineapiù S.p.A. Prato Other equity investments	Federazione Trentina delle Cooperative Scarl Trento Other equity investments
Balance at 31/12/2012	**108.8**	**-**	**-**	**5.1**
Purchases	-	+25.4	-	-
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve		-		
Impairment	-	-	-	-
Balance at 31/12/2013	**108.8**	**25.4**	**-**	**5.1**
Stake held	**4.387%**	**0.033%**	**0.786%**	**0.804%**

(thousands of Euros)

	Formazione-Lavoro Società consortile per azioni Trento Other equity investments
Balance at 31/12/2012	**0.6**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	
Impairment	-
Balance at 31/12/2013	**0.6**
Stake held	**0.042%**

Other corporate & investment banking activities

The reduced activity levels, the decline in investment and operations in project finance and the downsizing of the renewable energy sector have negatively affected the levels of operation in this sector.

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

	2013	2012	Chg. %
Syndications, project & energy	601.9	968.9	-37.9
M&A – Advisory	38.7	281.7	-86.3
Total	**640.6**	**1,250.6**	**-48.8**

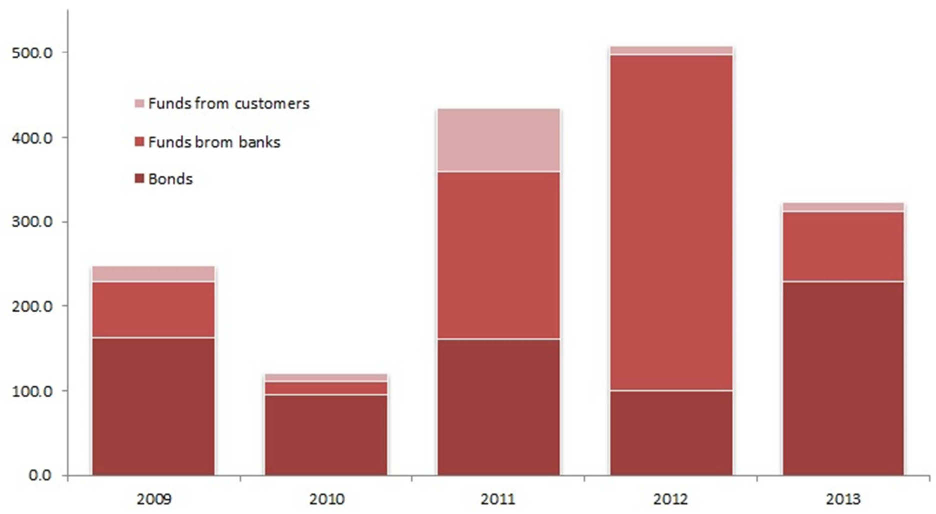
BORROWING OPERATIONS AND TREASURY MANAGEMENT

In 2013, new funds amounted to €317.5m, with a decrease of €191.3m against 2012, which included the three-year financing from the European Central Bank for €300m.
The new flow of funds from bonds is represented from the issuance of bonds for €224.2m, mainly under the EMTN programme, while medium-long term financing from banks counts for €65m.

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2013	%	2012	%	chg. %
BONDS	**224,150**	**70.6**	**100,200**	**19.7**	**+123.7**
- straight bonds	*224,150*	*70.6*	*100,200*	*19.7*	*+123.7*
- Fair Value bonds (+fv irs)	-	-	-	-	-
- special bonds	-	-	-	-	-
FUNDS FROM BANKS AND CDP	**83,500**	**26.3**	**397,048**	**78.0**	**-79.0**
- EIB funds	*15,000*	*4.7*	-	-	
- other medium/long term bonds	*50,000*	*15.7*	*327,500*	*64.4*	*-84.7*
- debit deposit	*18,500*	*5.8*	*69,548*	*13.7*	*-73.4*
FUNDS FROM CUSTOMERS	**9,881**	**3.1**	**11,616**	**2.3**	***-14.9***
- funds from third parties	*5,300*	*1.6*	*6,041*	*1.2*	*-12.3*
- other funds from customers	*4,581*	*1.4*	*5,575*	*1.1*	*-17.8*
TOTAL	**317,531**	**100.00**	**508,864**	**100.0**	**-37.6**

Dynamic of fund flows (thousands of Euro)



In terms of overall amounts, the new bond issued under the EMTN programme largely offset the repayments of matured bonds, recording an increase (+7.9%) compared to 31st December 2012.
Borrowing declined by €70.1m, due mostly to the decrease in short-term funding.

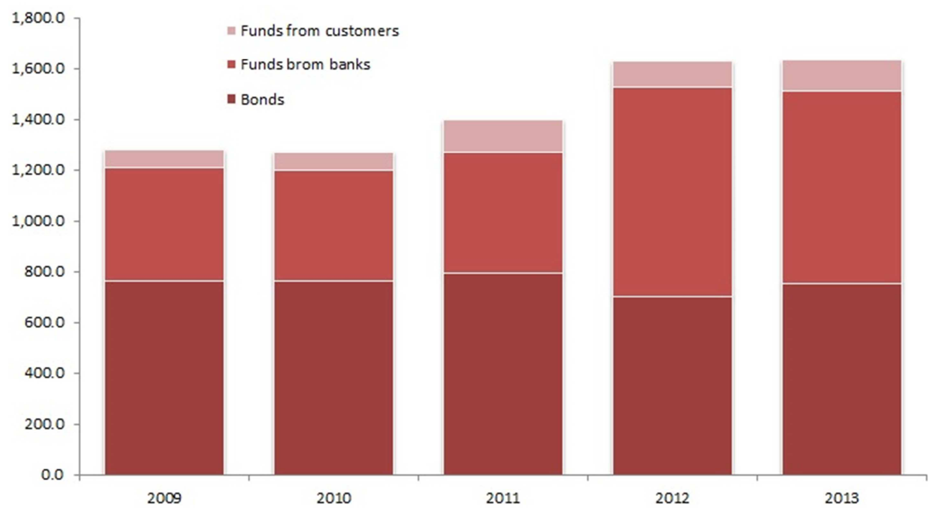
Funds from third parties remained stable settling at around €60m, while funds from other customers, mainly consisting of short-term deposits, increased by about €18m.
Overall amount of funding registered an increase of 0.4%, equal to €5.9m.

Overall amounts of borrowing operations (in thousands of Euros)

TYPE	OVERALL AMOUNTS				
	Dec 13	%	Dec 12	%	chg. %
BONDS	**753,351**	**46.1**	**698,030**	**42.8**	**+7.9**
- straight bonds	*753,148*	*46.1*	*687,627*	*42.2*	*+9.5*
- Fair Value bonds (+fv irs)	-	-	*10,111*	*0.6*	*-100.0*
- special bonds	*203*	-	*292*	-	*-30.5*
FUNDS FROM BANKS AND CDP	**759,294**	**46.5**	**829,409**	**51.0**	**-8.5**
- EIB funds	*107,787*	*6.6*	*108,484*	*6.7*	*-0.6*
- other medium/long term bonds [1]	*599,552*	*36.7*	*570,571*	*35.1*	*+5.1*
- debit deposit	*51,955*	*3.2*	*150,354*	*9.2*	*-65.4*
FUNDS FROM CUSTOMERS	**120,958**	**7.4**	**100,260**	**6.2**	**+20.6**
- funds from third parties	*58,933*	*3.6*	*56,665*	*3.5*	+4.0
- other funds from customers	*62,025*	*3.8*	*43,595*	*2.7*	+42.3
TOTAL	**1,633,603**	**100.0**	**1,627,699**	**100.0**	**+0.4**

[1] of which €52.3m in December 2013 and €56.0m in December 2012 from CDP and €382.0m in both years from ECB.

Evolution of overall amounts of funds (thousands of Euro)

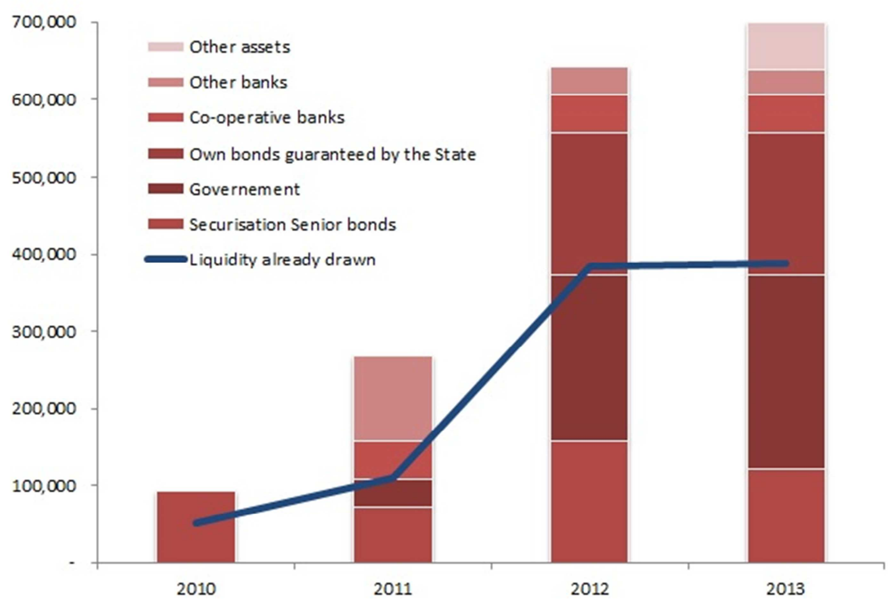


In 2013, the portfolio of securities eligible for refinancing with the European Central Bank was affected by a physiological decline following the repayment of some matured bonds, settling at a total value of €639.1m. Added to these are collateralised loans that have produced approximately €60.7m of potential liquidity.
Net of the two three-year operations already carried out, these assets guarantee liquidity reserves estimated at about €262.5m (net of haircuts).

Breakdown of eligible securities (thousands of Euro)

Issuer	Eligible	Potential liquidity
Governments	250,000	249,061
Co-operative banks	50,000	39,922
Other banks	32,000	25,453
Securitisation senior bonds	122,115	98,386
Own bonds guaranteed by the state	185,000	176,919
Total bonds	**639,115**	**589,741**
Other assets	156,573	60,744
Total bonds and other assets	**795,688**	**650,485**
Liquidity already drawn		388,000
Residual available liquidity		**262,485**

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



SECURITIES PORTFOLIO

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 2013		Dec 2012	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Government	260,800	269,499	225,800	222,476
Co-operative banks	50,400	50,730	50,000	51,055
Other banks	77,500	78,373	95,000	96,652
Total	**388,700**	**398,602**	**370,800**	**370,183**

The bonds issued by banks have an average life of 0.2 years while government securities (Italian State bonds for €250m and French for €10.8m) have an average life of 2.4 years.

Chart: allocation of AFS debt securities by maturity date

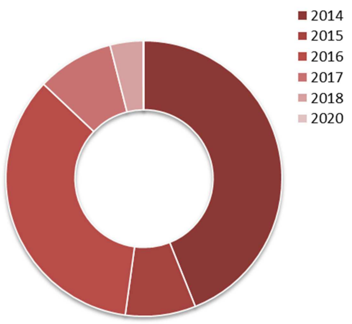
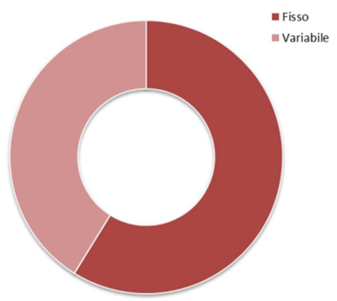


Chart: allocation of AFS debt securities by interest rate type



HEDGING TRANSACTIONS AND DERIVATIVES

Interest Rate Swap

The Bank has 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

Starting in 2012, the Bank 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 2013 with the previous business period.

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

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2013	2012	Dec 13	Dec 12
- held for trading purposes	-	-	*745*	*1,092*
- acting as coverage of debt securities in issue	-	-	-	*50,000*
- cash flow	-	-	-	*50,000*
- linked with FVO	-	-	-	-
- acting as coverage of loans from banks	-	-	-	-
- cash flow	-	-	-	-
TOTAL	**-**	**-**	**745**	**51,092**

Financial derivatives – cap options (in thousands of Euros)

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2013	2012	Dec 13	Dec 12
- sales (customers)	*12,368*	*6,567*	*18,566*	*6,567*
- purchases (banks)	*12,368*	*6,567*	*18,566*	*6,567*
TOTAL	**24,736**	**13,134**	**37,132**	**13,134**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, equipment and intangible assets are functional investments that amount to €11.4m, mainly buildings (headquarters in Trento and Bolzano and the Treviso branch).
All items were affected by the natural decline in value due to depreciation.
With regard to the investments made during the year, we report €16 thousand for the digitalisation of the governing bodies meetings, €52 thousand for the replacement of the heating system at the Trento headquarters and €65 thousand for the purchase of the software for the selection of assets to be used as collateral to guarantee loans from the ECB.

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

	Dec 2013	%	Dec 2012	%	Chg %
Functional assets	**11,426**	**99.0**	**12,276**	**99.1**	**-6.9**
- Land and buildings	9,237	80.0	9,560	77.1	-3.4
- Furnishing	893	7.7	1,056	8.5	-15.5
- IT equipment	154	1.3	169	1.4	-8.9
- Other equipment	860	7.5	890	7.2	-3.4
- Vehicles	83	0.7	141	1.1	-41.1
- Software	199	1.7	460	3.7	-56.7
Investment land	**116**	**1.0**	**116**	**0.9**	**+0.0**
Total	**11,542**	**100.0**	**12,392**	**100.0**	**-6.9**

During 2013, 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 2013, 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 2013, the number of employees remained the same as at 31st December 2012. The Bank has 84 employees comprising of 65 full-time contracts and 19 part-time contracts.

Position and movement of employees

	Situation 31.12.2012	Resignation	Recruitments	Change of positions	Situation 31.12.2013
Managerial staff	3	-	-	-	3
Managerial staff 3rd and 4th level	19	-1	-	+1	19
Managerial staff 1st and 2nd level	18	-	-	-1	17
3rd professional area	40	-1	+1	-	40
2nd professional area	4	-1	+2	-	5
Total	**84**	**-3**	**+3**	**-**	**84**

Breakdown by area [21]

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

Breakdown by age	Men	Women	Total
< 30 years	1	2	3
> 30 years < 45 years	19	17	36
> 45 years	29	16	45
Total	**49**	**35**	**84**

Breakdown by length of service	Men	Women	Total
< 5 years	7	6	13
> 5 years < 10 years	3	3	6
> 10 years < 20 years	27	16	43
> 20 years	12	10	22
Total	**49**	**35**	**84**

1,319 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		Classroom days	No. attendees
General management	-	-	-	-	-	-
Business area	18.61	11	-	-	93.51	34
Legal dept. and contracts	1.60	1	-	-	9.14	5
Technical admin. area	18.07	9	-	-	2.99	4
Management support staff	15.06	6	-	-	16.87	6
General management	**53.34**	**27**	**-**	**-**	**122.51**	**49**

The Administrative Board carried out their activities thorough 8 Board of Directors meetings, 11 Executive Committee meetings and 10 meetings of the Board of Auditors. An Ordinary Shareholders' Meeting, three Control Committee meetings and one meeting 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	31.12.2013	31.12.2012	Chg.	Chg. %
CASH AND CASH EQUIVALENTS	2	5	-3	-58.0
FINANCIAL ASSETS HELD FOR TRADING	902	298	+604	+203.1
FINANCIAL ASSETS AVAILABLE FOR SALE	414,444	385,782	+28,662	+7.4
LOANS AND ADVANCES TO BANKS	108,909	64,253	+44,655	+69.5
LOANS AND ADVANCES TO CUSTOMERS	1,291,867	1,366,290	-74,423	-5.4
HEDGING DERIVATIVES	-	-	-	
EQUITY INVESTMENTS	171	152	+18	+12.0
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	11,542	12,392	-850	-6.9
TAX ASSETS	9,990	4,989	+5,001	+100.2
OTHER ASSETS	2,204	3,887	-1,683	-43.3
TOTAL ASSETS	**1,840,029**	**1,838,048**	**+1,981**	**+0.1**

Equity and liabilities	31.12.2013	31.12.2012	Chg.	Chg. %
DUE TO BANKS	691,767	758,341	-66,574	-8.8
DUE TO CUSTOMERS	188,485	171,326	+17,160	+10,0
DEBT SECURITIES IN ISSUE	753,351	687,919	+65,432	+9.5
FINANCIAL LIABILITIES HELD FOR TRADING	938	364	+574	+157.5
FINANCIAL LIABILITIES AT FAIR VALUE	-	10,111	-10,111	-100.0
HEDGING DERIVATIVES	-	614	-614	-100.0
TAX LIABILITIES	7,020	8,641	-1,621	-18.8
OTHER LIABILITIES	8,311	8,851	-540	-6.1
VALUATION RESERVES[22]	5,934	6,217	-283	-4.6
CAPITAL AND RESERVES[22]	182,931	182,610	+320	+0.3
NET INCOME FOR THE YEAR[22]	1,292	3,052	-1,760	-57.7
TOTAL EQUITY AND LIABILITIES	**1,840,029**	**1,838,048**	**+1,981**	**+0.1**

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

[22] EU Regulation nr. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended, among other things, the accounting rules of the so-called benefit plans (which include severance pay), establishing that the actuarial gains / losses should be recognised immediately and for the entire amount in the "Income statement" with effect on net equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust the financial statements of the previous year recalculating the net income for the year (+€92 thousand), the valuation reserves (-€381 thousand) and reserves (+€289 thousand).

RECLASSIFIED INCOME STATEMENT[23]

(in thousands of Euros)

Items	2013	2012	Var.	Var. %
NET INTEREST INCOME	**23,739**	**24,960**	**-1,221**	**-4.9**
Net fee and commission income	1,173	2,391	-1,219	-51.0
Dividends	113	87	+26	+29.7
Income from trading	5,865	1,617	+4,248	+262.8
Fair value results	15	(344)	+359	-104.4
NET INTEREST AND OTHER BANKING INCOME	**30,905**	**28,712**	**+2,193**	**+7.6**
OPERATING COSTS [24]	(9,807)	(10,549)	+742	-7.0
GROSS OPERATING INCOME	**21,099**	**18,163**	**+2,936**	**+16.2**
NET IMPAIRMENT ADJUSTMENTS	(18,846)	(12,053)	-6,793	+56.4
PROFIT BEFORE INCOME TAXES	**2,252**	**6,109**	**-3,857**	**-63.1**
INCOME TAXES	(960)	(3,058)	+2,097	-68.6
NET INCOME FOR THE YEAR	**1,292**	**3,052**	**-1,760**	**-57.7**

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 %)	2013	2012
Net interest income /Net interest and other banking income	76.8	86.9
Gross operating income / Net interest and other banking income	68.3	63.3
Profit before income tax / Net interest and other banking income	7.3	21.3
Net income for the year / Net interest and other banking income	4.2	10.6

23 The reclassfied income statement results are presented here to highlight the gross operating income by separating the components related to the business from those arising from impairment values. This result was obtained by reclassifying the losses from the sale of loans from "Net interest and other banking income" to "Net impairment adjustments" for €1.04m (2013). In addition, in order to highlight the cost of borrowing, the commissions paid to the Italian State for the guarantee on bonds issued by the Bank (€1.388m in 2013, €1.289m in 2012) have been reclassified from "Net fee and commission income" to "Net interest income" (interest expense). Losses on the sale of assets for €1 thousand (€7 thousand in 2012) have been reclassified as "Operating costs" and net losses on equity investments for €20 thousand (€38 thousand in 2012) amongst "Net impairment adjustments".

24 EU Regulation nr. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended, among other things, the accounting rules of the so-called benefit plans (which include severance pay), establishing that the actuarial gains / losses should be recognised immediately and for the entire amount in the "Income statement" with effect on net equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust the financial statements of the previous year deducting from personnel costs in 2012 the amount of €127 thousand and recalculating its tax expense (€28 thousand).

INCOME STATEMENT DYNAMICS

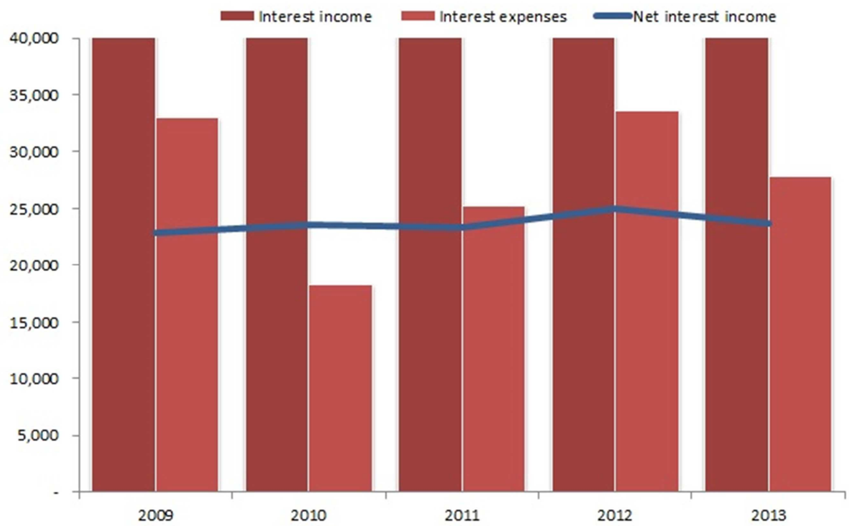
Interest income

Breakdown of the interest income (thousands of Euros)

Items	2013	2012	Chg.	Chg. %
INTEREST INCOME AND SIMILAR REVENUES	51,565	58,556	-6,991	-11.9
INTEREST EXPENSE AND SIMILAR CHARGES	(27,826)	(33,596)	+5,771	-17.2
NET INTEREST INCOME	**23,739**	**24,960**	**-1,221**	**-4.9**

Interest income recorded a decrease when compared to 2012: the reduction is mostly due to the decline in average values of the loan portfolio as well as the declining profitability of the securities portfolio and a general drop in interest rates. This is partially offset by higher takings from interest on overdue and doubtful positions for €171 thousand.
The spread of money management (interest income net of interest on arrears and bad debts) shows a performance in line with 2012, at around 1.34%, net of commissions paid to the Italian State for the guarantee on bonds issued by the Bank.
The spread gross of the abovementioned commissions is also in line with the results of 2012 at 1.43%.

Trend of interest income (thousand of Euro)



Net revenues from services and net interest

Net fee and commission revenues were affected to a greater extent than in 2012, by the slowdown of borrowing activities, resulting in a decrease of €1.2m (-51.0%) compared to the performance of 2012.

The total value of net commissions is €1.173m: the decrease is due mainly to the absence of advisory fees of the closed fund MC^2 Impresa (€68 thousand in 2012), the decrease in commissions linked to credit disbursement (survey and investigation -€286 thousand) and corporate finance activities (-€486 thousand) and the absence of returns from other institutions due to missing temporary cross-selling activities.

Net revenue from services (thousands of Euro)

Items	31.12.2013	31.12.2012	Chg.	Chg. %
FEE AND COMMISSION INCOME	**1,401**	**2,554**	**-1,153**	**-45.2**
- survey and investigation	594	880	-286	-32.5
- corporate finance	602	1,088	-486	-44.7
- fees as advisor for Fondo MC^2 Impresa	-	68	-68	-100.0
- expense refunds in relation to administrative deeds	88	91	-3	-3.2
- prepayment penalties	42	29	+14	+46.6
- other	75	398	-323	-81.2
FEES AND COMMISSION EXPENSES	**(228)**	**(163)**	**-65**	**+40.0**
- collection of applications	(99)	(41)	-58	+143.0
- other	(129)	(122)	-7	+5.4
NET COMMISSIONS	**1,173**	**2,391**	**-1,219**	**-51.0**

In the course of 2013, the Bank cashed dividends valuing €113 thousand (€87 thousand in 2012) while the management of the securities portfolio generated a gain of €5.2m. Extraordinary transactions involving the subsidiary Green Hunter showed a gain of €404 thousand. Additional gains rose from the repurchase of bonds issued for €153 thousand.

The net result of the fair value measurement of derivatives and the corresponding associated liabilities was positive, amounting to €15 thousand. The net result from brokerage activities amounts to €139 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.
The above-mentioned results, when added to net fees and commissions, bring net interest and other banking income to €30.905m, up by 7.6% (+€2.2m) against the result for the same period in 2012.

Operating costs

Operating costs came to €9.807m, considerably down (-€743 thousand) with respect to the previous year (€10.549m).

In comparison to 2012, payroll went down by €297 thousand (-4.2%). This is due to a decrease in the average number of employees, from 80.3 in 2013 to 79.9 as at the current date and due to the lack of severance packages paid in 2012.

The change in other administrative costs (-€198 thousand; -7.6%) is due to the decrease in legal fees and proceedings (-€132 thousand net of recoveries) and the savings on other expenses especially on the consultancy fees for securitisation activities in 2012 (-€111 thousand), on general management fees for the Bank's intangible assets and property, plant and equipment (-€56 thousand) and on IT costs (-€29 thousand). These savings were partially offset by higher costs for appraisal expenses for real estate collateral (+€72 thousand) and the activation of a second rating for the Bank by the rating agency Fitch (€61 thousand).

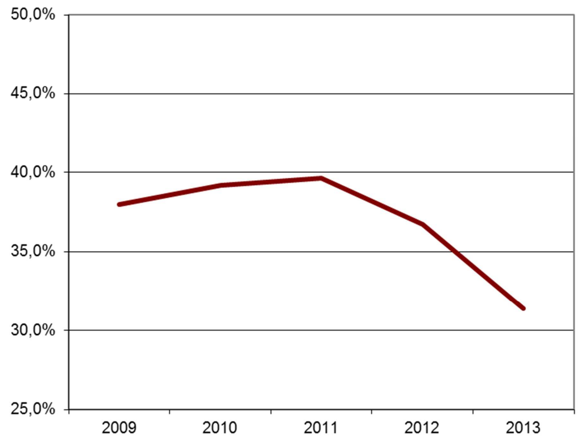
Operating costs (thousands of Euros)

Items	31.12.2013	31.12.2012	Chg.	Chg. %
ADMINISTRATIVE COSTS:	(9,115)	(9,610)	+495	-5.2
a) payroll:	(6,687)	(6,983)	+297	-4.2
- employees costs[25]	*(6,230)*	*(6,503)*	*+273*	*-4.2*
- directors and auditors costs	*(457)*	*(480)*	*+24*	*-4.9*
b) other administrative costs[26]	(2,428)	(2,627)	+198	-7.6
NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES	487	(100)	+587	-587.3
NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	(1,104)	(1,032)	-72	+7.0
OTHER OPERATING CHARGES/INCOME	(75)	193	-268	-138.8
OPERATING COSTS	**(9,807)**	**(10,549)**	**+742**	**-7.0**

Net allocations to provisions for risks and charges include the reduction of potential liability relating to a revocatory action initiated in 2008, following a favourable verdict of the first degree, for €537 thousand and provisions for employee bonuses for €50 thousand.

Depreciation for the period, is in the norm, after the completion of the modernisation of the buildings and IT infrastructure totalling €1.1m, up by €72 thousand compared to December 2012. Considering other net charges, for €75 thousand, the total of operating costs showed a considerable decline (-€742 thousand), bringing the cost to income ratio to 31.7%, a value lower than that of 2012 (36.7%).

Trend of cost to income ratio



25 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period deducting from the personnel costs for 2012 €127 thousand.

26 The recoveries from customers for indirect expenses and taxes incurred by the Bank (+ €722,000 in 2013, +€427,000 in 2012) were reclassified as a direct adaptation of the same, from item "Other operating charges/income" to item "Administrative costs". Depreciation and amortisation related to leasehold improvements (€5000 in both years) were reclassified item "Other operating charges/income" to item "Net adjustment to property, plant and equipment" and "Net adjustment to intangible assets", as well as for the item "Ga"ns loasses on disposal of investments! (-€1.2 thousand in 2013, -€6.7 thousand in 2012).

Efficiency indices

Captions	2013	2012	Chg.
Operating costs/Net interest and other banking income (%)	31.7	36.7	-5.0
Payroll/Net interest and other banking income (%)	21.6	24.3	-2.7
Average cost per employee (thousands of Euros)	78.0	80.4	-2.4
Net interest and other banking income / average number of employees (thousands of Euros)	386.8	354.8	+32.0
Positive total / average number of employees (thousands of Euros)	23,032	22,714	+317.7

Net of the operating costs the Operating Income stood at €21.099m euros, an increase of €2.936m (+16.2%) compared to the performance of the past year.

Value adjustments

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

(thousands of Euro)

Items	31.12.2013	31.12.2012	Chg.	Chg. %
NET IMPAIRMENT ADJUSTMENTS ON:	(17,785)	(12,015)	-5,769	+48.0
a) loans and advances	(17,731)	(12,002)	-5,729	+47.7
b) financial assets available for sale	(63)	(18)	-46	+256.4
c) financial assets held to maturity	-	-	-	
d) other financial assets	10	4	+6	+124.9
NET INCOME (LOSS) ON DISPOSAL OR REPURCHASE OF	(1,042)	-	-1,042	
a) loans	(1,042)	-	-1,042	
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(20)	(38)	+18	-47.5
NET ADJUSMENTS ON FINANCIAL ACTIVITIES	**(18,846)**	**(12,053)**	**-6,793**	**+56.4**

The analytical valuation (for which the valuation of non-performing loans was carried out by discounting the anticipated inflows) produced value adjustments of €24.360m and write-backs of €5.584m of which €247 thousand came from collections.

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 2012 was used for "substandard loans" which produced total net write-backs of €391 thousand.

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 €869 thousand, while losses reported in the income statement amounted to approximately €215 thousand.

A write-back of around €10 thousand was recorded in relation to guarantees provided (item 130.d).

The impairment test on equities available for sale led to a loss on equity investments considered durable for €63 thousand, due to the reset of the share capital of the subsidiary Trentino Volley S.p.A. (€40 thousand), while the valuation of equity investments with the equity method generated a net loss of €20 thousand.

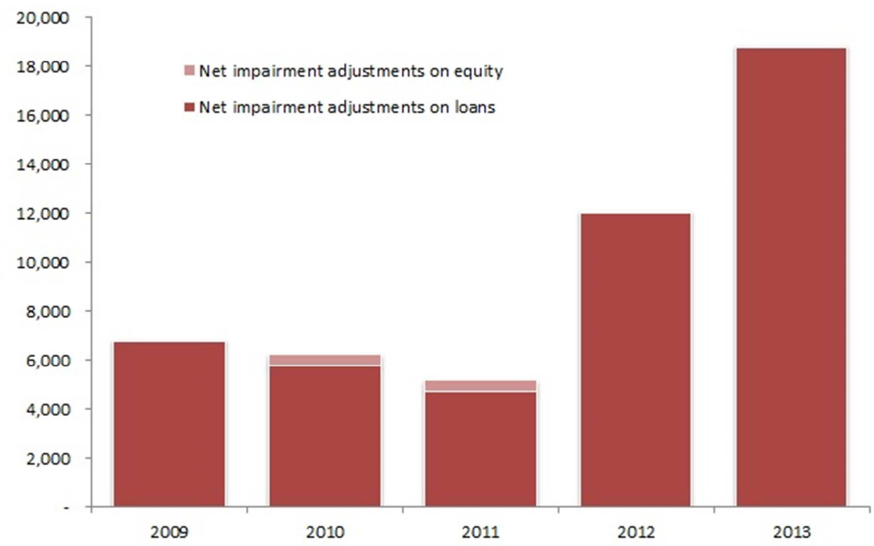
The sale of a doubtful loans portfolio, which was completed in December, has generated net losses on disposal for €1.042m.

The total net value adjustments on financial assets reached €18.846m, compared to €12.053m in the previous year (+56.4%).

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

		2013			2012		
		Write-downs	Write-backs	Net effect	Write-downs	Write-backs	Net effect
a)	**LOANS AND ADVANCES**	**26,082**	**8,351**	**(17,731)**	**16,935**	**4,933**	**(12,002)**
	- analytical valuation	24,360	5,584	(18,776)	13,271	4,155	(9,116)
	- lump sum valuation	1,506	1,898	391	3,389	193	(3,196)
	- loan losses	215	-	(215)	12	-	(12)
	- «country risk» valuation	-	-	-	-	-	-
	- initial FV of loans granted at an interest rate lower than the market rate	0	-	(0)	263	-	(263)
	- collection from transactions concluded in prior periods	-	869	869	-	585	585
b)	**ASSETS AVAILABLE FOR SALE**	**63**	**-**	**(63)**	**18**	**-**	**(18)**
	- valuation of equity securities	63	-	(63)	18	-	(18)
c)	**ASSETS HELD TO MATURITY**	**-**	**-**	**-**	**-**	**-**	**-**
d)	**OTHER TRANSACTIONS**	**-**	**10**	**10**	**-**	**4**	**4**
	- valuation of financial guarantees	-	10	10	-	4	4
e)	**NET INCOME (LOSS) ON DISPOSAL OF:**	**1,539**	**497**	**(1,042)**	**-**	**-**	**-**
	- loans	1,539	497	(1,042)	-	-	-
f)	**NET NCOME (LOSS) FROM EQUITY INVESTMENTS**	**24**	**4**	**(20)**	**50**	**12**	**(38)**
	TOTALS	**27,708**	**8,862**	**(18,846)**	**17,003**	**4,949**	**(12,053)**

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

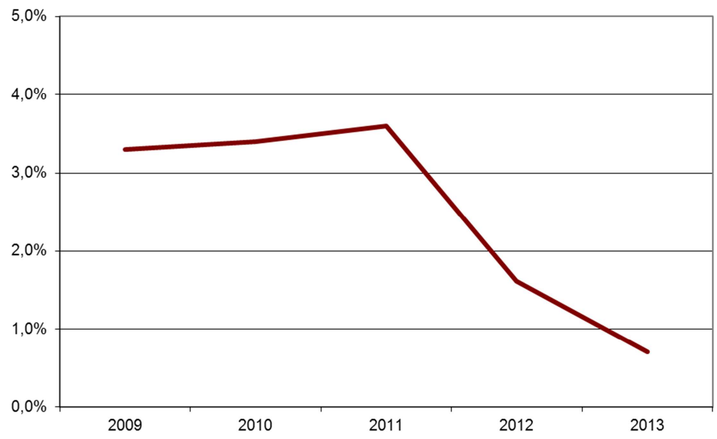


Income for the period

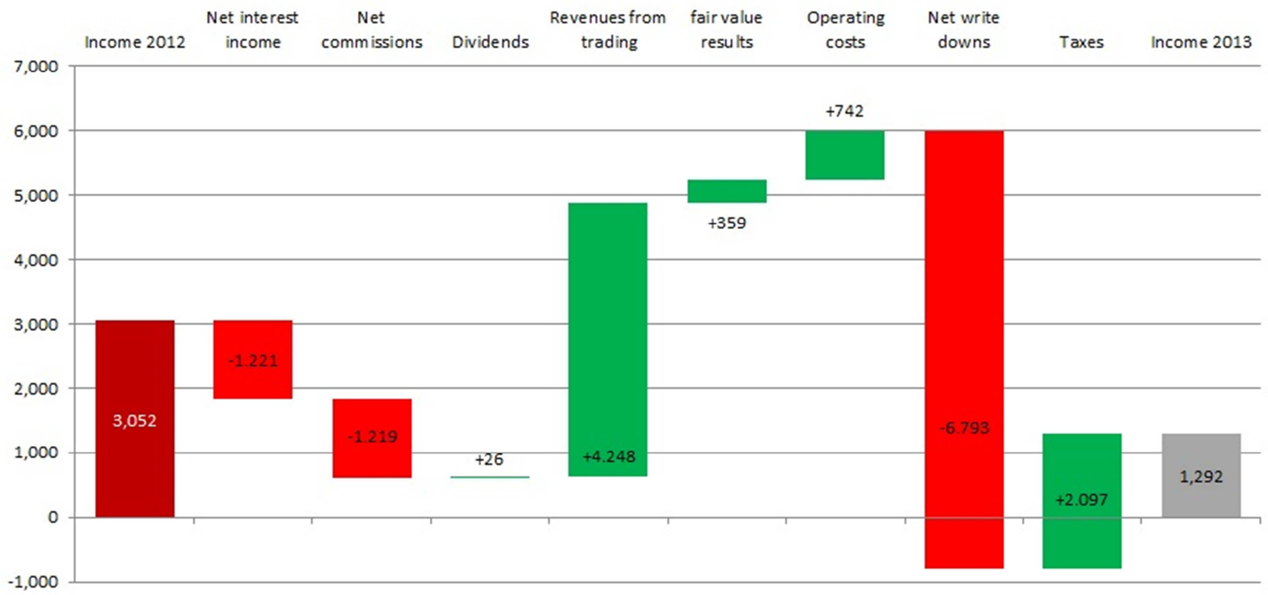
Net profit before taxes came to €2.252m, down by 63.1% against 2012.

The net profit for the period was €1.292m which, after calculating income tax, decreased by €1.760m (-57.7%) against the result recorded at 31st December 2012 (€3.052m). Income tax for the period came to €0.960m, equal to a tax rate of 42.6% compared to 50.0% in 2012.

Trend for ROE



Comparison net profit 2013 and 2012



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Reserves increased by €228 thousands due to the attribution of the net income for 2012 and by €92 thousand due to changes implemented following the implementation of IAS 19 "Employee benefits"[27] while the Valuation Reserves decreased by €283 thousand deriving from the adaptation of fair value of assets available for sale, cash flow hedges and defined benefit plans (actuarial gains / losses).
As shown in the table below, after taking into account the net income for the period, equity amounted to €190.2m, down by €1.7m.

(in thousands of Euro)

	Items	Dec 2013	Dec 2012	Chg.
130.	Valuation reserves	5,934	6,217	-283
160.	Reserves	94,605	94,285	+320
170.	Additional paid-in capital	29,841	29,841	-
180.	Capital stock	58,485	58,485	-
200.	Income for the year	1,292	3,052	-1,760
	Total equity	**190,157**	**191,880**	**-1,723**

Following the Shareholders' Meeting of 2nd May of last year, dividends on the overall amount of €2,586,819.20, equal to €0.023 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 10th June 2013.

Regulatory capital and capital ratios

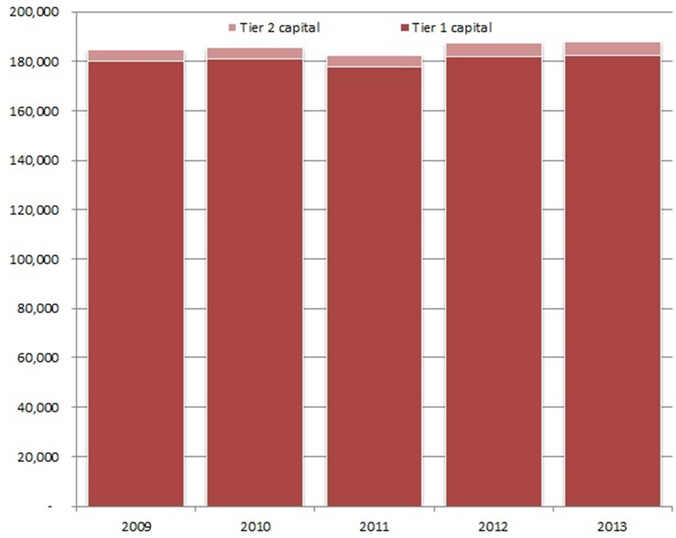
The regulatory capital and the capital ratios were calculated on the data of the financial statements that were drawn up in accordance with the new international accounting principles IAS/IFRS and the rules set forth by the supervising authorities.

(in thousands Euro)

Items	Dec 2013	Dec 2012
Core capital (Tier 1)	182,508	182,051
Supplementary capital (Tier 2)	5,292	5,605
Regulatory capital	**187,800**	**187,656**
Tier 1 capital ratio	15.07	13.52
Total capital ratio	15.50	13.93

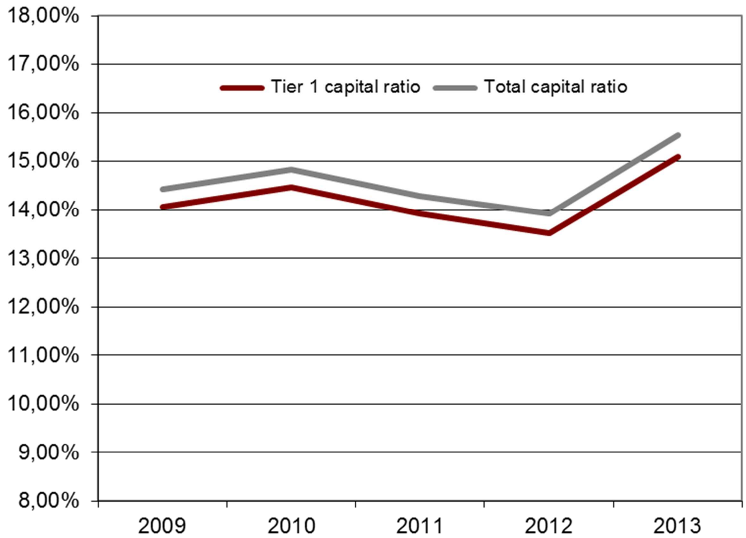
[27] EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period restating the income, valuation reserves and reserves.

Trend of regulatory capital 2009-2013



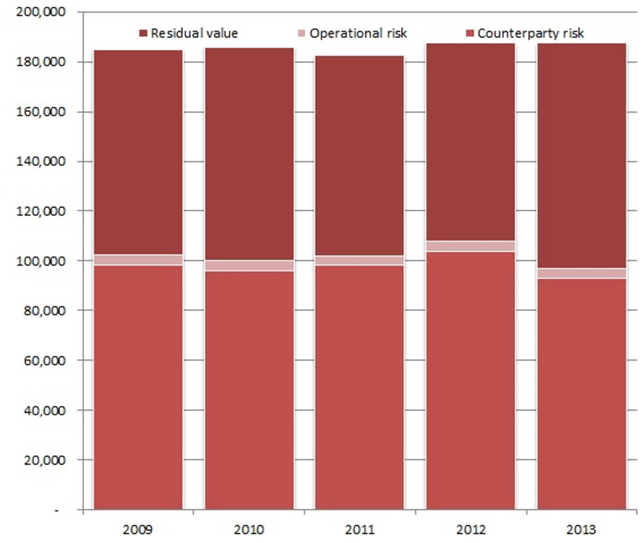
Capital ratios are in line with the minimum requirements prescribed by the regulations the Bank complied with at the Statement of Financial Position date, i.e. "Basel II" with the adoption of the standardised approach. The ratio of regulatory capital to total weighted assets (solvency ratio) was estimated at 15.50%, and the ratio of tier 1 capital to total weighted assets equalled 15.07% both up against the value at 31st December 2012 (13.93% and 13.52% respectively).

Trend of capital ratios



The regulatory capital (equal to the sum of €187.8m) after deducting the amounts representing the minimum regulatory requirements came to €90.9m, an amount which is deemed adequate to ensure the growth of business activities.

Trend of capital absorption 2009-2013



Trend of regulatory capital

	2013	2012
Initial core capital (Tier 1)	**182,051**	**177,910**
Capital stock increase (+)	-	-
Capital stock reduction (-)	-	-
Distributed income (-)	(1,185)	(2,732)
Dividends paid out in shares (+)	-	-
Income for the year (+)	1,292	3,052[28]
Change in Bank's creditworthiness (-)	39	(39)
Change in overall profitability:	49	3,332
Assets available for sale	-	3,713
Defined benefit plans	49	(381) [28]
Other	-	-
Changes in goodwill and other intangible assets	262	239
Other changes	-	289[28]
Final core capital (Tier 1)	**182,508**	**182,051**
Initial supplementary capital (Tier2)	**5,605**	**4,634**
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:	(313)	971
Assets available for sale	(313)	971
Other	-	-
Depreciation changes	-	-
Other changes	-	-
Final supplementary capital (Tier2)	**5,292**	**5,605**
Regulatory capital	**187,800**	**187,656**

28 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period recalculating the Regulatory Capital.

Rating

Moody's Investor Service

In December 2013 the agency downgraded by a point the Bank rating which is as follows:

Outlook	Negative
Bank Deposits	Baa3 / P-3
Bank Financial Strength	D+
Senior Unsecured – Dom Curr (Issuer Rating)	Baa3

Fitch ratings

In April 2013, Fitch assigned, for the first time a rating to the Bank:

Outlook	Negative
Short-term Issuer Default Rating	F2
Viability Rating	bb-
Support Rating	2
Long-term Issuer Default Rating	BBB+

Mediocredito stays amongst the few Italian banks with a rating of "investment grade".

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, for financial risks, the Credit Risk Management Committee, the Committee 231, for administrative responsibility (Legislative Decree 231/01), and the Control Committee that is entrusted with 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 2013, 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 2013 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 monitors the successful implementation of the actions requested by highlighting the results in reports.
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 2013 the Compliance Department's activity focused on normative-legal adjustments/improvement of operational processes related to the provisions on "Transparency of operations and banking and financial services. Regularity of the relationships between intermediaries and customers "and the money laundering legislation (Legislative Decree no. November 21, 2007 and subsequent implementing provisions issued by the Supervisory Authority) in addition to the traditional activities of monitoring the non-compliance risk and reviewing of the internal control system and staff training.

RISK MANAGEMENT ACTIVITY

The management and monitoring of the overall risks for the Bank is entrusted to the "Risk Management" function, including members of the General Management and committees for the assessment and management of risks and, in particular, the Credit Risk Committee and the ALCO Committee for financial risks.
The Bank’s system of internal controls is based on a model that ensures the organisational separation of the control functions from the business, guaranteeing its independence.
The "Risk Management" function aims to control the Bank's overall risk through integrated coordination of the various risks (credit, financial, etc.), offering support to the Board of Directors and the General Management in defining and controlling policies for risk-taking, within the framework provided by the Regulatory Authority.

In 2013, there were activities articulated over three main areas of intervention, namely:

a) The risk management and control system linked to duties and obligations dictated by the Internal Capital Adequacy Assessment Process (ICAAP) and the quarterly monitoring of the Bank’s significant risks;
b) Risk Management controls in accordance with the internal rules on the Basel 2 Policy – Credit Risk Mitigation;
c) Monitoring of risks and controls relating to investment services for the public.

COMPLIANCE WITH REGULATIONS

Tax register (D.P.R. 605/1973)

Internal Regulations require to oversee the regulatory risk related to the Tax Register (DPR 605/1973) and, to this end, the Bank has adequate tools for the extraction of the monthly data, control and dispatch of the same to the Inland Revenue within the time limits provided in accordance with current legislation.
In 2013 was completed the new reporting system - after obtaining the necessary approval by the Inland Revenue - which has led to a better automated management of the periodic mailings and of any "waste".
The submission to the Inland Revenue of the reports as at 31.12.2011 was carried out on 31.10.2013, as prescribed in the 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.
The organizational and managerial model pursuant to Legislative Decree. 231/2001 has been updated to make it more straightforward and easy to use and to include new criminal offenses such us: crimes against the public administration, corporate crimes, environmental offenses and crimes arising from the use of third-country nationals whose stay is illegal. A new chapter on sanctions was also added.

Measure implementing rules in respect to customer due diligence, pursuant to art. 7, paragraph 2, of Legislative Decree 21 November 2007 no. 231.

On 3rd April 2013, the Bank of Italy, in agreement with Consob and IVASS, introduced new provisions relating to customer due diligence which, added to the provisions relating to the organisation and maintenance of the Single Digital Archive (AUI), complete the picture of the regulatory standards of competence of the Supervisory Authorities, as provided by primary anti-money laundering legislation (Legislative Decree no. n. 231/2007). The new regulations have highlighted the need for structuring in greater detail certain phases of the "Money Laundering" operational process causing work to be started in order to update the regulatory framework of the Bank and the related operational procedures and the IT system, thanks to the operating support from the outsourcer.

Since these interventions have been implemented, The Bank has a system for the structured management of money laundering legislation which fully complies with regulations.

Investment services and EMIR Regulation (EU Regulation n. 648/2012).

Since March 2012, the Bank is authorised to practice to public services and investment activities related to trading for its own account, the execution of orders on behalf of clients and consultancy on investments.
The authorisation for such services allows the Bank to offer hedging of interest rate risk through derivatives to corporate customers (interest rates options and interest rate swaps) and the placement and disposal of bonds issued by the Bank to all customers (both corporate and retail).
The investment products offered by Mediocredito, both in terms of bonds in terms of derivatives, are characterised by an extreme simplicity. Specifically, the bonds are so-called "plain vanilla" (fixed rate, variable rate, step-up and step-down), while the derivative contracts are mainly options on interest rates linked to the underlying CAP loans and marginally SWAP operations on interest rates always connected to the underlying mortgages. The strong correlation between the financing and the derivative (functional to mitigate the interest rate risk for the client) is another cardinal principle that Mediocredito intends to follow in offering financial products, excluding outright the sale of speculative products. Moreover they are always closed with the purchase, from another banking institution of high standing, of a similar speculative contract.
In relation to MiFID - Markets in Financial Instruments Directive 2004/39/EC - Mediocredito maintains policies and operational procedures, and has developed a special project, which will be completed in the early months of 2014, compliant to their obligations under EMIR Regulation.
In the area of investment services, Mediocredito is monitored by the Bank of Italy as well as by CONSOB (the National Commission for Companies and the Stock Exchange) to which the annual reports by the control functions on the results of the activities carried out and the report on the procedures for the conduct of individual investment services were promptly sent.

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

During 2013, 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 2013, 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[29]. 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 2013, the Bank has prepared and published the report relating to the third pillar of the Basel II framework, i.e. public disclosure, as at 31/12/2012.
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.

[29] 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.

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.

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

On 1st January 2013 the new signalling system came into force, concerning the risk activities and conflicts of interest in respect to related parties, as provided by the Bank of Italy with the 9th update of Circular no. 263.

In 2012, a specific company policy was set up combining the provisions of art. 36 of the Consolidated Financial Act that identifies the Bank's 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.

Circular no. 263 of December 27, 2006 - "New regulations for the prudential supervision of banks" – 15th Update

On 2nd July 2013 the Bank of Italy issued the 15th update of Circular no. 263/06 "New regulations for the prudential supervision of banks". The new provisions relate to the system of internal controls, the information systems and business continuity (Title V, Chapters 7, 8 and 9).

It is an organic review of the supervisory instructions on these issues, which replaces the previous rules and regulations.

The provisions are intended to particularly define:

- The role of the corporate bodies, which have the responsibility to formalise the framework for the determination of the risk adjustment factor (RAF), risk governing policies and management processes, enforcing their application and periodic reviews to ensure their effectiveness over time and also to spread a control culture at all level of the organisation;
- The general organisational principles, in particular: the adequacy of internal information flows, the clarity of the organisational structure and the relative allocation of tasks, the prevention of conflict of interest and measures to ensure continuity of business;

- The tasks of the control functions, with a precise definition of functions requirements, criteria and procedures for planning and reporting of activities, their mutual interactions as well as relations with other corporate functions;
- The outsourcing of business functions and measures required to mitigate the risks arising from contracting out the Bank's activities and services;
- The basic requirements in the areas of ICT governance and organisation, management of IT risk, IT security, data management systems, outsourcing of systems and services.

Based on this approach Mediocredito implemented a process of adjustment for internal regulations aimed at changing the organisational and control systems, which had already been set following the instructions of supervisory bodies in 1999 by promptly embracing the new measures, highlighting the choices made by the Bank for their prompt implementation and defining of the timeframes for the upgrades. The Bank performed a gap analysis on the basis of a self-assessment report with respect to the provisions of the new legislation. The gap analysis report was sent to the Bank of Italy together with details of the measures to be taken and its time schedule to ensure full compliance with the provisions within the deadline indicated.

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.

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.

The organisational model implements 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

The slow recovery from the economic crisis has dampened domestic demand, even in the wealthiest areas of the north-east of Italy and will carry on affecting the performance of the Bank into 2014. Although gradually improving, tensions on the financial markets persist, showing yield spreads still relatively high for the countries of Southern Europe and high unemployment rates, while the signs of economic recovery are still in their early days, especially in Italy.
For the Italian banks, it is still difficult to access the international funding markets at an affordable price: costs are still high, only partly alleviated by the substantial liquidity provided to the system by the European Central Bank with the well-known medium term operations, widely used by the Italian banks.

In this context, characterised by the weakness in demand and the selectivity of credit, the Bank has fixed its budget targets for the end of the year, at least in terms of new credit disbursements, accepting a substantial maintenance or a modest decrease of the stocks.
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 our 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 by developing a cooperation with individual Cooperative Credit Banks on medium-term credit and corporate finance projects.
Impaired loans will record, predictably, a growing trend, although at a slower pace.
In terms of profitability, we expect a relative decline in margins in the presence of a recovery in the net commission income, a substantial stability in operating costs and a hoped lower cost of risk that will not realistically achieve significant recoveries in terms of profits.

In terms of funding, the Bank looks to 2014 with financial requirements and liquidity available from securities that in the period of reference provide a relatively low liquidity risk. However, there is a need of implementing policies with diversifying funding, in view of the deadline for repayments of Central Bank long-term loans and to enable a progressive reduction of the structural transformation of maturities. This last phenomenon has already been partly mitigated by the Bank with the signing of a substantial medium-long term EIB financing for €50m and with the placement of bonds, even at the renewal of transaction reaching maturity, on local credit cooperative banks.
As part of the treasury management activities and in order to prevent the risk of short-term liquidity, Mediocredito has also set up and made operational a channel collateralisation of credit assets eligible for refinancing with the Central Bank.

From an organisational point of view, there are no significant investments planned for 2014, except for the normal maintenance of the assets.

In terms of regulatory requirement compliance with the Supervisory Authority’s dispositions, during 2014 the Bank will be involved in:

- The compliance (as for Bank of Italy Circular 285/2013) to the harmonized framework for banks and investment firms contained in the EU Regulation. 575/2013 and Directive 2013/36/UE (CRD4), which implement the Basel III standards;
- the development of the internal controls system with respect to the recent enactment of the 15^{th} update of Circular 263/2006 "New provisions for the prudential supervision of banks";
- adapting to the discipline being issued by the Bank of Italy, in terms of corporate organisation and governance of banks that implements the innovations contained in the directive 2013/36/UE (CRD4).

In 2013 it was concluded the forecast period of the business plan drawn up in 2010; the new members of the Governments of the region and of the Autonomous Provinces and the Cooperative Credit are currently preparing the new Strategic Plan.

PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

Dear Shareholders,

The net profit for the business period 2013 equals €1,291,642.38, of which €3,536,80 is non-distributable under article 6 c. 2 Legislative Decree. 38/2005 (Decree IAS).

That said, and given the level of capitalisation and the Bank's risk profiles, 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	€	**1,291,642.38**
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005 freed during the year	€	-
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005 (Decree IAS)	€	-3,536.80
Distributable amount	**€**	**1,288,105.58**
- 5% to the legal reserve	€	64,405.28
- at the disposal of the Board of Directors for undertakings as per Article 21 of the By-laws	€	60,000.00
- dividend to distribute to shareholders (€0,020 for the no 112,470,400 shares, which correspond to 1.92% annually of their nominal value)	€	1,124,704.00
- further allocation to the extraordinary reserve	€	38,996.30

We propose to begin paying dividends starting from 9th June 2014.

Following the aforementioned distribution, the equity as at 31.12.2013 is as follows:

- capital stock	€	58,484,608.00
- additional paid-in capital	€	29,841,458.06
- legal reserve	€	19,020,778.58
- statutory reserve	€	54,041,794.81
- valuation reserve	€	5,933,773.43
- 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
- reserve as for ex IAS 8	€	380,695.00
- non-distributable under article 6 c. 2 Legislative Decree. 38/2005	€	58,556.98
Total	**€**	**188,971,825.70**

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 2013.

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 2013 has been based on procedures consistent with the reference standards of the internal control system of the Bank
3.
4. 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, 6 March 2014

Il Presidente
del Consiglio di Amministrazione

Franco Senesi

Il Dirigente Preposto alla redazione dei
documenti contabili societari

Leo Nicolussi Paolaz

INDEPENDENT AUDITOR'S REPORT

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 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 2013, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in 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 2013.

As illustrated in the notes to the financial statements, the directors restated certain comparative amounts of the previous period compared with the figures previously reported and audited by us. We have examined the method used to re-determine the comparatives and the related disclosures provided in the notes for the purpose of formulating our opinion on the financial statements as of 31 December 2013.

3 In our opinion, the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2013 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

PricewaterhouseCoopers SpA

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and fair view of the financial position, result of operations and cash flows of Mediocredito Trentino – Alto Adige SpA for the year 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° 58/98, 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 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° 58/98 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 2013.

Padua, 21 March 2014

PricewaterhouseCoopers SpA

Signed by
Alessandra Mingozzi
(Partner)

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

AUDITORS' REPORT

*(*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 financial year 2013 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 financial year 2013 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, 27th 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 financial year 2012.

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 financial year 2013 the Board of Directors met eight times and the Executive Committee eleven times.
3. The statement of financial situation as at 31st December 2013 can be summarised as follows:

Statement of financial position				
Total assets			Euro	1,840,029,221.61
Debts and funds	Euro	1,649,872,691.91		
Capital and reserves	Euro	188,864,887.32	Euro	1,838,737,579.23
Income for the year			Euro	1,291,642.38
Income statement				
Net interest and other banking income			Euro	29,863,248.14
Value adjustments			Euro	(17,784,622.56)

Operating costs	Euro	(9,805,460.51)
Revenues from equity investments, tangible assets and intangible assets	Euro	(21,120.31)
Income taxes	Euro	(960,402.38)
Income for the year	Euro	1,291,642.38

4. Over the financial year 2012 there have been equity changes owing to:
   - Recognition of €228,149.43 in reserves from the profits in 2012 (part of the profit not distributed);
   - An increase of €380,695.00 in reserves and a decrease of €380,695.00 in valuation reserves as a consequence of the changes made as a result of the approval of the revised IAS 19 "Employee benefits;
   - A decrease of €283,243.04 in valuation reserves made up by: a net increase of €293.148,46 from cash flow hedges, a net decrease of €625,434.85 72 from the valuation of securities available for sale and an increase of €49,052.35 related to defined benefit plans (severance indemnities);
   - The distribution of profit for a total €2,731,819.20;
   - An income of €1,291,642.38 for the year 2013.

   The equity of the Bank as at 31st December 2013 amounted to €190,156,529.70 made up form:

- Capital Stock – item 180:	Euro	58,484,608.00
- Additional paid-in capital – item 170:	Euro	29,841,458.06
- Reserve – item 160:	Euro	94,605,047.83
- Valuation Reserve – item 130:	Euro	5,933,773.43
- Income for the year – item 200:	Euro	1,291,642.38

5. In accordance with the Bank of Italy's instructions, the regulatory capital shown in the financial statements on 31st December 2013 was calculated using the "prudential filters" computed by applying the asymmetric approach. Overall, the regulatory capital on 31st December 2013 had increased by €144,052 against the previous year, reaching the amount of €187,799,799. The solvency ratio on 31st December 2013 equalled 15.50% against 13.90% in 2012. 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 (analytical adjustments)	(24,575,744.44)	6,453,054.65	(18,122,689.79)
Loans (net collective adjustments)	-	391,420.75	391,420.75
Available-for-sale assets	(63,315.11)	-	(63,315.11)
Other operations (signature loans)	-	9,961.59	9,961.59
Total	(24,639,059.55)	6,854,436.99	(17,784,622.56)

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 2013 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 6th March 2014, 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 2013, 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 2013. 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. The Board of Auditors acknowledges the review of the balance sheet on 31st December 2013 by the independent auditor PricewaterhouseCoopers SpA on 21st March 2014, which contains no critical aspects. Based on the work done as statutory auditor of the financial statements at 31st December 2013, 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.
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, 21st March 2014

Per il Collegio Sindacale
il Presidente
Stefan Klotzner

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Assets	31.12.2013	31.12.2012
10.	CASH AND CASH EQUIVALENTS	2,008	4,784
20.	FINANCIAL ASSETS HELD FOR TRADING	902,063	297,574
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	414,443,988	385,781,554
60.	LOANS AND ADVANCES TO BANKS	108,908,563	64,253,494
70.	LOANS AND ADVANCES TO CUSTOMERS	1,291,866,710	1,366,289,775
80.	HEDGING DERIVATIVES	-	-
100.	EQUITY INVESTMENTS	170,712	152,480
110.	PROPERTY, PLANT AND EQUIPMENT	11,343,131	11,932,059
120.	INTANGIBLE ASSETS	198,504	460,064
	Of which:		
	- goodwill		
130.	TAX ASSETS	9,989,902	4,989,384
	(a) current	1,077,891	-
	(b) deferred	8,912,011	4,989,384
	(b.1) as for Law 214/2011	-	-
150.	OTHER ASSETS	2,203,641	3,886,655
	TOTAL ASSETS	**1,840,029,222**	**1,838,047,823**

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

STATEMENT OF FINANCIAL POSITION-EQUITY AND LIABILITIES

	Equity and liabilities	31.12.2013	31.12.2012
10.	DUE TO BANKS	691,767,470	758,341,063
20.	DUE TO CUSTOMERS	188,485,389	171,325,797
30.	DEBT SECURITIES IN ISSUE	753,350,986	687,918,931
40.	FINANCIAL LIABILITIES HELD FOR TRADING	937,734	364,181
50.	FINANCIAL LIABILITIES AT FAIR VALUE	-	10,111,328
60.	HEDGING DERIVATIVES	-	614,077
80.	TAX LIABILITIES	7,019,766	8,641,114
	(a) current	-	719,580
	(b) deferred	7,019,766	7,921,534
100.	OTHER LIABILITIES	5,797,926	5,346,355
110.	PROVISION FOR SEVERANCE INDEMNITY	1,405,063	1,702,368
120.	PROVISIONS FOR RISKS AND CHARGES	1,108,359	1,802,669
	(a) pension fund and similar provisions	-	-
	(b) other provisions	1,108,359	1,802,669
130.	VALUATION RESERVES[30]	5,933,773	6,217,007
160.	RESERVES[30]	94,605,048	94,284,892
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 (+/-)[30]	1,291,642	3,051,975
	TOTAL EQUITY AND LIABILITIES	**1,840,029,222**	**1,838,047,823**

The Statement of Financial Position was drawn up in Euro units with no decimal numbers as figures were previously rounded.

[30] EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period restating the income, valuation reserves and reserves.

INCOME STATEMENT

	Captions	31.12.2013	31.12.2012
10	INTEREST INCOME AND SIMILAR REVENUES	51,564,967	58,556,325
20	INTEREST EXPENSES AND SIMILAR CHARGES	(26,438,175)	(32,307,663)
30	NET INTEREST INCOME	**25,126,792**	**26,248,662**
40	FEE AND COMMISSION INCOME	1,400,882	2,554,350
50	FEE AND COMMISSION EXPENSES	(1,615,472)	(1,451,550)
60	NET FEE AND COMMISSION INCOME	**(214,590)**	**1,102,800**
70	DIVIDENDS AND SIMILAR INCOME	113,170	87,263
80	NET TRADING INCOME	138,839	108,957
90	NET HEDGING GAINS (LOSSES)	-	-
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	4,683,997	1,507,730
	a) loans and advances	(1,041,908)	-
	b) financial assets available for sale	5,572,949	1,505,076
	c) financial assets held to maturity	-	-
	d) other financial liabilities	152,956	2,654
110	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	15,039	(343,683)
120	NET INTEREST AND OTHER BANKING INCOME	**29,863,247**	**28,711,729**
130	NET IMPAIRMENT ADJUSTMENTS ON:	(17,784,622)	(12,015,324)
	a) loans and advances	(17,731,269)	(12,001,988)
	b) financial assets available for sale	(63,315)	(17,766)
	c) financial assets held to maturity	-	-
	d) other financial transactions	9,962	4,430
140	NET INCOME FROM FINANCIAL ACTIVITIES	**12,078,625**	**16,696,405**
150	ADMINISTRATIVE COSTS:	(9,836,907)	(10,037,849)
	a) payroll[31]	(6,686,733)	(6,983,448)
	b) other administrative costs	(3,150,174)	(3,054,401)
160	NET PROVISIONS FOR RISKS AND CHARGES	487,318	(100,000)
170	NET ADJUSTMENT TO PROPERTY, PLANT AND EQUIPMENT	(718,617)	(673,498)
180	NET ADJUSTMENT TO INTANGIBLE ASSETS	(378,784)	(346,603)
190	OTHER OPERATING CHARGES/INCOMES	641,529	615,719
200	OPERATING COSTS	**(9,805,461)**	**(10,542,231)**
210	PROFIT (LOSS) FROM EQUITY INVESTMENTS	(19,967)	(38,021)
240	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	(1,153)	(6,659)
250	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	**2,252,044**	**6,109,494**
260	INCOME TAXES ON CURRENT OPERATIONS	(960,402)	(3,057,519)
270	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**1,291,642**	**3,051,975**
290	**NET INCOME (LOSS) FOR THE YEAR**	**1,291,642**	**3,051,975**

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

[31] EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period deducting from the personnel costs for 2012 €127 thousand and recalculating the corresponding tax charge. As a consequence also the earning per share had to be recalculated.

STATEMENT OF COMPREHENSIVE INCOME

	Captions	31.12.2013	31.12.2012
10.	NET INCOME (LOSS) FOR THE YEAR [32]	**1,291,642**	**3,051,975**
	Other comprehensive income, net of taxes without reversal to income statement		
40.	DEFINED BENEFITS PLANS[32]	+49,052	(92,007)
	Other comprehensive income, net of taxes with reversal to income statement		
90.	CASH FLOW HEDGES	+293,149	(168,842)
100	FINANCIAL ASSETS AVAILABLE FOR SALE:	(625,435)	5,300,891
	- Equity securities	+34,778	+403,766
	- Holdings in UCITS	(30,010)	+29,471
	- Debt securities	(630,203)	+4,867,654
130.	**TOTAL OTHER POST TAX COMPONENTS OF INCOME**	**(283,234)**	**5,040,042**
140.	**TOTAL COMPREHENSIVE INCOME (lines 10+130)**	**1,008,408**	**8,092,018**

Disclosures pursuant to paragraph 82A IAS 1 "Presentation of Financial Statements"

The components related to "equity securities", "share units" and "debt securities" shown in the statement of comprehensive income may be subjected to reversal in the income statement, in the event of any future sale.

The components relating to cash flow hedging will be subject to transfer to the income statement automatically as a result of the maturation of the differentials.

The components related to defined benefit plans will never be subject to reversal in the income statement.

[32] EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period removing €92 thousand from the net income and transferring the same amount under "Actuarial gains/losses on defined benefit plans".

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY 31/12/2012 – 31/12 /2013

	Balance on 31.12.2012	Changes in opening balance [33]	Balance on 1.1.2013	Allocation of the previous year's results		Change for the year								Balance on 31.12.2013
							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 2013	
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:	93,996,203	+288,688	94,284,892	228,149	-	92,007	-	-	-	-	-	-	-	**94,605,048**
a) from profit	93,996,203	+288,688	94,284,892	228,149	-	92,007	-	-	-	-	-	-	-	**94,605,048**
- statutory reserves	18,808,620	-	18,808,620	147,753	-	-	-	-	-	-	-	-	-	**18,956,373**
- extraordinary reserves[34]	53,977,422	-	53,977,422	80,396	-	-	-	-	-	-	-	-	-	**54,057,818**
- other profit reserves[35]	21,210,161	+288,688	21,498,849	-	-	92,007	-	-	-	-	-	-	-	**21,590,856**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves:	6,597,702	-380,695	6,217,007	-	-	-	-	-	-	-	-	-	-283,234	**5,933,773**
a) assets available for sale	2,572,519	-	2,572,519	-	-	-	-	-	-	-	-	-	-625,435	**1,947,084**
b) financial flow hedge	-293,149	-	-293,149	-	-	-	-	-	-	-	-	-	+293,149	**-**
c) others	4,318,332	-380,695	3,937,637	-	-	-	-	-	-	-	-	-	+49,052	**3,986,689**
- severance indemnities[33]	-	-380,695	-380,695	-	-	-	-	-	-	-	-	-	+49,052	**-331,643**
- 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	2,959,969	+92,007	3,051,976	-228,149	-2,731,819	-92,007	-	-	-	-	-	-	+1,291,642	**1,291,642**
Net equity	**191,879,940**	**-**	**191,879,940**	**-**	**-2,731,819**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,008,408**	**190,156,530**

33 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period modifying the opening balances and the comprehensive income.

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

35 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 31/12/2011 – 31/12/2012

	Balance on 31.12.2011	Changes in opening balance 36	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	+288,688	93,884,232	400,660	-	-	-	-	-	-	-	-	-	**94,284,892**
a) from profit	93,595,543	+288,688	93,884,232	400,660	-	-	-	-	-	-	-	-	-	**94,284,892**
- statutory reserves	18,483,670	-	18,483,670	324,950	-	-	-	-	-	-	-	-	-	**18,808,620**
- extraordinary reserves[37]	53,901,712	-	53,901,712	75,710	-	-	-	-	-	-	-	-	-	**53,977,422**
- other profit reserves[38]	21,210,161	+288,688	21,498,849	-	-	-	-	-	-	-	-	-	-	**21,498,849**
b) other	-		-	-	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves:	1,465,653	-288,688	1,176,965	-	-	-	-	-	-	-	-	-	+5,040,042	**6,217,007**
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	**-293,149**
c) others	4,318,332	-288,688	4,029,644	-	-	-	-	-	-	-	-	-	-92,007	**3,937,637**
- severance indemnities[36]	-	-288,688	-288,688	-	-	-	-	-	-	-	-	-	-92,007	**-380,695**
- 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	-	-	-	-	-	-	-	+3,051,976	**3,051,976**
Net equity	**189,936,384**	**-**	**189,936,384**	**-**	**-6,148,461**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,092,018**	**191,879,940**

36 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period modifying the opening balances and the comprehensive income.

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

38 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)[39]

A.	OPERATING ACTIVITIES	2013	2012
1.	**Operations**	**+23,600,361**	**+21,670,633**
-	Profit (loss) for the year	+1,291,642	+3,051,976
-	capital gains/losses on financial assets held for trading and on assets/liabilities at fair value	-45,414	+334,245
-	capital gains/losses on hedging activities	-	-
-	net value adjustments/write-backs due to impairment	+18,437,966	+12,271,821
-	net write-downs/write-backs on property, plant and equipment and intangible assets	+1,098,554	+1,020,102
-	net provision for risks and charges and other costs/revenues	-481,696	+130,062
-	unpaid duties and taxes	+960,402	+3,057,518
-	other adjustments	+2,338,907	+1,804,911
2.	**Cash flow generated/absorbed by financial assets**	**-18,831,495**	**-237,960,964**
-	financial assets held for trading	-	-
-	financial assets at fair value	-	-
-	financial assets available for sale	-26,763,125	-169,005,704
-	demand deposits with banks	-29,663,370	+11,423,380
-	loans and advances to banks: other loans and advances	-14,757,225	-48,943,741
-	loans and advances to customers	+55,664,815	-37,586,942
-	other assets	-3,312,590	+6,152,043
3.	**Cash flow generated/absorbed by financial liabilities**	**-1,753,559**	**+224,389,869**
-	amount due to banks: at sight	+8,165	-
-	amount due to banks: loans and advances	-68,501,209	+338,941,952
-	amount due to customers	+16,969,045	-17,113,392
-	debt certificates in issue	+62,868,099	-65,495,993
-	financial liabilities held for trading	-	-
-	financial liabilities at fair value	-10,000,000	-29,500,000
-	other liabilities	-3,097,659	-2,442,698
	Net cash flow generated/absorbed by operating activities	**+3,015,307**	**+8,071,088**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow generated by**	**+1,169**	**+23,157**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of financial assets held to maturity	-	-
-	sale of property, plant and equipment	+1,169	+23,157
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-287,434**	**-1,945,538**
-	purchase of equity investments	-38,199	-31,320
-	purchase of financial assets held to maturity	-	-
-	purchase of property, plant and equipment	-132,011	-1,807,200
-	purchase of intangible assets	-117,224	-107,018
-	purchase of company divisions	-	-
	Net cash flow generated/absorbed by operating activities	**-286,265**	**-1,922,381**

[39] EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period modifying the vlues of "Profit/loss for the period" and "Net provisions for risks and charges and other costs/revenues".

C.	FINANCING ACTIVITIES	2013	2012
-	issue/purchase of treasury shares	-	-
-	issue/purchase of equity instruments	-	-
-	distribution of dividends and other objectives	-2,731,819	-6,148,461
	Net liquidity generated/absorbed by financing activities	**-2,731,819**	**-6,148,461**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**-2,776**	**+246**

RECONCILIATION

Balance items	2013	2012
Cash and cash equivalent at the beginning of the period	**4,784**	**4,538**
Net liquidity generated/absorbed during the period	-2,776	+246
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	**2,008**	**4,784**

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 (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 and 21 January 2014.

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[40] 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 IAS 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.

With reference to this budget and the Bank's operational characteristics, we highlight the main changes introduced in 2013 with the entry into force of the revised version of IAS 19 and IFRS 13 as well as the new amendment to IAS 1. The amendment to IAS 19, the most significant, aims to promote the understanding and comparability of financial statements, especially with respect to defined benefit plans. The amendment eliminates the different accounting treatments available, replacing them with a single method that provides for the recognition of actuarial gains/losses in the statement of comprehensive income.

[40] 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.

The new standard IFRS 13 does not extend the fair value measurements application areas, but provides guidance on how to determine the fair value of financial instruments and non-financial assets and liabilities as already required or permitted by other accounting standards. In this way they are condensed into a single principle of rules for the measurement of fair value, previously present in different standards.
The amendments to IAS 1 introduce a different representation of the statement of comprehensive income in order to ensure greater clarity: a separate indication of the components that will not be the subject of future reversal to income statement is now demanded, from those that may be subsequently reversed in profit/loss for the year, under certain conditions.

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 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 2013 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 2013 Financial Year and the date of approval for the Statement of Financial Position, there were no 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 31/12/2013 of €5.0m) 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 2013, 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.
For more details, please refer to the section on general criteria for measuring fair value (Part A.4).

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.

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.

For more details, please refer to the section on general criteria for measuring fair value (Part A.4).
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 are entered to equity when the Bank becomes a party to the relevant contract that is at the time of completion of all contractual clauses: what normally is the date of disbursement and, in the case of securities, the date of purchase. 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 or to the paragraph dedicated to the general criteria for the measurement of fair value (Part A.4). 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 neutralise 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 equipment 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, measurement and derecognition criteria

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

11.3 Income component recognition criteria

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

SECTION 12 – PROVISIONS FOR RISKS AND CHARGES

12.1 Classification criteria

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

12.2 Recognition, measurement and derecognition criteria

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

12.3 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.

For more details, please refer to the section on general criteria for measuring fair value (Part A.4).

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

With regard to the recognition of the annual changes resulting from the actuarial calculations of the components of the "defined benefit plans", the IAS 19 previously in force consisted of two options:
1. the recognition in the income statement
2. the recognition in equity (statement of comprehensive income).

Until 31st December 2012, the Bank had adopted the first method, accounting in the income statement for all changes in employee severance indemnities accrued during the period.
With EC Regulation no. 475 of 5th June 2012, the new version of IAS 19 "Employee Benefits" was approved. Such regulation, compulsorily applicable for accounting periods beginning on or after January 1 2013, provides a single method for accounting of actuarial gains/losses, which have to be included immediately in the computation of net liabilities to employees, in exchange for an equity item (OCI - Other Comprehensive Income) to be included in the statement of comprehensive income for the period. Based on the above regulation, the Bank adopted the revised IAS 19 starting from the half yearly report for 2013, implementing the recognition in the income statement of gains and losses attributable to the actuarial nature of these differences directly in equity.
The changes introduced by the new standards must be applied retrospectively in accordance with IAS 8 and the transitional provisions contained in the same principle. It is required to adjust the financial statements for the previous period and to highlight the effects on shareholders' equity, under the caption profits/losses.
The following table shows the items affected by the restatement as at 31st December 2012 and the related quantitative impacts:

	Balance as at 31/12/2012
Valuation reserve for defined benefit plans	-380,695.00
Reserve IAS8	+288,688.14
Net profit	+92,006.86
Overall effect on equity	**-**

For more detailed information concerning the composition and values of the items affected by the estimates, please refer to the specific sections in the notes to accounts.

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

General qualitative and quantitative information on criteria for measuring fair value can be found in Part A.4.

A.3 INFORMATION ON TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

During 2013, the Bank did not make any transfers of financial assets between portfolios and therefore this section is not completed.

A.4 FAIR VALUE DISCLOSURE

QUALITATIVE INFORMATION

This section deals with methods for determining fair value in relation to the types of assets and liabilities of the Bank.
As highlighted in the illustration of the basis of preparation for this Report, as of January 1 2013, it is mandatory the application of IFRS 13, which governs the measurement of fair value and related disclosures.
As mentioned, the new standard does not extend the scope of application of the fair value measurements but gathers under one principle all the rules for fair value measurements already available in different standard.
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (i.e. not a forced liquidation or below cost sale). The fair value is an evaluation criterion of the market, not specific to the entity. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
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 or brokered market, 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.
With regard to financial instruments, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of information used in the calculation.
The “fair value hierarchy” defines three level for the measurement of the fair value. In detail:

- Level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets for identical assets or liabilities;

- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed either directly or indirectly in the market (other than quoted prices in level 1);
- 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. This classification has the objective to establish a hierarchy in terms of the reliability of the values depending on the degree of discretion applied, giving priority to the use of observable market inputs that reflect the assumptions that participants would use in the valuation (pricing) of the asset/liability. The objective of the hierarchy is also to increase consistency and comparability in fair value measurements.

The valuation method defined for a financial instrument is adopted over time and is changed only as a result of significant changes in market conditions or for the issuer of the financial instrument.

With reference to the above, it should be noted that IFRS 13 has not introduced concepts, which are not consistent with the current practice. The main novelty is represented by the clarifications introduced with reference to the measurement of non-performance risk in determining the fair value of OTC derivatives. This risk includes both the changes in the creditworthiness of the counterparty and the issuer itself.

The Bank’s activities considered quoted on an active market (level 1) are: 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.

With regard to OTC derivatives, a methodological approach was adopted that allows to include credit risk in determining the fair value of financial instruments: in particular, to fulfil the requirements of the new IFRS 13, it enhances the effects of changes in the counterparty creditworthiness (Credit Value Adjustment - CVA) and the effects of changes in own creditworthiness (Debit Value Adjustment - DVA). The adjustment values are dependent on exposure, the probability of default (DP) and loss given default (LGD) of the counterparties.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs

Fair value level 2

The following instruments are valued on the basis of techniques that make use of market parameters (Level 2):

- Bonds under the FVO for which it is not possible to use fair value of level 1;

- Bonds classified under the available for sale portfolio for which it is not possible to use fair value of level 1;
- Bonds classified under the cash flow hedge portfolio (only for the purposes of testing the hedge effectiveness);
- OTC interest rate derivative.

In detail, for each of the categories of instruments identified above we apply the valuation models mentioned below.

Bonds under FVO

The methods used for the valuation of these bonds are:
- Variable rate bonds: calculating the future yield on the bond taking into account amounts specified in the amortisation plan and estimating future coupons based on forward rates, considering a yield curve including credit spreads;
- Fixed rate bonds: calculating the future yield on the bond taking into account amounts specified in the amortisation plan and estimating future coupons based on the current coupon rate, considering a yield curve including credit spreads;

Bonds classified under the available for sale portfolio

The methods used for the valuation of these bonds are:
- Variable rate bonds: calculating the future yield on the bond taking into account amounts specified in the amortisation plan and estimating future coupons based on forward rates, considering a yield curve including credit spreads;
- Fixed rate bonds: calculating the future yield on the bond taking into account amounts specified in the amortisation plan and estimating future coupons based on the current coupon rate, considering a yield curve including credit spreads;

Bonds and interest rate derivatives entered into a hedged portfolio using hedge accounting

The calculation of the fair value for hedging derivatives is done by adopting the "Notional Cash Flow After Last Known Coupon" model and the yield curve including issue spread for the evaluation of the variable rate component: evaluation differences between this model and the more correct model based on amortisation plan with future coupons estimated based on forward rates are considered negligible.
For consistency the same model is also applied to the hedged bonds only for the purpose of verifying the effectiveness of the hedge[41].
For the evaluation of the fair value of the fixed rate component we use a model taking into account amounts specified in the amortisation plan and estimating future coupons based on the current coupon rate and the yield curve including issue spread.

[41] Cash Flow Hedge Accounting requires that the hedged instrument follows the rules specific to the IAS category it belongs to.

Interest rate derivatives related to the FVO

The methods used for the evaluation of these derivatives are similar to those used for the determination of the fair value of hedging derivatives:
- For the variable rate component: "Notional Cash Flow After Last Known Coupon" model and the yield curve including issue spread;
- For the fixed rate component: taking into account amounts specified in the amortisation plan and estimating future coupons based on the current coupon rate, considering a yield curve including credit spreads.

Any fair value components arising from options are valued using the values provided from time to time by qualified counterparties whose methods are considered to be consistent with those outlined in this policy.

Interest rate trading derivative

For the evaluation of trading derivatives, the fair value provided by qualified providers whose methods are considered to be consistent with those outlined in this policy is adopted, applying to them the necessary correction to take account of counterparty risk (CDA / DVA).

Fair value level 3

For certain types of financial instruments (unquoted equity investments), the determination of fair value is based on valuation models that must assume the use of parameters that are not directly observable on the markets, therefore implying estimates and assumptions on the part of the evaluator (level 3). In particular, the valuation of the financial instrument is based on a calculation model which is founded on financial methods. The cost of purchase is used if the valuation is objectively not possible or if the cost and effort to obtain it is too high (for the characteristics and extent of participation).

Assets and liabilities at amortised cost

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.

QUANTITATIVE INFORMATION ON RELEVANT NON-OBSERVABLE INPUTS USED IN THE EVALUATION OF FAIR VALUE

It is noted that level 3 instruments, which have more discretion in determining the fair value, represent only a small percentage (less than 4%) of the portfolio of financial instruments. The quantitative impact of unobservable inputs used in measuring fair value is therefore deemed insignificant.

A.4.2 Process and susceptibility of valuation

The methodologies for determining the fair value of financial instruments and the criteria for allocation of the instruments themselves within the Fair Value Hierarchy are governed by the policy of valuation of assets and liabilities adopted by the Bank.
The Policy Assessment identifies for each product/family of products:
- the input parameters and their sources
- the assessment methodologies
The valuation models used must be consistent with the degree of complexity of the products offered/negotiated, reliable in estimating values, used and known by other market participants.

The evaluation process consists of the following phases:
1. The first phase identifies the types of product, the financial parameters and their sources to be used, which must be of proven reliability and be widely accepted among market participants.
2. The second phase of the evaluation process specifies for each type of product the method for determining the fair value.
In phase 1, for securities classified under level 2 of the fair value hierarchy, the process of determining the spread of the issuer creditworthiness is particularly relevant, as detailed below.

Issuer’s creditworthiness

For assets/liabilities on the wholesale market, the credit spread applied is recorded for each issuer (including Mediocredito Trentino - Alto Adige SpA), according to one of the following methodologies, in order of priority:

1. Spread applied to the most recent bond issue of significant amount, placed with no connected eligible counterparties;
2. Spread determined taking into account the credit rating of each counterparty (including Mediocredito Trentino - Alto Adige SpA) and contingent conditions of the funding market;
3. Latest credit spread as reported by Reuters for Moody's rating level.

For liabilities in the retail market, the credit spread applied is the one detected for the issuer Mediocredito Trentino - Alto Adige SpA by considering the most recent bond issue placed with retail counterparts.

For the assessment of unsecured bonds by corporate counterparties, in the absence of significant issues on the basis of which it is possible to estimate the credit spread, the spread is set to the minimum provided for unsecured financing transactions of the same original duration.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

The inclusion of the counterparty and own credit risk, for the purpose of determining the fair value of derivatives, as required by IFRS13, implies that the value calculated on the basis of risk-free rates (MTM) is subject to an adjustment. Such adjustment is referred to as CVA for derivative asset and DVA for derivative liabilities in the Balance Sheet.
For the determination of the Credit Valuation Adjustment (CVA) for derivatives purchased from bank counterparties and Debit Valuation Adjustment (DVA) of derivatives sold to customers, we use the methodologies developed by the Fair Value Hedge Accounting Working group, coordinated by Federcasse. Such a Working Group is made up of representatives of local federations, second-level banks and IT companies in the sector (including the outsourcer for the Bank).
IFRS 13 requires the use of valuation techniques that maximize the use of observable market data and data which are attributable to factors taken into account in the valuation of financial instruments by all market participants. Given the characteristics of the transactions entered into and the type of banks as counterparties, it is reasonable to estimate the PD (Probability of Default), both for the Bank’s own credit risk and the bank counterparties’, using the historical approach. This represents a suitable alternative to the market approach, by referencing to the tables of default historical data reported by the rating agency Moody's using the default rates associated with rating classes (Table Exhibit 14 "European Corporate default and Recovery rates"). As far as the LGD (Loss Given Default), it is assumed, in accordance to the methodology of the Fair Value Hedge Accounting Working group, a loss of 60% of the EAD, in line with the practices followed with regard to not guaranteed derivative instruments.

A.4.3 Hierarchy of fair value

The choice of the level of fair value is not optional, but must be applied in a hierarchical order, as this classification has the objective to establish a hierarchy in terms of the reliability of the values depending on the degree of discretion applied, giving priority to the use of observable market inputs that reflect the assumptions that market participants would use in the evaluation (pricing) of assets/liabilities. The objective of the hierarchy is also to increase consistency and comparability in fair value measurements.
The valuation method defined for a financial instrument is adopted over time and can only be changed as a result of significant changes in the market or the financial instrument issuer conditions.

A.4.4 Other Information

All non-financial assets, whether they are measured at fair value on a recurring or non-recurring basis, are used at their maximum potential and in the best way.

QUANTITATIVE INFORMATION

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	2013			2012		
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		902			298	
2. Financial assets at fair value						
3. Financial assets available for sale	277,459	121,195	15,790	227,748	142,511	15,523
4. Hedging derivate assets						
5. Property, plant and equipment						
6. Intangible assets						
Total	**277,459**	**122,097**	**15,790**	**227,748**	**142,809**	**15,523**
1. Financial liabilities held for trading		938			364	
2. Financial liabilities at fair value		-			10,111	
3. Hedging derivate liabilities		-			614	
Total		**938**			**11,089**	

In 2013 the Bank has not undertaken transfers of assets/liabilities between level 1 and level 2.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedge derivatives	Property, plant and equipment	Intangible assets
1. Opening balance			**15,523**			
2. Increases			**2,219**			
2.1 Purchases[1]			1,363			
2.2 Profits in:			856			
2.2.1 Income statement			404			
- of which: unrealised gain			404			
2.2.2 Equity[2]			452			
2.3 Transfers from other levels			-			
2.4 Other increases			-			
3. Decreases			**1,952**			
3.1 Sales[1]			1,337			
3.2 Redemptions			116			
3.3 Losses in:			95			
3.3.1 Income statement			40			
- of which: unrealised losses[3]			40			
3.3.2 Equity [4]			55			
3.4 Transfer from other levels			-			
3.5 Other decreases			404			
4. Closing balance			**15,790**			

1 The items include €1.337m for the purchase of shares in Green Hunter Group and the sale of shares in Green Hunter, as a consequence of the extraordinary operations involving the group. The investment is represented for €404 thousand under item "2.2.1 Income statement – unrealised gain". Under 3.5, €404 thousand is reported for the reversal of the positive reserve as a result of the realisation of the gain.

2 This is the revaluation of investment in the fund MC[2] Impresa for €10 thousand, in Allto Garda Servizi S.p.A. for €125 thousand, in Enercoop S.r.l. for €197 thousand and in Valsugana Energia S.p.A. for €120 thousand.

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

4 This is the deterioration of the investment in the Fund Clesio.

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

The Bank does not hold any financial liabilities measured at fair value on a recurring basis for level 3 in the current year nor in the period of comparison.

A.4.5.4 Assets and liabilities not measured at fair value or at fair value on a non-recurring basis: breakdown by fair value levels

Type of transaction/Amounts	2013				2012			
	VB	FV			VB	FV		
		Lev 1	Lev 2	Lev 3		Lev 1	Lev 2	Lev 3
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Loans to banks	108,909	-	44,756	63,652	64,253	-	-	64,253
3. Loans to customers	1,291,867	-	1,117,297	173,556	1,366,290	-	1,193,155	167,679
4. Tangible assets held for investment purposes	116	-	-	116	116	-	-	116
5. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**1,400,892**	**-**	**1,162,053**	**237,324**	**1,430,658**	**-**	**1,193,155**	**232,048**
1. Due to banks	691,767	-	641,010	36,682	758,341	-	599,848	135,265
2. Due to customers	188,485	-	51,861	136,232	171,326	-	55,597	115,348
3. Debt securities in issue	753,351	-	751,402	-	687,919	-	686,899	-
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**1,633,603**	**-**	**1,444,273**	**172,914**	**1,617,586**	**-**	**1,342,343**	**250,612**

A.5 Information on *day one profit/loss*

There are no items for the table A.5 Information on *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

	2013	2012
a) Cash	2	5
b) Demand deposits with central banks	-	-
Total	**2**	**5**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: breakdown by sector

Items	2013			2012		
	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		902			298	
1.1 trading [1]		902			298	
1.2 related to fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 related to fair value option						
2.3 others						
Total B		**902**			**298**	
Total (A+B)		**902**			**298**	

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. The fair value takes into account the CVA for €19 thousand.

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

Items	2013	2012
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	**902**	**298**
a) Banks	902	298
- fair value	902	298
b) Customers	-	-
- fair value	-	-
Total B	**902**	**298**
Total (A+B)	**902**	**298**

2.3 Financial assets held for trading: annual changes

	Trading derivatives	Trading derivatives related to fair value option	Total
A. Opening balance	**298**	**-**	**298**
B. Increases	**608**	**-**	**608**
B1. Issues	-	-	-
B2. Sales	608	-	608
B3. Positive changes in fair value	-	-	-
B4. Other changes	**4**	**-**	**4**
C. Decreases	-	-	-
C1. Purchases	-	-	-
C2. Redemptions	4	-	4
C3. Negative changes in fair value			
C4. Other changes	-	-	-
D. Closing balance	**902**	**-**	**902**

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	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	277,406	121,195	-	227,672	142,511	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	277,406	121,195	-	227,672	142,511	-
2. Equity instruments	53	-	10,899	76	-	10,588
2.1 Measured at fair value	53	-	10,705	76	-	9,979
2.2 Carried at cost [2]	-	-	194	-	-	609
3. Investments in UCITS	-	-	4,891	-	-	4,935
4. Loans	-	-	-	-	-	-
Total	**277,459**	**121,195**	**15,790**	**227,748**	**142,511**	**15,523**

1 These consist of €260.8m of government securities and €7.5m of bonds issued by banks (Level 1) and €120.4m of bonds issued by banks (level 2) purchased by the Bank to provide adequate reserves of liquid assets eligible for ECB refinancing for €377.5m as guarantee to the securitisation operation started in 2009 for €10.8 and for other purposes for €0.4m.

2 Unlisted equity instruments carried at cost equalling €0.2m in 2013 and €0.6m in 2012: they consist of minority equity investments purchased at less than €0.5m for which fair value cannot be estimated in a reliable manner.

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

Items	2013	2012
1. Debt securities	**398,602**	**370,184**
a) Governments and central banks	269,499	222,477
b) Other public entities	-	-
c) Banks	129,103	147,707
d) Other issuers	-	-
2. Equity instrument	**10,951**	**10,663**
a) Banks	50	50
b) Other issuers	10,901	10,613
- insurance companies	-	-
- financial corporations	3,363	1,930
- non-financial corporations	7,538	8,683
- others	-	-
3. Investments in UCITS [1]	**4,891**	**4,935**
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**414,444**	**385,782**

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	**370,183**	**10,664**	**4,935**	**-**	**385,782**
B. Increases	**571,354**	**2,208**	**10**	**-**	**573,572**
B1. Purchases	563,033	1,363[3]	-	-	564,396
B2. Positive changes in fair value	845	441	-	-	1,286
B3. Write-backs	-	-	10	-	10
- through profit or loss	-		-	-	-
- in equity	-	-	10	-	10
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	7,476[1]	404	-	-	7,880
C. Decreases	**542,935**	**1,921**	**54**	**-**	**544,910**
C1. Sales	474,579	1,338[3]	-	-	475,917
C2. Redemptions	61,600	116	-	-	61,716
C3. Negative changes in fair value	1,860	-	54	-	1,914
C4. Impairments	-	63	-	-	63
- through profit or loss	-	*63*	-	-	*63*
- in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	4,896[2]	404	-	-	5,300
D. Closing balance	**398,602**	**10,951**	**4,891**	**-**	**414,444**

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

1 This originates from €965 thousand for the reversal to income of negative reserve following the sale of government bonds, for €5.169m of the profit realised on the sale of government bonds and for €1.342m from the positive change in amortised cost.

2 This originates for €881 thousand for the reversal to income of the positive reserve following the sale of government bonds and for €4.015m of the negative change in amortised cost.

3 The items include €1.337m for the acquisition of Hunter Green Group and the sale of the investment in Hunter Green, as a consequence of the extraordinary transactions that have affected the Hunter Green corporate group. The capital gain generated by the operations is represented for €404 thousand, under item "B5.Increases- Other changes ". Item C.6 includes €404 thousand for the reversal of the positive reserve as a result of the realisation of the gain.

SECTION 6 – LOANS AND ADVANCES TO BANKS – ITEM 60

6.1 Loans and advances to banks: breakdown by sector

Type of transaction/Amounts	2013				2012			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Deposits with central banks					**-**	**-**	**-**	**-**
1. Time deposit					-			
2. For reserve requirements					-			
3. Repurchase agreements					-			
4. Other					-			
B. Deposits with banks	**108,909**		**44,756**	**63,652**	**64,253**	**-**	**-**	**64,253**
1. Loans	108,909		44,756	63,652	64,253	-	-	64,253
1.1 Current accounts and demand deposits	38,347				8,683			
1.2 Time deposit	25,298				55,562			
1.3 Other loans:	45,264				8			
- Repurchase agreements	-				-			
- Finance lease	-				-			
- Others	45,264				8			
2. Debt securities	-				-	-	-	-
2.1 Structured securities	-				-			-
2.2 Other debt securities	-				-			-
Total (book value)	**108,909**		**44,756**	**63,652**	**64,253**	**-**	**-**	**64,253**

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 €225 thousand as at 31st December 2013 (was €468 thousand as at 31st December 2012) and is included in item B.1.2..

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	2013						2012					
	Book value			Fair value			Book Value			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans and Advances	**1,124,599**		**167,245**		**1,117,273**	**173,556**	**1,202,149**	**-**	**164,141**	**-**	**1,193,155**	**167,680**
1. Current accounts	6,311		-				3,539	-	0			
2. Repurchase agreements	-		-				-	-				
3. Mortgages	849,252		136,651				895,132	-	128,963			
4. Credit cards, personal loans including "one-fifth of salary deducted loan"	-		-				-	-				
5. Finance Lease[1]	43,130		7,024				53,068	-	5,233			
6. Factoring	-		-				-	-	-			
7. Other loans[2]	225,898		23,570				250,410	-	29,945			
Debt securities	**31**		**-**		**25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8 Structured securities	-		-				-	-	-			
9 Other debt securities	31		-				-	-	-			
Total (book value)	**1,124,622**		**167,245**		**1,117,298**	**173,556**	**1,202,149**	**-**	**164,141**	**-**	**1,193,155**	**167,680**

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 €9.8m in 2013 and €5.1m in 2012.

2 The amount includes building leasing turnkey operations for €1.9m in 2013 and €4.1m in 2012.

Information on the nature of the management operations on funds made available by the State or other public entities ("third party fund administration").

Item "other loans" includes €58.8m of funding provided from funds made available by the Autonomous Province of Trento for €2.8m, the Autonomous Province of Bolzano €43.1m and the Veneto Region, directly or through the instrumental company Veneto Sviluppo, for €12.9m.

All of the above loans, intended for particular operations as envisaged and governed by specific legislation[42], require that Mediocredito takes fully the risks associated with the operations.

[42] In details:

1. For the Autonomous Province of Trento: LL.RR. 21/93 e 3/91;
2. For the Autonomous Province of Bolzano: LL.RR. 21/93 e 3/91, L.P. 9/91 e L.817/71
3. For the region Veneto: L.R. 18/94, 598,94, 6/96, 1/99, 5/2001, 33/2002 e 40/2003

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

Type of transaction/Amounts	2013			2012		
	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:	**1,124,591**		**167,245**	**1,202,149**	**-**	**164,141**
a) Governments	-		-	-	-	-
b) Other public entities	98,139		-	103,721	-	-
c) Other debtors	1,026,452		167,245	1,098,428	-	164,141
- non-financial corporations	935,326		162,158	1,012,514	-	159,559
- financial corporations	66,687		2,961	58,444	-	2,323
- insurance companies	-		-	-	-	-
- others	24,439		2,126	27,470	-	2,259
Total	**1,124,622**		**167,245**	**1,202,149**	**-**	**164,141**

7.4 Finance lease

Items	31/12/2013			31/12/2012		
	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	8,580	6,566	2,014	13,087	11,020	2,067
1 - 5 years	34,452	27,726	6,726	32,191	25,719	6,472
Over 5 years	26,241	23,309	2,932	25,431	22,455	2,976
Total	**69,273**	**57,601**	**11,672**	**70,709**	**59,194**	**11,515**

	Gross	Adjust.	Net	Gross	Adjust.	Net
Advances in the balance sheet	63,652	3,752	**59,900**	65,977	2,604	**63,372**

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 Srl	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		
						L1	L2	L3
A. Subsidiaries								
1. Paradisidue S.r.l.	4,963	-	(17)	6	23[3]			
B. Joint ventures								
C Companies under significant influence								
1. Essedi Strategie d'Impresa Srl	3,652	1,286	11	237	76			76
2. Biorendena Spa	755	-	(33)	362	72			72
Total	**9,370**	**1,286**	**(39)**	**605**	**171**			**148**

1 Statement of Financial Position data as at 31/12/2013 for the subsidiary Paradisidue S.r.l., and as at 31/12/2012 for Essedi Strategie d'Impresa S.r.l. and for Biorendena S.p.A..

2 Equity includes year-end profit and loss results.

3 Included under the equity for Paradisidue Srl is the payment to cover losses approved in 2014 by the sole shareholder Mediocredito Trentino-Alto Adige Spa for €16.9 thousand.

10.3 Equity investments: annual changes

	2013	2012
A. Opening balance	**152**	**159**
B. Increases	**42**	**43**
B.1 Purchases	38	31
B.2 Write-backs	4	12
B.3 Revaluation	-	-
B.4 Other changes	-	-
C. Decreases	**24**	**50**
C.1 Sales	-	-
C.2 Write-downs	24	50
C.3 Other changes	-	-
D. Closing balance	**171**	**152**
E. Total revaluations	-	-
F. Total write-down	231	211

10.4 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 €6.000m – for which the amount of €4.616m was been withdrawn as at 31st December 2013 for the purpose of acquiring and renovating a building in the context of a bankruptcy proceeding.

SECTION 11 – PROPERTY, PLANT AND EQUIPMENT – ITEM 110

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

Assets/Amounts	2013	2012
1. Assets owned	**11,227**	**11,816**
a) land[1]	1,950	1,950
b) buildings[2]	7,287	7,610
c) furniture	893	1,056
d) IT equipment	154	169
e) others	943	1,031
2. Assets purchased under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) IT equipment	-	-
e) others	-	-
Total	**11,227**	**11,816**

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.

11.2 Property, plant and equipment held for investment purposes: breakdown of assets valued at cost

Assets/Amounts	2013				2012			
	Book value	Fair Value			Book Value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Assets owned	**116**	**-**	**-**	**116**	**116**	**-**	**-**	**116**
a) land[1]	116	-	-	116	116	-	-	116
b) building	-	-	-	-	-	-	-	-
2. Assets purchased under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) building	-	-	-	-	-	-	-	-
Total	**116**	**-**	**-**	**116**	**116**	**-**	**-**	**116**

1 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%

11.5 Assets for operational use: annual changes

	Land	Buildings	Furnishing	IT equipment	Others	Total
A. Gross opening balance	**1,950**	**12,208**	**2,397**	**656**	**2,578**	**19,789**
A.1 Net decreases	-	4,598	1,341	487	1,547	7,973
A.2 Net opening balance	**1,950**	**7,610**	**1,056**	**169**	**1,031**	**11,816**
B. Increases:		**13**	**83**	**51**	**117**	**264**
B.1 Purchases		13	0	39	80	132
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			83	12	37	132
C. Decreases:		**336**	**247**	**66**	**204**	**853**
C.1 Sales [1]			84	13	37	134
C.2 Depreciation		336	163	53	167	719
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						
D. Net closing balance	**1,950**	**7,287**	**893**	**154**	**943**	**11,227**
D.1 Total net write-downs	-	4,935	1,419	528	1,677	8,559
D.2 Gross closing balance	**1,950**	**12,222**	**2,312**	**682**	**2,620**	**19,786**
E. Carried at cost	-	-	-	-	-	-

1 Amounts in the "sales" entry refer to the transfer of fully or partially amortised assets whose cash flow, coinciding with the capital gain realised equalling €1.2 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 "Increases B.7 – other changes". The net loss following such sales amounts to €1.2 thousand.

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

11.6 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.

11.7 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	**199**	**-**	**460**	**-**
A.2.1 Assets carried at cost:	199	-	460	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	199	-	460	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**199**	**-**	**460**	**-**

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	**-**	**-**	**-**	**2,854**	**-**	**2,854**
A.1 Net decreases	-	-	-	2,394	-	2,394
A.2 Net opening balance	**-**	**-**	**-**	**460**	**-**	**460**
B. Increases	**-**	**-**	**-**	**118**	**-**	**118**
B.1 Purchases	-	-	-	118	-	118
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	**-**	**-**	**-**	**379**	**-**	**379**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	379	-	379
- Amortisations		-	-	379	-	379
- 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	**-**	**-**	**-**	**199**	**-**	**199**
D.1 Net adjustment values	-	-	-	2,773	-	2,773
E. Gross closing balance	**-**	**-**	**-**	**2,972**	**-**	**2,972**
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

	2013	2012
	8,912	**4,989**
A. With contra-entry to income statement	**8,847**	**4,464**
Payroll	14	28
Adjustment to/Impairment of loans deductible in future years	8,680	4,123
Depreciation of buildings for operational use	39	33
Other[1]	114	279
B. With contra-entry to equity	**65**	**525**
Valuation of IRS Cash Flow Hedge	-	138
Financial assets held for sale at fair value	31	330
Other[1]	34	57

1 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period reclassifying deferred tax assets with contra-entry to income statement in the past years (€57 thousand) amongst deferred tax assets with contra-entry to equity".

13.2 Deferred tax liabilities: breakdown

	2013	2012
	7,020	**7,922**
A. With contra-entry to income statement	**6,539**	**6,826**
Reserve for loan losses	5,530	5,530
Write-down of loans exceeding the tax deductibility limit	878	1,164
Depreciation of buildings for operational use	108	109
Change in employee leaving indemnity	23	23
B. With contra-entry to equity	**481**	**1,096**
Financial assets held for sale at fair value	481	1,096

Percentages used in the calculation of deferred taxes:

IRES: 27.50%;
IRAP [43]: 4.45% for 2014;
4.65% for the following years.

43 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 2014, 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)

	2013	2012
1. Opening balance for 2012	**4,464**	**2,328**
Rectification to opening balance [1]		-29
1. Opening balance	**4,464**	**2,299**
2. Increases	**4,822**	**2,403**
2.1 Deferred tax assets recognised during the year	4,822	2,403
a) related to previous years	-	-
b) due to change in accounting policies	-	-
c) write backs	-	-
d) other [1]	4,822	2,403
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**439**	**238**
3.1 Deferred tax assets derecognised during the period	435	205
a) reversals	435	205
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
3.2 Reduction in tax rates	1	-
3.3 Other decreases	3	33
a) transformation of tax credits pursuant to Law 214/2011	-	-
b) other [2]	3	33
4. Closing balance	**8,847**	**4,464**

1 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period reclassifying deferred tax assets with contra-entry to income statement in the past years (€57 thousand) amongst deferred tax assets with contra-entry to equity. In the table have been rectified both the opening balance and the item "2.1.d" for 2012.

2 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)

	2013	2012
1. Opening balance	**6,826**	**6,830**
2. Increases	**-**	**-**
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	-	-
2.3 Other increases	-	-
3. Decreases	**287**	**4**
3.1 Deferred tax assets derecognised during the period	287	4
a) reversals	287	4
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**6,539**	**6,826**

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

	2013	2012
1. Opening balance for 2012	**525**	**1.864**
Rectification to opening balance [1]		+29
1. Opening balance	**525**	**1,893**
2. Increase	**21**	**145**
2.1 Deferred tax assets recognised during the period	21	145
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) other [1]	21	145
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**481**	**1.513**
3.1 Deferred tax assets derecognised during the period	481	1.510
a) reversals	481	1.510
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	**65**	**525**

1 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period reclassifying deferred tax assets with contra-entry to income statement in the past years (€57 thousand) amongst deferred tax assets with contra-entry to equity. In the table have been rectified both the opening balance and the item "2.1.c" for 2012.

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

	2013	2012
1. Opening balance	**1,096**	**257**
2. Increases	**291**	**880**
2.1 Deferred tax liabilities recognised during the period	291	880
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	291	880
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**906**	**41**
3.1 Deferred tax liabilities derecognised during the period	903	8
a) reversals	903	8
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	0
3.3 Other decreases	3	33
4. Final balance	**481**	**1,096**

13.7 Other information

The item "current tax liabilities" amounts to €1.078m and relates to the net balance of amounts paid to (€6.778) and due to (€5.700m) the Revenue with regard to IRES and IRAP; in 2012 the balance included under "current tax assets" was of €720 thousand (paid to for €4.556m, due to for €5.276m).

SECTION 15 – OTHER ASSETS – ITEMS 150

15.1 Other assets: breakdown

	2013	2012
Illiquid assets	932	2.437
Tax assets (indirect taxes and substitute tax)	529	558
Accrued income and prepayments	230	259
Amounts due for unpaid commissions	204	207
Various prepayments and advances	127	179
Items awaiting definition [1]	119	147
Amounts due in relation to invoices – issued or not	56	84
Leasehold improvements	4	9
Other items	3	7
Total	**2,204**	**3,887**

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	2013	2012
1.	**Amounts due to central banks**	**303,852**	**302,161**
2.	**Amounts due to banks**	**387,915**	**456,180**
2.1	Current accounts and demand deposits	8	-
2.2	Time deposits	36,673	135,265
2.3	Loans	351,234	320,915
	2.3.1 Repurchase agreements	-	-
	2.3.2 Others[1]	351,234	320,915
2.4	Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5	Other debts	-	-
	Total	**691,767**	**758,341**
	Fair value – level 1	-	-
	Fair value – level 2	641,010	599,847
	Fair value – level 3	36,682	135,265
	Total Fair value	**677,692**	**735,112**

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 2013 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 operation/Amount	2013	2012
1. Current accounts and demand deposits	1,763	1,132
2. Time deposit	75,536	57,552
3. Loans	52,253	55,978
3.1 Repurchase agreements	-	-
3.2 Others	52,253	55,978
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other amounts due [1]	58,933	56,664
Total	**188,485**	**171,326**
Fair value – level 1	-	-
Fair value – level 2	51,861	55,598
Fair value – level 3	136,232	115,348
Total Fair value	**188,093**	**170,946**

1 Sub-item "Other amounts due" includes funds managed on behalf of third parties to the amount of €58,777 thousand in 2013 and €56,500 thousand in 2012, 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	2013				2012			
	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	753,321	-	751,372	-	687,889	-	686,868	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	753,321	-	751,372	-	687,889	-	686,868	-
2. Other securities	30	-	30	-	30	-	30	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others [1]	30	-	30	-	30	-	30	-
Total	**753,351**	**-**	**751,402**	**-**	**687,919**	**-**	**686,898**	**-**

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 (yield curve) 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

	2013	2012
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**
a) interest rate risk [1]	-	50,174
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. The bond reached maturity and was reimbursed in 2013.

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading; breakdown by sector

Type of transaction/Amount	2013					2012				
		FV					FV			
	NV	Lev. 1	Lev. 2	Lev. 3	FV *	NV	Lev. 1	Lev. 2	Lev. 3	FV *
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	**12,368**		**938**		**938**	**7,659**		**364**		**364**
1.1 held for trading			938					364		
1.2 relating to fair value option										
1.3 others										
2. Credit derivatives										
2.1 held for trading										
2.2 relating to fair value option										
2.3 others										
Total B	**12,368**		**938**		**938**	**7,659**		**364**		**364**
Total (A+B)	**12,368**		**938**		**938**	**7,659**		**364**		**364**

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

4.4 Financial liabilities held for trading (excluding uncovered short positions: annual changes

	Trading derivatives	Trading derivatives relating to the fair value option	Total
A. Opening balance	**364**	**-**	**364**
B. Increases	**608**	**-**	**608**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	608	-	608
B4. Other changes	-	-	-
C. Decreases	**34**	**-**	**34**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	33	-	33
C4. Other changes	1	-	1
D. Closing balance	**938**	**-**	**938**

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	2013					2012				
	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**
3.1 Structured	-		-			10,000		10,111		
3.2 Others	-		-			-		-		
Total	**-**		**-**		**-**	**10,000**		**10,111**		**10,151**

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

In 2012, the Bank has adopted 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. This bond issue was extinguished in 2013.

5.3 Financial liabilities at fair value: annual changes

	Amount due to banks	Amounts due to banking customers	Debt securities	Total
A. Opening balance	**-**	**-**	**10,111**	**10,111**
B. Increases	**-**	**-**	**11**	**11**
B1. Issues	-	-	-	-
B2. Sales	-	-	-	-
B3. Positive changes in fair value	-	-	-	-
B4. Other changes	-	-	11	11
C. Decreases	**-**	**-**	**10,122**	**10,122**
C1. Purchases	-	-	-	-
C2. Redemptions	-	-	10,000	10,000
C3. Negative changes in fair value	-	-	15	15
C4. Other changes	-	-	107	107
D. Closing balance	**-**	**-**	**-**	**-**

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 2013			NV 2013	Fair Value 2012			NV 2012
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**-**	**-**	**-**		**614**		**50,000**
1) Fair value								
2) Cash flows	-	-	-	-		614		50,000
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	**-**	**-**	**-**	**-**		**614**		**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.

SECTION 8 – TAX LIABILITIES – ITEM 80

See section 13 of Assets.

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: break down

	2013	2012
Items in processing[1]	1.890	1.780
Amounts due to third parties[2]	1.590	1.505
Withholdings made as tax collection agent	767	567
Amounts due to suppliers	758	596
Commission fees to be paid	291	372
Accrued liabilities and deferred income	263	256
Withholdings on employee compensation	232	234
Provision for guarantees issued	2	12
Payables for contributions	-	17
Other liabilities	5	7
Total	**5,798**	**5,346**

1 In 2013 this item included transfers yet to be credited to correspondents for the amount of €1.331m and in 2012 for €0.944m.

2 They mainly refer to: €531 thousand to be paid to participants in syndicated transactions led by Mediocredito, €190 thousand for monetisation of employees' leave credits, €225 thousand for 2013 bonuses and €51 thousand for rewarding the extra time of managerial staff.

SECTION 11 – PROVISION FOR SEVERANCE INDEMNITIES – ITEM 110

11.1 Provision for severance indemnities: annual changes

	2013	2012
A. Opening balance	**1,702**	**1,679**
B. Increase	**6**	**151**
B.1 Provisions for the period[1]	6	151
B.2 Other increases	-	-
C. Decreases	**303**	**128**
C.1 Indemnities paid	235	128
C.2 Other decreases [2]	68	-
D. Closing balance	**1,405**	**1,702**

1 This amount corresponds to provisions shown in table 9.1 "Payroll: breakdown" of Part C "Information on the income statement" (€9 thousand) net of the substitute tax (€6 thousand

2 This item includes the amount of the actuarial gains recognised in the specific equity reserve.

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	2013	2012
1 Post retirement benefit obligations	-	-
2. Other provisions for risks and charges	1,108	1,803
2.1 legal disputes	61	657
2.2 personnel expenses	50	100
2.3 others	997	1,046
Total	**1,108**	**1,803**

12.2 Provisions for risks and charges: annual changes

	Post-retirement benefit obligations	Other funds	Total
A. Initial balance	**-**	**1,803**	**1,803**
B. Increases	**-**	**195**	**195**
B.1 Provisions for the period [1]	-	50	50
B.2 Changes over time	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other increases [2]	-	145	145
C. Decreases	-	**889**	**889**
C.1 Use during the period [3]	-	352	352
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other decreases [4]	**-**	537	537
D. Final balance	**-**	**1,108**	**1,108**

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 €194 thousand for donations as for article 21 of the Bylaws, for €100 thousand in provision for staff to fund the personnel incentive scheme based on results achieved in 2012 and for €58 thousand for the first disbursement due to payment after a verdict of the first degree relating to a revocatory action.
4 The amount refers to the recovery of value from provisions made in 2008 following a revocatory action, following a favourable verdict of the first degree which has reduced the amount at risk.

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 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:	**94,605**		**94,550**
- Legal reserve [2]	18,956	A-B-C	18,956
- Extraordinary reserve	54,003	A-B-C	54,003
- Reserve under D.Lgs. 38/2005	2,655	A-B	2,655
- Unavailable reserve under article 6 D.Lgs. 38/2005 [3]	55		-
- Other reserves	18,936	A-B-C	18,936
Valuation reserves:	**5,934**		**5,934**
- Valuation reserve under Laws 413/91 e 342/2000	4,318	A-B	4,318
- Valuation reserve under Leg. Decree 38/2005: revaluation of AFS	1,947		1,947
- Valuation reserve under Leg. Decree 38/2005: cash flow hedges	(332)		(332)
Total	**130,380**		**130,324**

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	2013	2012
1) Financial guarantees given to	**1,049**	**1,040**
a) Banks [1]	1,049	1,040
b) Banking customers	-	-
2) Commercial guarantees given to	**818**	**3,803**
a) Banks	-	-
b) Banking customers	818	3,803
3) Irrevocable commitments to disburse funds	**7,161**	**9,350**
a) Banks	-	-
i) certain usage	-	-
ii) uncertain usage	-	-
b) Banking customers	7,161	9,350
i) certain usage	-	-
ii) uncertain usage	7,161	9,350
4) Commitments underlying credit derivatives: sales of protection	-	-
5) Assets pledged as collateral for third-party debts	-	-
6) Other commitments	**-**	**-**
Total	**9,028**	**14,193**

1 The item also includes €16 thousand (€7 thousand in 2012) 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	2013	2012
1. Financial assets held for training	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	154,641	201,516
4. Financial assets held to maturity	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	182,334	61,818
7. Property, plant and equipment	-	-

Eurosystem credit operations

Own liabilities guaranteed by securities not reported in the balance sheet

Own liabilities guaranteed by loans to customers

Full information on the activities recorded and not registered in the accounts pledged as collateral for liabilities and loans (including credit operations with the Eurosystem), is given in the sections "Disclosure on the activities entered in the balance sheet" and "Disclosure on owned assets not entered in the balance sheet "(Part E, Sec. 3 tab. 2-3).

4. Management and intermediation on behalf of third parties

Type of services	2013	2012
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	**837,021**	**859,450**
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)	41,045	48,901
1. securities issued by the Bank preparing the accounts	27,972	28,061
2. other securities	13,073	20,840
c)) third-party securities on deposit with third parties	7,073	14,840
d) own securities on deposit with third parties [1]	788,903	795,709
4. Other transactions	**1,991**	**2,103**
Of which Transactions on behalf of the Autonomous Provinces	*1,625*	*1,738*
Risk funds set up by various entities	*262*	*262*
Management of state contributions under Law 488/92	*104*	*103*

[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 €190,511 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	Total 2013	Total 2012
1	Financial assets held for trading	-	-	-	-	383
2	Financial assets available for sale	11,102	-	-	11,102	12,999
3	Financial assets held to maturity	-	-	-	-	-
4	Loans to banks	-	978	-	978	663
5	Loans to banking customers	1	39,484	-	39,485	44,511
6	Financial assets held at fair value	-	-	-	-	-
7	Hedging derivatives			-	-	-
8	Other assets			-	-	-
	Total	**11,103**	**40,462**	**-**	**51,565**	**58,556**

Changes in connection with interest income – against the comparison accounting period (2012) – 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 of 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 securitisation 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.

Interest income on impaired assets was equal to €2.468m (against €3.867m in 2012).
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 2013.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in currency

	2013	2012
Interest income from financial assets denominated in currency	25	31

1.3.2 Interest income on finance lease transactions

	2013	2012
Deferred financial income	11,674	11,515
Potential rent recorded as revenues for the period	(736)	(680)

1.4 Interest expenses and similar charges: breakdown

	Items/Technical Forms	Debits	Securities[1]	Other Liabilities[2]	Total 2013	Total 2012
1.	Amount due to central bank	2,188		-	2,188	2,172
2.	Amount due to banks	5,605		-	5,605	7,746
3.	Amount due to banking customers	3,129		-	3,129	3,381
4.	Debt securities in issue		15,024	-	15,024	17,879
5.	Financial liabilities held for trading	-	-	-	-	-
6.	Financial liabilities valued at fair value	-	69	-	69	863
7.	Other liabilities			-	-	-
8.	Hedge derivatives			423	423	267
	Total	**10,922**	**15,093**	**423**	**26,438**	**32,308**

Changes in connection with interest expenses against the accounting period 2012 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	2013	2012
A. Positive differentials on hedging transactions:	-	-
B. Negative differentials on hedging transactions:	423	267
C. Balance (A-B)	**(423)**	**(267)**

1.6 Interest expenses and similar charges: Other information

1.6.1 Interest expense on liabilities denominated in currency

	2013	2012
Interest expense on liabilities denominated in currency	4	10

SECTION 2 - FEES & COMMISSIONS – ITEMS 40 & 50

2.1 Fee and commission income: breakdown

Type of service/Amount	2012	2011
a) guarantees issued	27	86
b) credit derivatives		
c) management, brokerage and consultancy services:	39	304
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	39	304
8.1 investments		
8.2 structured finance	39	304
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	1	2
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]	1,334	2,162
Total	**1,401**	**2,554**

Changes of single items against the data for the accounting period 2012 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 various commissions on loans granted for €723 thousands and of commissions for corporate finance activities for €602 thousands.

2.3 Fee and commission expense: breakdown

Services/Amounts	2012	2011
a) guarantees received[1]	1,394	1,306
b) credit derivatives		
c) management and brokerage services:	42	39
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	342	393
5. placement of financial instruments		
6. door-to-door distribution of financial instruments, products and services		
d) collection and payment services	3	4
e) other services[2]	176	103
Total	**1,615**	**1,452**

Changes of single items against the data for the accounting period 2012 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 €1.388m.

2 Of which €99 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	113	-	87	-
C. Financial assets held at fair value	-	-	-	-
D. Investment securities	-		-	
Total	**113**	**-**	**87**	**-**

The amount of €113 thousand consists mainly of dividends received from Enercoop S.r.l. (€74 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	**643**	**531**	**612**	**422**	**140**
4.1 Financial derivatives:	643	531	612	422	140
- On debt securities and interest rates	643	531	612	422	140
- On equity instruments and share indices					
- On currencies and gold					
- Others					
4.2 Credit derivatives					
Total	**643**	**531**	**612**	**422**	**139**

1 The item "capital gains" includes positive fair value changes at 31/12/2013, accrued on IRS classified as "held for trading" for €30 thousand and on Cap options sold to customers for €612 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 €393 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 €29 thousand

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

6.1 Gains (losses) from disposal or repurchase: breakdown

Items/Income items	2013			2012		
	Gains	Losses	Net profit	Gains	Losses	Net profit
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to banking customers [1]	497	(1,539)	(1,042)	-	-	-
3. Financial assets available for sale	5,573	-	5,573	1,522	(17)	1,505
3.1 Debt securities [2]	5,169	-	5,169	1,522	(17)	1,505
3.2 Equity securities [3]	404	-	404	-	-	-
3.3 Investments in UCITS	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**6,070**	**(1,539)**	**4,531**	**1,522**	**(17)**	**1,505**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to banking customers	-	-	-	-	-	-
3. Debt securities in issue [4]	153	-	153	3	-	3
Total liabilities	**153**	**-**	**153**	**3**	**-**	**3**

1 The amounts recorded under item 2. of the financial assets relate to the net losses resulting from the sale of a portfolio of doubtful loans.

2 The amounts recorded under item 3.1. of the financial assets relate to the gain realised on the sale of AFS securities.

3 The amounts recorded under item 3.2. of the financial assets relate to the gain realised on extraordinary transactions involving AFS investments in AFS Green Hunter.

4 The amounts recorded under item 3. of the financial liabilities relate to the repurchase of debt securities issued by us.

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	**15**				**15**
2.1 Debt securities [2]	15				15
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					
Total	**15**				**15**

1 This item includes the evaluation of the Bank's own securities valued at fair value and the valuation of derivatives to them operationally linked.

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

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 2013	Total 2012
	Specific		Portfolio[3]	Specific[2]		Portfolio			
	Write-offs[1]	Others		A	B	A	B[3]		
A. Loans and advances to banks									-
- loans									-
- debt securities									-
B. Loans and advances to banking customers	(215)	(24,361)	(1,444)	1,940	6,349			(17,731)	(12,002)
Purchased impaired loans									-
- loans									-
- debt securities									-
Other loans	(215)	(24,361)	(1,444)	1,940	6,349			(17,731)	(12,002)
- loans	(215)	(24,361)	(1,444)	1,940	6,349			(17,731)	(12,002)
- debt securities								-	-
C. Total	**(215)**	**(24,361)**	**(1,444)**	**1,940**	**6,349**			**(17,731)**	**(12,002)**

Legend

A= from interests

B= other write-backs

1 The item "write-downs – specific - write-offs" (€215 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 €8,289 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" (€5.584m) e "Collection from transactions concluded in prior periods" (€869 thousand) and for €1.836m 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" (€1,444 thousand) net of the transfer of -€1.836m 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 (€391 thousand 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	-	(63)			(63)	(18)
C. Investments in UCITS	-	-		-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to banking customers	-	-	-	-	-	-
F. Total	**-**	**(63)**	**-**	**-**	**(63)**	**(18)**

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			Specific		Portfolio			
	Write-offs	Other	Portfolio	A	B	A	B		
A. Guarantees issued	-	-	-	-	-	-	9	9	4
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**	**4**

Legend

A= from interests

B= other write-backs

SECTION 9 – ADMINISTRATIVE COSTS – ITEMS 150

9.1 Payroll: breakdown

Type of expenses/Amounts	Total 2013	Total 2012
1) Employees	**6,230**	**6,630**
a) wages and salaries	4,350	4,346
b) social insurance	1,143	1,155
c) severance indemnities [1]	241	246
d) social security contributions	-	-
e) provision for severance indemnities [2]	9	30
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g)) payments to external supplementary pension funds:	148	157
- defined contribution [3]	148	157
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	339	569
2) Other personnel currently employed	-	-
3) Directors and Auditors	457	480[4]
4) Retired personnel	-	-
5) Cost recovery in relation to employees transferred to other companies	-	-
6) Cost recovery in relation to third party employees transferred to the company	-	-
Total	**6,687**	**6,983**

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 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period deducting €127 thousand from the item "e) provision for severance indemnities" for 2012.

3 This amount includes contributions to the supplementary pension schemes.

4 Data for 2012 has been adjusted to encompass the values relating to insurance for corporate bodies recognised for this year among other personnel expenses for €45 thousand.

9.2 Average number of employees by category[1]

	2013	2012
Employees:	**75**	**76**
a) executives	3	4
b) total managers	36	36
- of which: third and fourth level managers	20	19
c) remaining employees	37	36
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.

	2013	2012
Employees:	**79.9**	**80.3**
a) executives	3.0	3.9
b) total managers	36.5	37.1
- of which: third and fourth level managers	19.6	19.2
c) remaining employees	40.4	39.3
Other personnel	-	-

9.4 Other employees benefits

	2013	2012
Costs for early termination of employment	-	251
Insurance policies	122	114
Lunch vouchers	69	71
Training courses and travel expenses	47	63
Benefits in kind	22	21
Other short term benefits	79	49
Total	**339**	**569**

9.5 Other administrative expense: breakdown

	2013	2012
1. IT costs	**601**	**630**
- outsourcing costs	407	397
- Other EDP (Electronic Data Processing) costs	194	233
2. Property related expenses	**439**	**491**
a) rental expenses	130	145
- property rental expenses	*130*	*145*
b) other expenses	309	346
- office cleaning	*83*	*96*
- building service charges	*29*	*19*
- maintenance and repair costs	*29*	*46*
- electricity, heating, water	*89*	*97*
- motor vehicles maintenance	*79*	*88*
3. Purchase of non-professional goods and services	**320**	**332**
- books, magazines, subscriptions	36	37
- information and cadastral services	76	73
- stationery, printing supplies, storage mediums	11	22
- surveillance	86	85
- databases and value-added networks	62	64
- post and telephones	49	52
4. Purchase of professional services	**1,071**	**893**
- legal and procedural costs	614	428
- professional fees	457	465
5. Insurance premiums [1]	**36**	**38**
- other insurance policies	36	38
6. Advertising expenses	**231**	**208**
- advertising and sponsorships	203	177
- entertainment and gifts	28	31
7. indirect taxes and duties	**137**	**166**
- substitute tax	54	93
- registration tax and dues	10	14
- local tax on real estate	47	50
- other taxes and duties (advertising, occupation of public property)	26	9
8. Other	**315**	**296**
- subscriptions and memberships [2]	217	180
- other expenses	98	116
Total	**3,150**	**3,054**

1 Data for 2012 has been adjusted removing the values relating to insurance for corporate bodies recognised for this year among other personnel expenses for €45 thousand.

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

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

10.1 Net provisions for risks and charges: breakdown

	Total 2013	Total 2012
Provision for employee incentive system	(50)	(100)
Net provisions for revocatory actions underway	537	-
Total	**487**	**(100)**

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. Property, plant and equipment	(719)			(719)
A.1 Owned	(719)			(719)
- For operational use	(719)			(719)
- For investments				
A.2 Held under finance lease				
- For operational use				
- For investments				
Total	**(719)**			**(719)**

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	(379)			(379)
A.1 Owned	(379)			(379)
- Generated internally by the company				
- others	(379)			(379)
A.2 Purchased under finance lease				
Total	**(379)**			**(379)**

SECTION 13 – OTHER OPERATING CHARGES/INCOME – ITEM 190

13.1 Other operating expense: breakdown

	Total 2013	Total 2012
Securitisation costs refunded to the SPV company	(524)	(451)
SPV on-going operating expenses	(97)	(64)
Amortisation of leasehold improvement	(5)	(5)
Sundry operating expenses[1]	(28)	(102)
Total	**(654)**	**(622)**

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 2013	Total 2012
Servicer commission income in relation to securitisation	524	451
Recovery of legal expenses	638	326
Recovery of substitute tax and stamp-duty	77	98
Sundry operating income[1]	57	363
Total	**1,296**	**1,238**

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	2013	2012
A. Incomes	**4**	**12**
1. Revaluations	-	-
2. Profit on disposal	-	-
3. Write-backs[1]	4	26
4. Other incomes	-	-
B. Charges	**(24)**	**(50)**
1. Write-downs[2]	(24)	(64)
2. Adjustments due to impairment	-	-
3. Loss from disposal	-	-
4. Other charges	-	-
Net result	**(20)**	**(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	2013	2012
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(1)	(7)
- Gains on disposal [1]	1	0
- Losses on disposal [2]	(2)	(7)
Net result	**(1)**	**(7)**

1 S This item relates to the sale of tangible assets completely amortised and of limited value for €768 in 2013 and €423 in 2012.
2 This item consists mostly of a loss arising from the disposal of tangible assets partially amortised and of limited value for €1.9 thousand.

SECTION 18 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 260

18.1 Income tax on current operations: breakdown

Items/Amounts		Total 2013	Total 2012
1.	Current taxes (-)	(5,629)	(5,253)
2.	Change in current taxes of previous periods (+/-)		-
3.	Decrease in current taxes of the period (+)		-
3.bis	Decrease in current taxes as for law no 214/2011 (+)		-
4.	Change in deferred tax assets (+/-)[1]	+4,382	+2,191
5.	Change in deferred tax liabilities (+/-)	+287	+4
6.	**Income taxes for the period (-) (-1+/-2+3+/-4+/-5)**	**(960)**	**(3,058)**

1 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect in equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period rectifying the item "Change in deferred tax assets".

18.2 Reconciliation between theoretical tax charge and actual tax charge

Items/Amounts		Taxable income	*Of which*	%
Current profit before taxes (item 250 IS)		**2,252**		
Corporate income tax (IRES) –theoretical values:		**(811)**		**36.00%**
IRES variation due to decreases in the taxable income		753		27.50%
1/18 depreciation of previous periods			*244*	
95% dividends			*137*	
Employees costs not deducted from the previous years			*27*	
Use of allocations from previous years			*164*	
IRAP personnel cost deduction			*79*	
Other decreases			*102*	
IRES variation due to increases in the taxable income		(4,780)		27.50%
IRES variation due to increases in the taxable income		(22)		36.00%
non-deductible interest expense			*(291)*	
Loan write-downs exceeding 1/5			*(4,111)*	
losses on the sale of loans using the "quadro EC" framework			*(287)*	
Other increases			*(113)*	
A. Actual tax charge – current corporate income tax (IRES)		**(4,860)**		
Increases in deferred tax assets		4,132		27.50%
Decreases in deferred tax assets		(440)		27.50%
Increases in deferred tax liabilities		-		
Decreases in deferred tax liabilities		287		27.50%
B. Total effect of deferred corporate income tax (IRES)		**3,979**		
C. Total actual IRES charge (A+B)		**(881)**		**39.13%**
Regional tax on industrial activities IRAP – theoretical tax rate **(difference between revenues and expenses allowed as a deduction)**		**(1,162)**		**4.45%**
IRAP variation due to a decrease in production value		472		4.45%
Detraction of personnel expenses (disables)			*102*	
deduction for impairment/losses on credits			*370*	
IRAP variation due to an increase in production value		(79)		4.45%
4% non-deductible interests			*(47)*	
Other increases			*(32)*	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)		**(769)**		
Increases in deferred tax assets		521		4.65%
Decreases in deferred tax assets		169		4.45%
Increases in deferred tax liabilities		(1)		4.65%
Decreases in deferred tax liabilities		-		4.65%
Increases in deferred tax assets		1		4.65%
E. Total effect of deferred regional tax on industrial activities (IRAP)		**690**		
F. Total actual IRAP charge	**(D+E)**	**(79)**		**3.51%**
Total current taxes IRES/IRAP (item 260 CE)	**(A+D)**	**(5,630)**		
Total actual tax charges IRES/IRAP (item 260 CE)	**(C+F)**	**(960)**		**42.65%**

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 €5.0m as at 31.12.2013) 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

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

During the business period 2013 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 €0.0115 and is entirely distributable.

EARNINGS PER SHARE[44]

	2013	2012
Profit per share	0.0115	0.0271
Diluted profit per share	0.0115	0.0271

[44] EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period recalculating the earning per share.

PART D

COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Tax	Net amount
10.	NET INCOME (LOSS) FOR THE YEAR			**1,292**
Other income components				
40.	DEFINED BENEFIT PLANS	**68**	**(19)**	**49**
Other income with reversal to income statement				
90.	CASH FLOW HEDGES	**431**	**(138)**	**293**
	a) fair value changes	431	(138)	293
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
100.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**(937)**	**311**	**(626)**
	a) fair value changes	(618)	315	(303)
	b) reversal to income statement	(319)	(4)	(323)
	- adjustments due to impairment	-	-	-
	- capital gains/losses	(319)	(4)	(323)
	c) other changes	-	-	-
130.	TOTAL OTHER INCOME COMPONENTS	**(438)**	**154**	**(284)**
140.	TOTAL COMPREHENSIVE INCOME (Item 10+130)			**1,008**

PART E

INFORMATION ON RISKS AND RELATED HEDGING POLICY

PREMISE

As mentioned earlier, given its size and its business model that is primarily focused on medium to long-term credit, the Bank' risks are generally related to credit risk and liquidity risk. Operational risks and, given the content of the trading portfolio, market risks have much less of an impact. For a more thorough examination of the system of controls and risk management, please refer to the following sections as well as the sections of the annual report devoted to these issues.
We would like to stress that in 2014 the Bank will undertake a process of adaptation and strengthening of the control systems, risk planning and risk management, as for the innovations contained in the 15th update of the Bank of Italy - Circular 263/2006. The management is committed to include objectives linked to the promulgation of risk culture, as part of the company policies and staff training and evaluation.

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.

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 €67.9m in 2013 (€48.4m in 2012). At 31st December 2013 the ratio of the operations to loans due to expire came to 25.6% (21.8% at the end of 2012), a ratio lower than the limit set for the year (26.0%) 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 11.5% of the "full risk" to performing loans ratio as at 31st December 2013 (9.4% at 31.12.2012), leaving the 14% to the other operations (it was 12.5% at 31.12.2012).

Operations within the construction sector remained very low. In 2013 disbursement came to €4m (€2.6m in 2012 and €5.7m in 2011 – excluding doubtful loans) and overall amounts equalled 7.5% of the total at 31st December 2013, down from 9.3% at 31st December 2012 and below the set limits for the financial year 2013 (8%).
A breakdown by geographical area shows that the concentration profile of the target areas remains substantially unchanged (the loan portfolio is concentrated for 46.9% in Trentino-

South Tyrol, 23.9% in Veneto, 9.1% in Emilia Romagna, 11.7% in Lombardy and 8.5% in other areas).
In relation to "significant risk", at 31.12.2013 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 indicators of the portfolio developed by the Bank of Italy, it is reported that when analysing data for non-financial companies in the north-east, the Bank's indicator value is below the result of the System.
When analysing the last five years in particular, characterised by a severe economic crisis that has inevitably had an impact on credit quality, the Bank recorded lower rates to the system from 2010 onwards[45]. This result is particularly significant when considering that companies in the north east represent the primary target of the Bank's business.

[45] Most recent data refer to the situation on 30th September 2013.

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	Impaired past due exposures	Exposures expired but non impaired[1]	Other assets	Total
1. Financial assets held for trading						902	**902**
2. Financial assets available for sale						398,601	**398,601**
3. Financial assets held to maturity							
4. Loans and advances to Banks					8	108,901	**108,909**
5. Loans and advances to banking customers	84,407	64,144	10,353	8,341	33,360	1,091,262	**1,291,867**
6. Financial assets valued at fair value							
7. Financial assets being sold							
8. Hedging derivatives							
Total 2013	**84,407**	**64,144**	**10,353**	**8,341**	**33,368**	**1,599,666**	**1,800,279**
Total 2012	**59,438**	**85,353**	**2,912**	**16,438**	**47,985**	**1,588,898**	**1,801,024**

[1] The unpaid amount under "Exposures expired but not impaired" amounted to €1.496m, as detailed in “Detailed information on performing loans," table " Details of amounts overdue for performing loans by period overdue".

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						902	**902**
2. Financial assets available for sale				398,601		398,601	**398,601**
3. Financial assets held to maturity							
4. Loans and advances to banks				108,939	30	108,909	**108,909**
5. Loans and advances to banking customers	221,147	53,902	167,245	1,131,206	6,584	1,124,622	**1,291,867**
6. Financial assets held at fair value							
7. Financial assets to be sold							
8. Hedging derivatives							
Total 2013	**221,147**	**53,902**	**167,245**	**1,638,746**	**6,614**	**1,633,034**	**1,800,279**
Total 2012	**209,916**	**45,775**	**164,141**	**1,641,755**	**5,170**	**1,636,883**	**1,801,024**

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	108,901	-	-	-	38
5. Loans and advances to banking customers	1,097,552	28,017	556	-	5,081
Of which					
Subject to renegotiation under collective agreements [1]	*16,374*	*1,125*	-	-	-
Other exposures	*1,081,178*	*26,892*	*556*	-	*5,081*

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	108,939	-	-	-	38
5. Loans and advances to banking customers	1,131,206	1,438	20	-	5
Of which					
Subject to renegotiation under collective agreements [1]	*17,499*	*5*	-	-	-
Other exposures	*1,113,707*	*1,422*	*20*	-	*5*

[1] The entire exposure refers to renegotiation under the following agreements between ABI (Italian Bank Association) and industry associations:

- "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 August 2009;
- "Agreement for loans to medium-small businesses" on the 16th February 2012;
- "New measures for the credit to SMEs" on the 28th February 2012;
- "Agreement for loans - 2013" on the 1st July 2013.

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	238,042		30	238,012
Of which financial assets available for sale[1]	*129,103*		*-*	*129,103*
Loans to bank	*108,939*		*30*	*108,909*
TOTAL A	**238,042**	**-**	**30**	**238,012**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired				
b) Other	1,951		-	1,951
Of which derivatives	*902*	*-*	*-*	*602*
Guarantees issued[2]	*1,049*	*-*	*-*	*1,049*
TOTAL B	**1,951**	**-**	**-**	**1,951**

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 €16 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	127,106	42,698		**84,407**
b) Substandard loans	74,028	9,884		**64,144**
c) Restructured exposures	11,606	1,253		**10,353**
d) Expired exposures	8,408	67		**8,341**
e) Other assets	1,400,704		6,584	**1,394,120**
Of which loans to customers	*1,131,205*		*6,584*	***1,124,622***
Financial assets available for sale[1]	*269,499*		*-*	***269,499***
TOTAL A	**1,621,851**	**53,902**	**6,584**	**1,561,365**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	182	-		**182**
b) other	7799		2	**7,797**
Of which commitments	*6979*		*-*	***6,979***
Guarantees issued	*820*		*2*	***818***
TOTAL B	**7,981**	**-**	**2**	**7,979**

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".

In December, the Bank has participated as the "transferor" to a sale without recourse, under Law 130/99, of the doubtful loans portfolios promoted and managed by the Cassa Centrale Banca SpA and having as its counterpart, as the "transferee", the company GEMINI SPV SRL A SOCIO UNICO.

The transaction does not involve the Bank as servicer nor as an underwriter of the securities issued by the transferee to finance the purchase; as the Bank does not provide warranty of any kind the requirements for the derecognition of the loans transferred from the Bank's assets are met.

The sale involved a doubtful loans portfolio with a gross value of €10.552m, at the time of the sale, already impaired at 31st December 2012 to a value of €7.857m. Given these values, the transferee shall pay to the Bank an amount of €1.715m which, net of transaction expenses (€62 thousand), has led the Bank to a gross loss of €8.899m.

Net of existing allowance for doubtful accounts, the operation has weighed on the income statement of the Bank for net €1.042m, the result of losses on disposal for €1.539m and gains on disposal of €0.497m.

The effects described above are presented in the following tables "A.1.7 Balance-sheet and off-Balance sheet credit exposure to customers: gross change in impaired exposure ," under the headings " C.4 Sales proceeds " and "C.4.a Losses on disposal " , and "A.1.8 Balance-sheet credit exposures to customers: change in overall impairments " under " B.1.a losses on disposal", " C.2.a Gains on disposal" and " C.5 Other decreases " .

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	**91,155**	**99,145**	**3,112**	**16,504**
- of which: exposures sold and not de-recognised	-	-	-	-
B. Increases	**55,526**	**44,775**	**11,075**	**12,594**
B.1 transfers from performing loans	5,061	24,395	-	12,221
B.2 transfers from other categories of impaired loans	48,702	17,357	10,926	-
B.3 other increases [1]	1,763	3,023	149	373
C. Decreases	**19,576**	**69,892**	**2,581**	**20,690**
C.1 transfers to performing loans	-	5,644	-	4,072
C.2 derecognised items	1,172	-	-	-
C.3 recoveries [1]	7,796	5,290	186	820
C.4 sale proceeds	1,653	-	-	-
C.4.bis losses on disposal	8,899	-	-	-
C.5 transfers to other categories of impaired loans	-	58,878	2,395	15,712
C.6 other decreases	56	80	-	86
D. Closing balance	**127,106**	**74,028**	**11,606**	**8,408**
- of which: exposures sold and not de-recognised	-	-	-	-

1 The column doubtful loans also includes €842 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). Similarly under restructured exposures are exposed €27 thousand relating to the collection of a claim for which had been granted remission.

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	**31,717**	**13,792**	**200**	**67**	**5,140**	
- of which: exposures sold and not de-recognised	-	-	-	-	-	
B. Increases	**27,185**	**4,275**	**1,336**	**0**	**1,444**	
B.1 write-downs	19,667	4,061	847	0	1,444	
B.1bis losses on disposal	1,539	-	-	-	-	
B.2 transfers from other categories of impaired loans	5,137	187	489	-	-	
B.3 other increases [1]	842	27	-	-	-	
C. Decreases	**16,204**	**8,183**	**283**	**-**	**-**	
C.1 write-backs from valuations	4,546	2,530	96	-	-	
C.2 collection write-backs [1]	1,090	27	-	-	-	
C.2bis gains on disposal	497	-	-	-	-	
C.3 write-offs	1,172	-	-	-	-	
C.4 transfers to other categories of impaired loans	-	5,626	187	-	-	
C.5 other decreases [2]	8,899	-	-	-	-	
D. Closing balance	**42,698**	**9,884**	**1,253**	**67**	**6,584**	
- of which: exposures sold and not de-recognised	-	-	-	-	**-**	
Losses due to below market rates	-	0	-	-	0	
Total net credit adjustment	**14,031**	**1,504**	**751**	**0**	**1,444**	**17,730** [3]
Net loss on disposal	**1,042**	**-**	**-**	**-**	**-**	**1,042** [4]

1 The column doubtful loans also includes €842 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). Similarly under restructured exposures are exposed €27 thousand relating to the collection of a claim for which had been granted remission. .

2 The column doubtful loans also includes the amount of €8.899m relating to losses on the disposal, of which €7.359m are covered by the Allowance for Doubtful Accounts and €1.539m are not covered by allowance for doubtful accounts (see item B.1 bis), accordingly with indication by the Bank of Italy Circular n. 262/2005.

3 The amount correspond to the amount in table 8.1 part C.

4 The amount resulting from the sum of B.1 *bis* and C.2 *bis*, corresponds to the value in table 6.1 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

Exposures	External rating class							
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-	No rating	Total
A. Balance sheet exposures	**11,222**	**-**	**310,712**	**55,612**	**525**	**-**	**1,421,306**	**1,799,377**
B. Derivatives	**-**	**-**	**902**	**-**	**-**	**-**	**-**	**902**
B.1 Financial derivatives	-	-	902	-	-	-	-	902
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**1,867**	**1,867**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**7,161**	**7,161**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**11,222**	**-**	**311,614**	**55,612**	**525**	**-**	**1,430,334**	**1,809,307**

Reconciliation between the "External rating classes" and the ratings of the main agencies

Rating classification	Standard & Poor's	Moody's	Fitch
AAA/AA-	AAA	Aaa	AAA
	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
A+/A-	A+	A1	A+
	A	A2	A
	A-	A3	A-
BBB+/BBB-	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
BB+/BB-	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
B+/B-	B+	B1	B+
	B	B2	B
	B-	B3	B-
Lower than B-	from CCC+ to D	form Caa1 to C	from CC+ to D

The exposures with credit ratings relate entirely to government or banks bonds classified in the available for sale portfolio. With regard to the credit portfolio of the Bank (mainly made up of loans to small and medium sized enterprises) externally rated exposures are quite negligible. The entire related exposures are listed under the column "no rating".
With regard to financial derivatives the overall notional amount is €19.3m and is distributed as follows: €18.1m with counterparts rated Baa2, €1.2m with counterparts rated Baa3.

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 A.3 Breakdown of secured exposures by type of guarantee

A.3.2 Secured balance-sheet credit exposures to customers

		Collaterals (1)				Guarantees (2)									Total (1)+(2)
						Credit derivatives					Engagements				
							Other derivatives								
	Net exposure	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	843,868	691,828	57,311	3,943	1,095							30,818	15,003	148,830	948,828
- of which impaired	145,076	171,952	4,435	27	-							28	349	22,530	199,321
1.2 partially secured	176,353	32,654	-	3,832	3,272							3,735	34,959	16,742	95,194
- of which impaired	15,280	12,343	-	250	-							3,371	990	2,868	19,822
1. Secured off-Balance sheet credit exposures															
1.1 fully secured	2,134	1,414		720											2,134
- of which impaired															
1.2 partially secured	851												319	151	470
- 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							1,411	2,503					81,412	39,823		1,584	372	
A.2 Substandard							-	-					63,821	9,826		323	58	
A,3 Restructured exposures							792	427					9,472	825		89	0	
A.4 Expired exposures							758	1					7,453	66		130	0	
A.5 Other exposures	269,499			98,139		148	66,686		70				935,357		6,321	24,439		46
Total A	**269,499**			**98,139**		**148**	**69,647**	**2,931**	**70**				**1,097,515**	**50,541**	**6,321**	**26,565**	**431**	**46**
B. Off-balance sheet exposures																		
B.1 Doubtful																		
B.2 Substandard																		
B.3 Other impaired assets													181					
B.4 Other exposures													7,772			25		
Total B													**7,953**			**25**	**-**	
Total (A+B) (2013)	**269,499**			**98,139**		**148**	**69,647**	**2,931**	**70**				**1,105,468**	**50,541**	**6,321**	**26,590**	**431**	**46**
Total (A+B) (2012)	**222,476**			**103,721**		**104**	**60,767**	**3,066**	**47**				**1,185,202**	**42,412**	**4,962**	**29,754**	**298**	**39**

B.2 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by area (book value) [46]

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	84,407	42,698	*50,646*	*25,344*	*33,762*	*17,354*				
A.2 Substandard	62,218	9,539	*47,209*	*6,910*	*15,010*	*2,628*	1,926	345		
A.3 Structured exposures	10,353	1,253	*5,148*	*635*	*5,205*	*618*				
A.4 Expired exposures	8,341	67	*7,304*	*66*	*1,037*	*2*				
A.5 Other exposures	1,382,884	6,584	*957,439*	*5,372*	*425,445*	*1,211*	11,222		14	0
Total A	**1,548,203**	**60,141**	***1,067,745***	***38,328***	***480,458***	***21,813***	**13,148**	**345**	**14**	**0**
B. Off-balance sheet exposures										
B.1 Doubtful										
B.2 Substandard										
B.3 Other impaired assets	181				*181*					
B.4 Other exposures	7,797	2	*6,244*	*0*	*1,553*	*2*				
Total B	**7,978**	**2**	***6,244***	***0***	***1,734***	***2***				
Total (A+B) 2013	**1,556,181**	**60,143**	***1,073,989***	***38,328***	***482,192***	***21,815***	**13,148**	**345**	**14**	**0**
Total (A+B) 2012	**1,587,389**	**50,584**	***1,134,461***	***34,030***	***452,928***	***16,554***	**14,405**	**343**	**126**	**0**

[46] 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)

	Italy		Other European Countries		America		Asia		Rest of the world	
	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	238,004								8	30
Total A	**238,004**								**8**	**30**
B. Off-balance sheet exposures										
B.1 Doubtful										
B.2 Substandard										
B.3 Other impaired assets										
B.4 Other exposures	1,951									
Total B	**1.951**									
Total (A+B) 2013	**239,955**								**8**	**30**
Total (A+B) 2012	**213,291**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**30**

B.4 Significant risks

	2013	2012
a) Amount (book value)	507,020	456,319
b) Amount (weighted value)	132,108	225,071
c) 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.

C.2 Credit disposal

QUALITATIVE INFORMATION

In December, the Bank has participated as the "transferor" to a sale without recourse, under Law 130/99, of the doubtful loans portfolios promoted and managed by the Cassa Centrale Banca SpA and having as its counterpart, as the "transferee", the company GEMINI SPV SRL A SOCIO UNICO.
The transaction does not involve the Bank as servicer nor as an underwriter of the securities issued by the transferee to finance the purchase; as the Bank does not provide warranty of any kind the requirements for the derecognition of the loans transferred from the Bank's assets are met.
That said, for this operation we don't provided the disclosures required by the Bank of Italy under "C.2.A Financial assets sold and not derecognised in its entirety" and "C.2.B Financial assets sold and fully cancelled with detection of continuing involvement".
In the section on credit risk (Table A.1.7 and A.1.8) we give a description of the transaction in question with its accounting representation.

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 26 interest rate cap options, of which 13 are with ordinary customers and 13 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 2012.

C. Cash flow hedging

During 2013, the Bank did not initiate interest rate swap hedging transactions in order to stabilise floating-rate funding costs.
In 2013, it came to an end the only cash flow hedging operation in place (recorded using the hedge accounting method) and amounting 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.

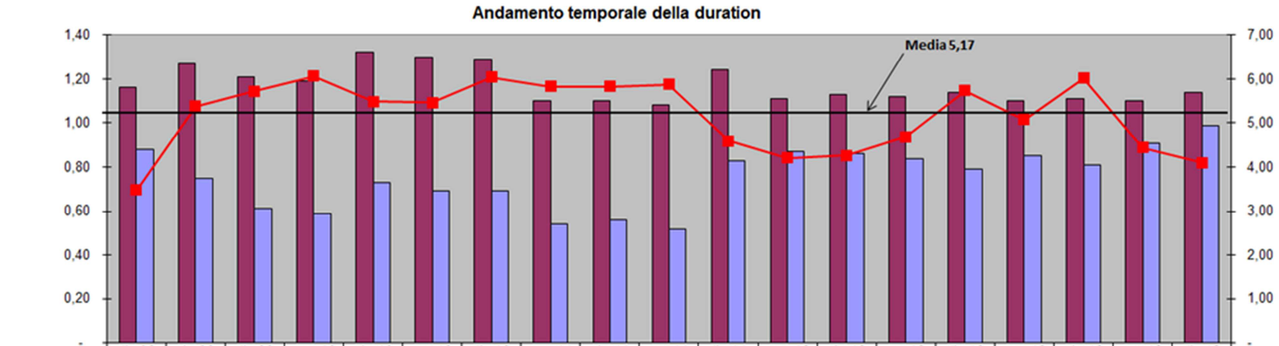
Volatility of the net interest income and of net income calculated using the Gap model (thousands of Euro)

Instantaneous and parallel shifts in the interest rate yield curve	+100 bp	-100 bp
Net interest income change	-721	+721
Net income change	-415	+415

The analysis of the effect of the interest margin shows a volatility in line with the previous year and still influenced by the LTRO refinancing (€382m) theoretically re-priced to a month, although mitigated by the reversed gap sign in the rest of the bands.

With regard to the market value of the assets, the duration gap methodology measures the sensitivity of the present value of the portfolio net of all active and passive operations.

The following tables and graph show the sensitivity data relative to the business periods 2008 – 2013:



	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	mar-13	giu-13	set-13	dic-13
Attivo	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	1,10	1,11	1,10	1,14
Passivo	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	0,85	0,81	0,91	0,99
Portafoglio	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	5,07	6,01	4,44	4,10

The volatility indicator shows an improvement compared to 2012, mostly due to the fixed rate bond issued in 2013 that have rebalanced the duration of liabilities. The duration is positioned on levels lower than the average of the last 5 years and showed a marked reduction in interest rate risk in the Bank's assets and liabilities.
The stress test by +/-100 b.p showed a decreased effect on equity going from -/+7.9m in December 2012 to -/+3.6 in December 2013.

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	- 3.616	+ 3.616

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 residually US Dollars in the business period 2013.

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	**0**				**1,070**	
A.1 Debit securities						
A.2 Equity securities						
A.3 Loans to banks	0				4	
A.4 Loans to customers					1,066	
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities					**1,063**	
C.1 Amount due to banks					1,063	
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	**0**				**1,070**	
Total liabilities					**1,063**	
Difference (+/-)	**0**				**7**	

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	2013		2012	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate	37,877		14,225	-
a) Options[1]	37,132		13,133	
b) Swap[2]	745		1,092	
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	**37,877**		**14,225**	**-**
Average amounts	**30,352**		**3,912**	

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	2013		2012	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	-	-	50,000	-
a) Options				
b) Swap[1]			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**	**-**
Average amounts	**33,562**		**50,000**	

1 It refers to 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	2013		2012	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	-	-	-	-
a) Options				
b) Swap[1]				
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	**-**	**-**	**-**	**-**
Average values	**-**		**20.529**	

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			
	2013		2012	
	Over the counter	Clearing House	Over the counter	Clearing House
A Regulatory trading portfolio	902		298	-
a) Options [1]	902		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	-			-
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**902**	**-**	**298**	**-**

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

A.4 Financial derivatives: negative fair value – breakdown by product

Derivative instrument types/Underlyings	Negative Fair value			
	2013		2012	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	938		365	-
a) Options[1]	902		298	
b) Interest rate swap[2]	36		67	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
B. Banking portfolio – hedging derivatives			614	-
a) Options				
b) Interest rate swap[3]			614	
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C. Banking portfolio – other derivatives				-
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**938**		**979**	**-**

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".

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			19,311			18,566	
- positive fair value			902			-	
- negative fair value			36			902	
- future exposure			282			278	
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	**2,150**	**8,960**	**26,767**	**37,877**
A.1 Financial derivative contracts on debt securities and interest rates	2,150	8,960	26,767	37,877
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				
B.1 Financial derivative contracts on debt securities and interest rates				
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 2013	**2,150**	**8,960**	**26,767**	**37,877**
Total 2012	**50,836**	**3,317**	**10,072**	**64,225**

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.

As part of the gradual alignment with the structural liquidity management model required by Basel III, the Bank provides for securities issued by the Italian State, not pledged as guarantees and with a maturity of over 1 year a weighting factor (RSF) of 10% of their nominal value, given their high level of liquidity.

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 for the 2014 budget;
- 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.

2013 was characterised by an improvement in the trend of the spread on bank bond issues, especially towards the end of the year. The ECB has reassured the markets by confirming an expansionary monetary policy and ensuring rapid intervention in case of increased volatility of the system. As a consequence, fears related to sovereign debt, especially in peripheral areas of the EU, have diminished and the climate on the markets has begun to show signs of improvement.

The Bank, in 2013, has issued bonds for approximately €224m in line with market prices, largely under the EMTN programme and placed on local institutions.
The flow of new medium-and long-term funding from banks amounts to €65m of which €15m was from the European Investment Bank. The absence of special liquidity issues has limited the recourse to the interbank deposit market (MID) which was utilised very short-term maturities, with the objective of maintaining relations with the historical counterparts.

To manage its liquidity risk, the Bank has not only maintained substantial reserves of eligible securities but, in 2013 started the ABACO procedure which helped to add to the pool €61m of new available liquidity.
The Bank still has undrawn credit lines with credit institutions, mostly shareholders, as well as credits on MID. In addition, the Bank has:

- Available liquidity with the Central Bank for refinancing operations for a value of €650m (net of ECB haircut), of which €388m is already utilised and €262m is still unutilised;
- an award by the EIB of €50m of which €15m have been used;
- a program of issues on the European market which will be renewed within the first half of 2014.

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.

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.

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

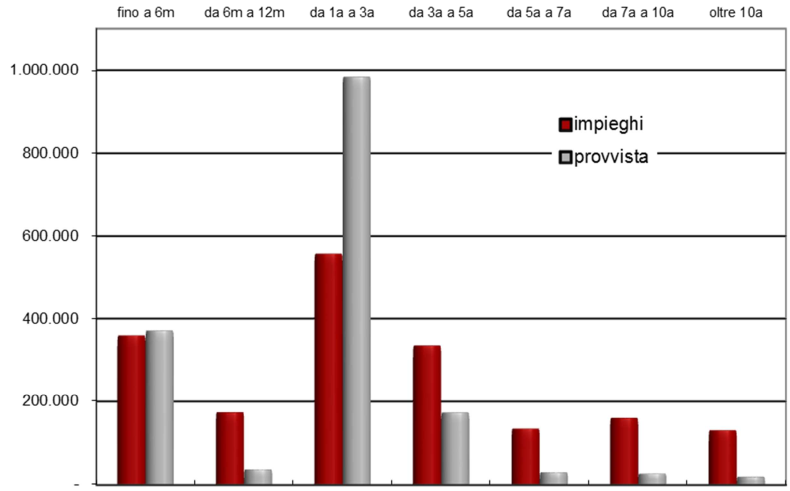
1. Breakdown of financial assets and liabilities by residual contractual maturity (foreign currency denominated items are shown separately)

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	**71,232**	**1,621**	**1,807**	**2,320**	**182,119**	**100,681**	**174,143**	**893,350**	**426,472**	**225**
A.1 Government securities	-	-	-	-	713	14,493	38,973	215,000	-	-
A.2 Other debt securities	-	-	-	88	126,702	11	9	2,747	183	-
A.3 Units in UCITS.	4,891	-	-	-	-	-	-	-	-	-
A.4 Loans	66,341	1,621	1,807	2,232	54,704	86,177	135,161	675,605	426,289	225
- banks	38,385	-	-	-	15,011	-	10,061	45,000	-	225
Of which Swiss Francs	*4*	-	-	-	-	-	-	-	-	-
- customers	27,956	1,621	1,807	2,232	39,693	86,177	125,100	630,603	426,289	-
Of which Swiss Francs	*93*	-	-	-	-	*86*	*86*	*585*	*498*	-
Balance sheet liabilities	**4,908**	**12,337**	**28**	**-**	**159,889**	**194,378**	**36,963**	**1,156,736**	**76,387**	**-**
B.1 Deposits and current accounts	2,812	12,337	-	-	11,256	21,831	12,074	44,895	8,790	-
- banks	1,050	-	-	-	11,256	1,522	12,074	10,779	-	-
Of which dollars	-	-	-	-	-	-	-	-	-	-
Of which Swiss francs	-	-	-	-	*1,063*	-	-	-	-	-
- customers	1,762	12,337	-	-	0	20,308	-	34,115	8,790	-
B,2 Debt securities	1,862	-	-	-	124,163	142,863	5,727	488,756	-	-
B.3 Other liabilities	234	-	28	-	24,470	29,684	19,162	623,085	67,597	-
Off balance sheet transactions	**8,231**	**1,895**	**-**	**-**	**-**	**-**	**150**	**1,398**	**4,493**	**-**
C.1 Physically settled financial derivatives										
- long positions										
- short positions										
C.2 Cash settled financial derivatives	37	-	-	-	-	-	0	222	1,004	-
- long positions	-	-	-	-	-	-	0	111	502	-
- short positions	37	-	-	-	-	-	0	111	502	-
C.3 Deposit to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds	7,161	1,895	-	-	-	-	150	1,176	3,489	-
- long positions	-	1,895	-	-	-	-	150	1,176	3,489	-
- short positions	7,161	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,033									
C.6 Financial guarantees received										
C.7. Physically settled credit derivatives										
- long positions										
- short positions										
C.8. Cash settled credit derivatives										
- 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:

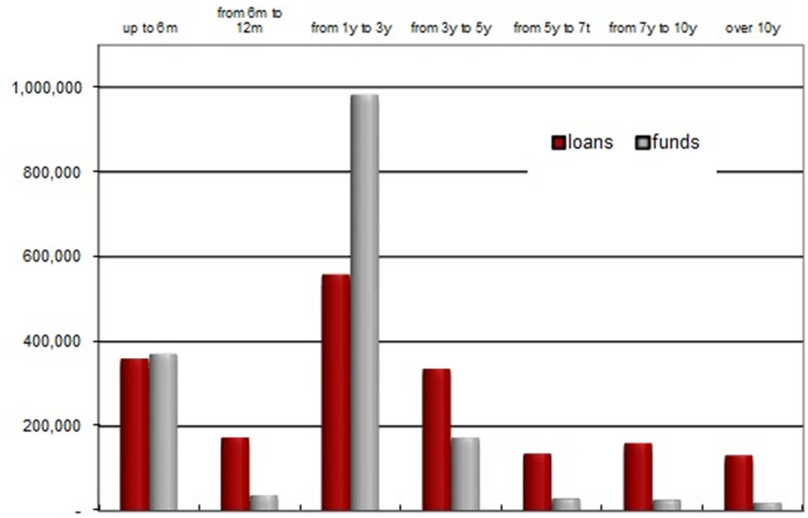
- breakeven in the short-term band (up to 6 months) with a negative gap of about €12m;
- a positive gap of about €137m in the "up to 1 year" band (€124m net of estimated flows on doubtful loans);
- a negative gap in the "1 to 3 year" band of about €425m (€498m net of doubtful loans) characterised by 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 €162m (€154m 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.



	fino a 6m	da 6m a 12m	da 1a a 3a	da 3a a 5a	da 5a a 7a	da 7a a 10a	oltre 10a
impieghi	359.781	174.144	557.814	335.537	134.756	160.804	130.911
provvista	371.540	36.962	983.048	173.688	30.106	26.711	19.570

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



	up to 6m	from 6m to 12m	from 1y to 3y	from 3y to 5y	from 5y to 7t	from 7y to 10y	over 10y
loans	359,781	174,144	557,814	335,537	134,756	160,804	130,911
funds	371,540	36,962	983,048	173,688	30,106	26,711	19,570

2. Disclosure on balance sheet assets pledged as a guarantee

Technical form	Pledged		Not Pledged		Total 2013	Total 2012
	Book value	Fair value	Book value	Fair value		
1. Cash and cash equivalents	-		2		2	5
2. Debt securities	154,641	154,641	243,991	243,985	398,632	370,183
3. Equities	-	-	11,122	11,122	11,122	10,816
4. Loans [1]	355,211		1,045,534		1,400,745	1,430,543
5. Financial assets	-		5,793		5,793	5,233
6. Non-financial assets	-		11,542		11,542	12,392
Total 2013	**509,852**	**154,641**	**1,317,984**	**255,107**	**1,827,836**	
Total 2012	**476,584**	**201,516**	**1,352,588**	**168,667**		**1,829,172**

1 In addition to the loans pledged as guarantees for liabilities, loans also includes assets sold to the SPV and not derecognised from the balance sheet to €172.9m (€213.2m in 2012).

3. Disclosure on off-balance sheet own assets pledged as a guarantee

Technical form	Pledged	Not Pledged	Total 2013	Total 2012
1. Financial assets	307,115	-	307,115	341,821
- Securities	307,115	-	307,115	341,821
- others	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 2013	**307,115**	**-**	**307,115**	
Total 2012	**341,821**	**-**		**341,821**

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 €122.1m in securities that are not reported in the balance sheet filed with the Bank of Italy.
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 filed with the Bank of Italy, 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

At the year's end, the Bank has filed with the Bank of Italy, through the ABACO procedure, €156.6m in a loan portfolio, such loans serve in part, 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 €35.4m in relation to the contract signed on 28 November 2005 and to €20.1m 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;
    1. 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";
    2. 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 for €16m has been signed and spent for €10m. Such a contract will be guaranteed by the sale of receivables due to Mediocredito from the final beneficiaries.

According to the requirements of IFRS 7 § 14, we state that:

a. the book value of the financial assets pledged as collateral amounted to €6.7m;
b. with the contract referred to above, the Bank transferred irrevocably without recourse to the European Investment Bank, the claims of any nature against the final beneficiaries, to guarantee the full and punctual fulfilment of all the obligations of a pecuniary nature entered into by the Bank under the loan agreement with the EIB. The credit disposal amounts to at least 100% of the loan liabilities to the EIB, from time to time remaining as the result of principal payments made by the Bank under the loan contract itself.
   The contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete performance of the obligations guaranteed. The EIB has also granted the Bank a mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their withdrawal.

In July 2013, a second contract for the remaining €34m was signed, secured by a surety from the Autonomous Region of Trentino - South Tyrol The contract has been spent for €5m.

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 adoption of the "non-compliance risk management model" focussing on periodic reports (at least quarterly) to the governing bodies, the General Management and the control structures or functions of the Bank and finalised to risk monitoring as well as to spread of a corporate culture based on the principles of honesty, fairness and compliance with the rules;
- 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 focus in the area of administrative responsibility (Legislative Decree no. 231/2001), which resulted in the adoption of an internal model for risk assessment and the updating, during 2013, of the "Model of Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 ";
- creating the anti-money laundering functions dedicated to overseeing regulations under Legislative Decree 231/07;
- 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;
- 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;
- the constant updating of the operational processes of the Bank (also through the introduction of automated systems for operational support and control), with particular reference to the related regulations on transparency and anti-money laundering;
- 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.

Legal risks

The risks associated with litigation that involves Mediocredito are constantly monitored by the Legal Department.
Where a legal and accounting analysis showed the possibility of a negative outcome with probable outflow of economic resources, the Bank shall put aside sufficient allocations to the provisions for

risks and charges as a precaution, based on an estimate as reliable as possible, as well as implement political settlement options.

In particular it is noted that:

- following the court summoning in 2008, the extraordinary administration of Giacomelli Sport Spa, had proposed a revocation action against the group of banks in pool, leader ICCREA , in relation to payments made by the company in return for a loan. In 2008, in respect of such action, Mediocredito had estimated a potential liability of €616 thousand.

On 18th July 2013, the Court of Rimini issued a ruling in favour of Mediocredito. Following that judgment, and on the basis of the opinion of the lawyer who represented the Bank in the legal proceedings, the terms of the contingent liability were redefined as follows:

  - Amount at risk: €80,000.00
  - Expected date for the dispute resolution: 31/12/2018

Subsequently, Mediocredito was requested to pay €58 thousand, thus reducing the amount at risk to €22 thousand. The discounting of the amount at risk has led to determine an allocation of €20 thousand, bringing a recovery in value in the income statement (item 160.) of €537 thousand.

- During the year, the possible liability related to the claim for damages by Carolina Srl for a total of €3.6m has been the subject of evaluation. To date, there is no concrete evidence that would support the acceptance of the claims of bankruptcy. For this reason it is not considered justifiable the creation of a specific fund dedicated to litigation risks.

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	2013	2012
1. Capital stock	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	94,605	94,285
- profits	94,605	94,285
a) legal	18,956	18.809
b) statutory	54,058	53,977
c) treasury shares	-	-
d) other [1]	21,591	21,499
- others	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	5,934	6,217
- Financial assets available for sale	1,947	2,573
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-	(293)
- Exchange differences	-	-
- Non-current assets classified as held for sale	-	-
- Actuarial gains (losses) on defined benefits plans [1]	(332)	(381)
- Valuation reserves from investments accounted for using the equity method	-	
	-	-
- Special revaluation laws	4,318	4,318
7. Profit (loss) for the year [1]	1,292	3,052
Total	**190,157**	**191,880**

1 EU regulation no. 475/2012 of 5 June 2012 approved the new version of IAS 19 "Employee Benefits" which amended among other things the accounting rules of the so-called defined benefit plans (which include severance indemnity pay) stating that the actuarial gains/losses are recognised immediately and are included for the full amount in the "statement of comprehensive income" with effect on equity. As a result, and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was also necessary to adjust data for the comparative period rectifying balances for 2012

for items: "3.Reserves-profits others","6.Valluation reserves- Actuarial gains (losses) on defined benefits plans" and "7. Profit (loss) for the year".

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

Items/Amount	2013		2012	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	884	6	2,183	675
2. Equity securities	1,000	-	965	-
3. Units in UCITS	129	60	122	22
4. Loans	-	-	-	-
Total	**2,013**	**66**	**3,270**	**697**

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

	Debt securities	Equity securities	Unit in UCITS	Loans
1. Opening balance	**1,508**	**965**	**100**	**-**
2. Positive changes	**1,228**	**415**	**7**	**-**
2.1 Fair value increases	573	415	7	-
2.2 Reclassification through profit or loss of negative reserves	655	-	-	-
- due to impairment	-	-	-	-
- following disposal	655	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**1,858**	**380**	**37**	**-**
3.1 fair value decreases	1,261	-	37	-
3.2 Adjustments due to impairment	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves:		-	-	-
Following disposal	597	380	-	-
3.3 Other changes	-	-	-	-
4. Closing balance	**878**	**1.000**	**69**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

	2013	2012
A. Opening balance	**(381)**	**(289)**
B. Increases	**-**	**(92)**
B.1 Actuarial losses	-	(92)
C. Decreases	**49**	**-**
C.1 Actuarial gains	49	-
D. Closing balance	**(332)**	**(381)**

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 €94.605m and reinvested profits (€107 thousand). The capital amount is adjusted to take into consideration the negative elements due to intangible assets (€199 thousand) and gains / losses on severance indemnities for €332 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 (€1.947m) minus negative prudential filters - calculated with the asymmetrical approach[47] - related to the portion of positive reserves of assets available for sale that cannot be included (€0.974m).

3. Tier 3 capital.

There are no values to be disclosed.

[47] 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

			2013	2012
A.	**Tier 1 capital before the application of prudential filters**		**182,508**	**182,090**
B.	Prudential filters of Tier 1 capital:		-	-39
B1	- positive Ias/Ifrs prudential filters	(+)	-	-
B2	- negative Ias/Ifrs prudential filters	(-)	-	-39
C.	**Tier 1 capital gross of items to be deducted**	**(A+B)**	**182,508**	**182,051**
D.	**Items to be deducted from Tier 1 capital**		**-**	**-**
E.	**Total Tier 1 capital**	**(C-D)**	**182,508**	**182,051**
F.	**Tier 2 capital before the application of prudential filters**		**6,266**	**6,891**
G.	**Prudential filters of Tier 2 capital:**		**-974**	**-1,286**
G1	- positive Ias/Ifrs prudential filters	(+)	-	-
G2	- negative Ias/Ifrs prudential filters	(-)	-974	-1,286
H.	**Tier 2 capital gross of items to be deducted**	**(F+G)**	**5,292**	**5,605**
I.	**Items to be deducted from Tier 2 capital**		**-**	**-**
L.	**Total Tier 2 capital**	**(H-I)**	**5,292**	**5,605**
M.	**Items to be deducted from total Tier 1 and 2 capital**		**-**	**-**
N.	**Regulatory capital**	**(E+L-M)**	**187,800**	**187,656**
O.	**Tier 3 capital**		**-**	**-**
P.	**Regulatory capital including Tier 3 capital**	**(N+O)**	**187,800**	**187,656**

The net profit for the period (€1.292m) is included in the calculation of the regulatory capital to the amount of €107 thousand after deducting dividends to the amount of €1.125m and €60 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 2013 these ratios (respectively equal to 15.07% and 15.50%) 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 May 2013, the Bank prepared and published the disclosure document in accordance with the requirements of Basel 2 Pillar 3, i.e. public disclosure as at 31/12/2012. 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

Category/amounts	Non-weighted amounts		Weighted amounts	
	2013	2012	2013	2012
A. RISK-WEIGHTED ASSETS				
A.1 Credit risk and counterparty risk				
1. Standardised approach	1,899,310	1,907,895	1,158,530	1,296,383
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			92,682	103,711
B.2 Market risk				
1. Standardised approach				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic approach			4,244	4,025
2. Standard approach				
3. Advanced approach				
B.4. Other capital requirements				
B.5. Other calculation elements				
B.6 Total capital requirements			**96,926**	**107,736**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,211,575	1,346,699
C.2 Tier 1 capital/Risk-weighed assets (Tier 1 capital ratio)			15.07	13.52
C.3 Regulatory capital (including Tier 3)/Risk-weighted assets			15.50	13.93

PART H

RELATED PARTY DISCLOSURE

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 2013, 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	283,556	-	-
Managers with strategic responsibilities	577,805	16,982	47,148
Statutory Auditors	129,764	-	-

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	50,329	86,617	44,425	3,052	84,341	80,671	120,695	1,221	12
Subsidiary companies			4,616	0					
Affiliated companies									
Joint venture									
Managers with strategic responsibilities			23						
Other related parties									
Total	**50,329**	**86,617**	**49,064**	**3,052**	**84,341**	**80,671**	**120,695**	**1,221**	**12**

Assets available for sale

It is a debt security in the portfolio issued by Cassa Centrale Raiffeisen for a nominal amount of €50.0m.

Loans and advances to banks

It is made up for €30.9m of cash on current accounts and for €55.3m of transactions on the interbank deposit market (MID) with Cassa Centrale Banca as the counterparty.

Loans and advances to customers

With regard to the amounts shown in the "Entities that have joint control and significant influence over the Company", these refer to functional operations that are granted to the two autonomous provinces, including the aforementioned operations to support the local economy in the Province of Trento.

Under the heading "Subsidiary companies", the value refers to a credit facility granted by the Bank to the subsidiary Paradisidue srl (based in Trento - Via Paradisi 2, CF 01856850225), for the functional acquisition and renovation of properties in the context of a bankruptcy proceeding. The loan was granted for €6.0m with a revoked maturity at Euribor 1M +50b.p.

Other assets

It is mostly related to illiquid assets in a bank account with Cassa Centrale Banca for €3.1m.

Due to banks

It is made up of €83.3m from an ECB's three-year funding with Cassa Centrale Banca as an intermediary.

Due to customers

Consists of €34.2m of deposits from a company functional to the Autonomous Province of Trento and for €46.4mn of the funds of the Autonomous Province of Bolzano in administration.

Debt securities in issue

It is our own bond issues signed by two Casse Cetrali banks and a company functional to the Autonomous Province of Trento.

Derivatives

These are two swap contracts written in the Statement of Financial Position at a negative fair value of €36 thousand and a cap contract with positive fair value of €20 thousand.

Costs and revenues

Related parties	Interest income	Fees and commissions income	Dividends/Sundry proceeds	Interest expenses	Fees and commissions expenses	Trading charges	Other expenses
Entities that have joint control and significant influence over the Company	4,676	7	3	7,265	10	0	40
Subsidiary companies	20						
Affiliated companies							8
Joint venture							
Managers with strategic responsibilities	0						
Other related parties							
Total	**4,696**	**7**	**3**	**7,265**	**10**	**0**	**48**

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 €7.122m; the Bank pays a commission every six months to both Provinces equal to 0.08% per year.
The Autonomous Region of Trentino-South Tyrol provides further surety on behalf of the Bank to the EIB for €5.0m euros; the Bank pays a commission of 0.2% per annum to the Region.

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.
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, while Lombardy has, in absolute terms, the highest cost of risk. From this point of view, South Tyrol is the best performer. From a sector perspective the cost of the risk is concentrated mostly in the real estate and construction sectors.

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 significant gains from trading activities, to the substantial 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 2013

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Net interest income	**4,060**	**3,456**	**3,591**	**2,070**	**1,355**	**9,207**	**23,739**
Net commissions	243	122	135	86	114	473	**1,173**
Dividends and other trading and hedging income						5,993	***5,993***
Operating income	**4,303**	**3,578**	**3,726**	**2,156**	**1,469**	**15,673**	**30,905**
Net adjustments/write-backs	(2,403)	(1,920)	(4,703)	(7,020)	(2,409)	(391)	**(18,846)**
Net income from financial activities	**1,900**	**1,658**	**(977)**	**(4,864)**	**(940)**	**15,282**	**12,059**
Total operating expenses	(780)	(838)	(1,492)	(665)	(535)	(5,497)	**(9,807)**
Profit (Loss) from associates and investment securities	**1,120**	**820**	**(2,469)**	**(5,529)**	**(1,475)**	**9,785**	**2,252**

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

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Net interest income	**3,308**	**3,113**	**3,626**	**2,151**	**1,131**	**11,630**	**24,960**
Net commissions	316	213	265	168	69	1,361	**2,391**
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)	(1,503)	**(12,053)**
Net income from financial activities	**736**	**2,018**	**588**	**90**	**378**	**12,848**	**16,658**
Total operating expenses	(707)	(832)	(1,391)	(771)	(533)	(6,315)	**(10,549)**
Profit (Loss) from associates and investment securities	**29**	**1,186**	**(803)**	**(681)**	**(155)**	**6,533**	**6,109**

A.2 Breakdown by geographical segment: Statement of Financial Position Dec. 2013

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Lending operations	320,203	297,287	263,816	179,998	91,761	722,841	**1,875,906**
Borrowing operations						1,633,604	**1,633,604**

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

	Trentino	South Tyrol	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**

SECONDARY SEGMENT REPORTING BASIS

B.1 Breakdown by business segment: statement of income 2013

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Net interest income	**11,574**	**1,863**	**745**	**2,502**	**7,055**	**23,739**
Net commissions	*885*	*96*	*5*	*85*	*102*	***1,173***
Dividends and similar incomes					5,993	**5,993**
Operating income	**12,459**	**1,959**	**750**	**2,587**	**13,150**	**30,905**
Adjustments/write backs	(12,386)	(5,023)	(1,128)	(237)	(73)	**(18,846)**
Net income from financial activities	**73**	**(3,064)**	**(378)**	**2,350**	**13,077**	**12,059**

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**	**9,893**	**24,960**
Net commissions	*1,714*	*69*	*51*	*45*	*512*	***2,391***
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	(51)	**(12,053)**
Net income from financial activities	**4,080**	**(2,656)**	**280**	**3,240**	**11,714**	**16,658**

B.2 Breakdown by business segment: Statement of Financial Position Dec. 2013

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Lending operations	891,353	119,815	65,562	248,567	550,609	**1,875,906**
Borrowing operations						**1,633,604**

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**

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	31/12/2013	31/12/2012
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	**4,963,153**	**2,903,629**
I. Stocks	4,586,511	2,683,726
- immovable leftovers	4,260,183	2,395,020
- immovable for commercial use/ leftovers	288,706	288,706
- advance payments to suppliers	37,622	-
II. Receivables with maturity within one year	375,425	217,931
- tax credit for advance withholding tax on interest	0	0
- VAT credit and tax prepayment	375,425	217,814
- caution money	-	117
III. Investments	-	-
IV. Cash at bank and in hand	1,217	1,972
- Unicredit Bank c/c 40066549	1,217	1,972
D. PREPAYMENTS AND ACCRUED INCOME	-	-
TOTAL ASSETS	**4,963,153**	**2,903,629**

STATEMENT OF FINANCIAL POSITION (IN EURO UNITS)

LIABILITIES	31/12/2013	31/12/2012
A. CAPITAL AND RESERVES	**5,887**	**1,482**
I. Capital stock	10,000	10,000
II. Additional paid-in capital	-	-
III. Valuation reserve	-	-
IV. Legal reserve	1,547	1,547
V. Reserve for own shares	-	-
VI. Statutory reserves	-	-
VII. Other reserves	11,237	11,237
VIII. Losses brought forward	-	-
IX. Income (Loss) for the year	(16,897)	(21,302)
B. RESERVE FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. CREDITORS	**4,957,266**	**2,902,148**
Amounts becoming due and payable within one year		
- prepayments received	-	-
- other creditors	3,536	25
- suppliers and incoming invoices	331,599	2,541
- loans to Parent Company	4,616,440	2,895,352
- tax debt to be paid over the next financial period	4,691	2,430
- INPS debt to be paid over the next financial period	1,000	1,800
E. ACCRUALS AND DEFERRED INCOME	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**4,963,153**	**2,903,629**

GARANTEES AND COMMITMENTS (IN EURO UNITS)

GUARANTEES AND COMMITMENTS	31/12/2013	31/12/2012
Personal guarantees given/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

INCOME STATEMENT (IN EURO UNITS)

INCOME STATEMENT	31/12/2013	31/12/2012
A. PRODUCTION VALUE	**1,865,163**	**86,567**
1) Revenues from sales and services	-	-
2) Variation in stocks of finished goods and in work in progress	1,865,163	86,490
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
B. PRODUCTION COSTS	**1,861,706**	**81,308**
6) Raw materials, subsidiary materials, consumable stores and goods	1,828,531	60,647
7) Services	24,791	12,606
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	8,384	8,055
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	*3,457*	*5,259*
C. FINANCIAL INCOME AND CHARGES	**(20,073)**	**(25,982)**
15) Income from participating interests		
16) Other financial income	0	0
17) Other interest receivable and similar income	20,073	25,982
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	*(16,616)*	*(20,722)*
INCOME TAX	281	580
ET INCOME (LOSS) FOR THE YEAR	**(16,897)**	**(21,302)**

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 (€9.807m).

Operating income amounts to €30.905m, equal to the amount shown in the Statement of Financial Position (€29.863m) net of losses on disposal (€1.042m).

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" (€187.800m) and 2.2.B "Capital adequacy – Quantitative information" (€1,211.452m) 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 €127.106m and €1,461.292m respectively.
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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 €84.407m and €1,400.775m respectively.

GROSS DOUBTFUL LOANS TO REGULATORY CAPITAL

$$\frac{\textit{gross doubtful loans}}{\textit{regulatory capital}}$$

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 €127.106m.
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 €187.800m.

NET DOUBTFUL LOANS TO REGULATORY CAPITAL

$$\frac{\textit{net doubtful loans}}{\textit{regulatory capital}}$$

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 €84.407m.
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 €187.800m.

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 €221.185m and €1,461.292m 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 €167.253m and €1.400.775m.

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 €221.185m.
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 €187.800m.

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 €167.253m.
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 €187.800m.

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 €1.125m and €1.292m respectively.

PAYROLL TO OPERATING INCOME

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

The amounts of payroll (€6.687m) 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.
Net interest and other income is calculated to be €30.905m, corresponding to the value in the State of Financial Position (€29.863m) net of losses on disposal (€1.042m).

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 €6.230m 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 (79.9) 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 (€30.905m), equal to the value reported in the State of Financial Position (€29.863m) net of losses on disposal (€1.042m).

The average number of employees (79.9) 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 €1,840.029m, as shown in the financial statements.

The average number of employees (79.93) 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 €1.292m, as shown in item 290. of the income statement.

Net equity (before dividends) is equal to €188.865m 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, 100,215,200 shares out of 112,470,400 that make up the capital of the Company, on 14 April 2014,

the Shareholders unanimously approved

the Report on Operations relative to the business year closed on 31 December 2013;

the Statement of Financial Position as at 31 December 2013 (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