ANNUAL REPORT

2014

61th ACCOUNTING PERIOD

MEDIOCREDITO
INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

ANNUAL REPORT AND ACCOUNTS
31ST DECEMBER 2014

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

Full paid capital € 58,484,608

Fiscal code and Trento Register of companies no. 00108470220
Bank Register no. 4764
Parent company of Gruppo Bancario Mediocredito Trentino – Alto Adige
Registered with the Banking Group Register

www.mediocredito.it
mc@mediocredito.it

REGISTERED OFFICE AND HEADQUARTERS

38122 Trento, Via Paradisi 1
Tel. 0461/888511
Fax 0461/888515

SECONDARY HEADQUARTERS

39100 Bolzano, Via Museo 44
Tel. 0471/305111
Fax 0471/970417

BRANCHES

31100 Treviso, Piazza delle Istituzioni 27
Tel. 0422/216411
Fax 0422/216499

40136 Bologna, Viale Panzacchi 17
Tel. 051/3390711
Fax 051/3390799

35131 Padua, Via G. Gozzi 24
Tel. 049/8236011
Fax 049/8236099

25124 Brescia, Piazza Mons. Almici 23
Tel. 030/2284211
Fax 030/2284299

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KEY RATIOS[1,2]

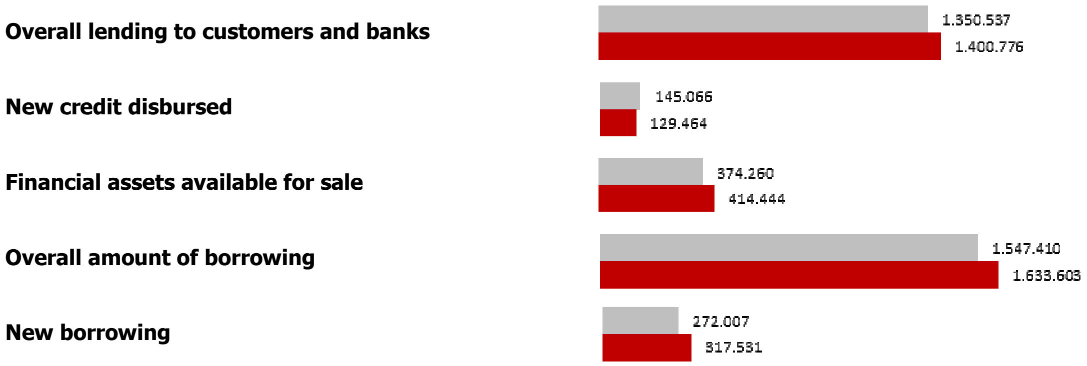
(Amounts are in thousands of Euros)

Rating

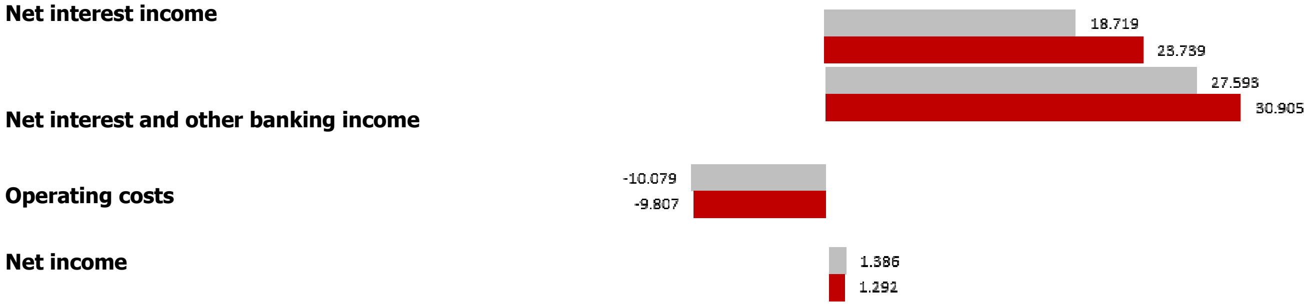
MOODY'S INVESTOR SERVICE	2014	2013
- Bank Deposits	Baa3 / P-3	Baa3 / P-3
- Outlook	Negative	Negative

FITCH RATINGS	2014	2013
- Bank Deposits	BBB+ / F2	BBB+ / F2
- Outlook	Negative	Negative

Data sheet and flow data



Financial data



Capital and capital ratios

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

[2] Data represented in grey refer to 2014; red to 2013.

Risk ratios

Gross doubtful loans to gross lending

Net doubtful loans to net lending

Gross doubtful loans to own funds

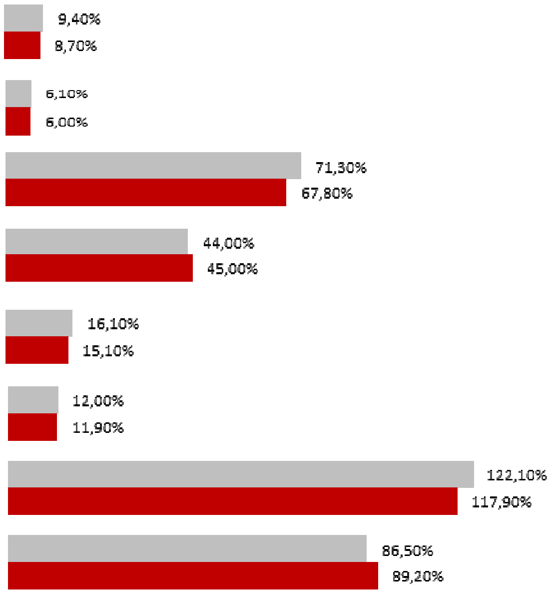
Net doubtful loans to own funds

Gross impaired loans to gross lending

Net impaired loans to net lending

Gross impaired loans to own funds

Net impaired loans to own funds

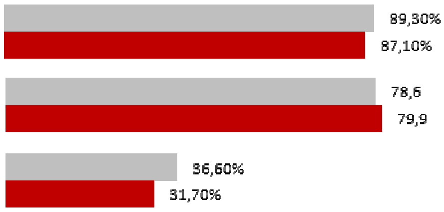


Other ratios

Pay-out ratio

Average number of employees (part-time weighted)

Cost to income ratio

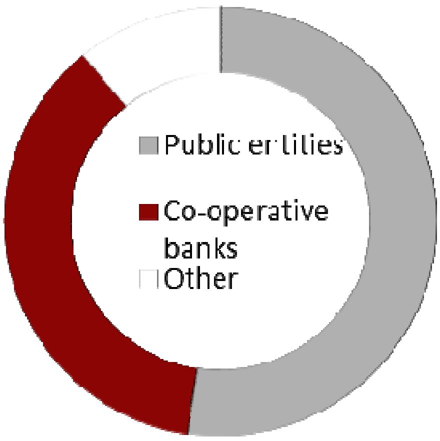


SHAREHOLDERS

Public entities	
17.489%	AUTONOMOUS REGION OF TRENTINO SOUTH TYROL
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
7.802%	BANCA PADOVANA CREDITO COOPERATIVO-SOCIETA' COOPERATIVA
0.192%	BCC DEL VENEZIANO SOC.COOP.
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%	BANCA SVILUPPO SPA
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 COOPERATIVO-SOCIETA' COOPERATIVA
0.043%	FEDERAZIONE TRENTINA DELLA COOPERAZIONE
0.043%	FEDERAZIONE VENETA BANCHE DI CREDITO COOP.
0.001%	CASSA CENTRALE BANCA SPA
0.001%	CASSA CENTRALE RAIFFEISEN SPA
36.641%	

Other	
7.802%	CASSA DI RISPARMIO DI BOLZANO SPA
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[4]
Hansjörg Bergmeister
Rita Dallabona
Giovanni Dies [3]
Zenone Giacomuzzi [3]
Giorgio Marchiodi [3]
Stefano Mengoni [3]
Giorgio Pasolini
Doris Salzburger [5]
Filippo Sartori
Mario Sartori [3]

BOARD OF 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

MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

Leo Nicolussi Paolaz

INDEPENDENT AUDITING COMPANY

PricewaterhouseCoopers S.p.A.

[3] Members of the Executive Committee
[4] Resigned as of 9 June 2014.
[5] Appointed at Ordinary Shareholders' Meeting 14.04.2014.

SHAREHOLDERS' ORDINARY GENERAL MEETING

The Shareholder are requested to attend the Ordinary General Meeting on the 13th April 2015 at 11am for the first meeting date and if necessary on the 20th April 2015 as a second option at 11am at the Company Headquarters in Trento – via Paradisi 1, to deliberate upon the following:

Agenda

1) Annual Report as at 31 December 2014; report on operations by the Board of Directors and Independent Auditors report; report by the Board of Auditors; related and following resolutions.
2) Nomination of the Chairman, the Deputy Chairman and the other members of the Board of Directors.
3) Nomination of the Chairman and the other members of the Board of Auditors.
4) Calculation of the remuneration of Directors and Statutory Auditors.
5) Remuneration and incentive policies; disclosure of the policies for 2014; disclosure of the amendments made to the By-laws to adapt them to the related law provisions adopted through resolution of the Board of Directors in accordance with Article 12, paragraph 2, point 7 of the Articles of Association; approval of the upgrading of the remuneration and incentive systems for 2015.

Under Article 9 of the Company By-laws, 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 Entities, 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 11.03.2015 in appliance with article 7 of the By-laws)

REPORT ON OPERATIONS

GENERAL ECONOMICAL OVERVIEW

Italian and international economic situation

After the 2011 decline, the growth of the worldwide GDP seems to have stabilised since 2013: the worldwide growth rate for 2014 is estimated in 3.3%, stable compared to 2013, following the ongoing reduction in the growth rate of emerging economies, offset by the recovery of advanced economies in 2014 estimated as growing by 1.8%.
In particular, against the modest growth in the Eurozone (+0.8%) and in Japan (+0.1%), it is expected that the USA will increase by 2.4% and the UK by 2.6%[6].

In 2014, the economic situation of the Eurozone carried on showing signs of improvement, even though its growth continues to be modest. In 2014, the Eurozone's GDP, slightly increasing, stood just below 1 percentage point on an annual basis (after the 0.5% decrease in 2013). Also the industrial production index showed signs of recovery increasing by 0.6% on an annual basis (-0.8% in 2013).
Inflation in the Eurozone confirmed the downward trend reaching levels close to zero, with demand being permanently weak: in 2014, consumption prices in the Eurozone decreased on average by 0.4% annually, while Italy showed a further +0.2% decrease, significantly down on 2013 when it stood at +1.3%[7].
In 2014, the Italian economic situation was worse than the most optimistic expectations of the early part of the year, with the economic activity essentially stalling and lagging behind the moderate recovery that started in the Eurozone.
The financial markets in 2014 continued to show further improvements, in Europe and internally, thanks to the recovery prospects, the monetary policy tools announced and implemented by the ECB and the progress of structural reforms in our country. Interest rates on long-term Italian government bonds fell, with the yield difference with Germany's 10-year Bund falling to around 133 basis points on average in December (227 in December 2013).
In 2014, the Italian GDP followed the trend of decline shown ever since the third quarter of 2011, but only slightly. In the fourth quarter, Italian GDP stabilised and resulted in a decline on an annual basis by 0.40% (-1.9% in 2013).
Industrial activity, which has been almost constantly declining since 2011, strongly reduced its decrease rate in 2014. The average for the whole of 2014 shows that production decreased by 0.8% compared to the previous year, against a 3.1% decrease in 2013 and 6.4% in 2012. The first signs of an increase seem to have manifested since December 2014.
Business confidence, which worsened at the end of the summer after an improvement during the spring, stabilised in the last few months of 2014. In particular the trust in the manufacturing sector recovered, albeit marginally.
Particularly significant for the positive effects that it may have on the Italian economy was the decrease in the price of oil in the second half of 2014, which stood at 64 US dollars per barrel in December, down on an annual basis by 42.2%.

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

Unemployment continued to increase but in 2014 it showed signs that the negative trend is slowing down, with an increase on an annual basis of 95,000 units (+2.9%) compared to the 2013 increase by 293,000 units. The unemployment rate in December was 12.9%, up by 0.3% over the twelve months and there were signs of a trend inversion in December.
The margins of spare capacity continued to remain high (in the fourth quarter of 2014 the degree of capacity utilisation recorded by ISTAT in the last quarter of 2014 was 72.9%, essentially stable if compared with the corresponding figure for 2013, which stood at 72.7%). This slowed down investments, even though the contraction rate in the first 9 months of 2014 showed a gradual upward trend: gross fixed investments in the third quarter of 2014 decreased by 3.1% compared to the same period of 2013 and by 1% compared to the previous quarter (in September 2013 the annual decrease rate was 5.1%).
The positive growth in foreign trade continued also in 2014. Compared to 2013, there was a further growth of exports (+2.0%), larger net of energy products (+2.7%) and a decrease in imports (-1.6%). The positive trend of exports was led by EU countries (+3.7%) while the decrease in imports was driven by the significant reduction in energy products (-19.5%).
In 2014, the trade balance reached €42.9 billion, more than double if calculated net of the energy component (+€86 billion).

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

Also in the regions in which Mediocredito operates, with particular reference to manufacturing companies, the economic situation, after a positive first quarter, worsened in all the areas under analysis up to the third quarter of 2014, when various areas in the North-eastern regions of Italy showed a slight positive trend of production and turnover. This might signal the end of the recession phase.
Production and turnover ratios remained essentially stable in Trentino. The initial weak recovery, which started approximately a year ago, stopped and gave way to a stagnation phase except in manufacturing. In the third quarter of 2014, the manufacturing sector, especially the companies open to international trading, showed a positive economic trend particularly for turnovers (+3.7%). Retail and wholesale trading showed a moderately negative situation with changes in turnover by -1.2%/-1.3%. Mining, building, goods transport and services to companies continue to show clear signs of difficulty with a significant decline in revenues on sales on an annual basis.
In South Tyrol, the main economic drivers slowed down compared to 2013. Foreign trading lots its momentum in the first half of 2014 but managed to show an increase (+3.4% compared to the same period of 2013). Tourism closed a difficult summer season, also due to the weather conditions. Among the positive elements, the year-end figure is estimated to have increased (by approximately +1%) thanks to the main economic dynamics (production and turnover of companies), employment is slightly improving and the building sector is showing the first signs of a trend inversion.
Veneto performed positively in the whole of 2014. Average industrial production showed a slight growth compared to the negative figure for 2013. Particularly in the fourth quarter of 2014, industrial production showed a growth trend of +1.7% and the total turnover +2.1%, mainly due to the positive performance of foreign sales. Among the various sectors, a substantial growth was

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

shown by paper and printing, machinery, food, rubber and plastic. A decrease was shown by marble and glass, clothing and transport.

Emilia Romagna is still lagging behind. The timid recovery shown in the first quarter of the year was eclipsed by a subsequent new decrease in production, sales and orders. The growth in foreign trading was not enough to offset the decrease in internal consumption. More specifically, the turnover of the manufacturing sector decreased by 0.9% compared to the same period of 2013, and production went down by 0.4% compared to the same period of the previous year. Except for the food and mechanical sector, which managed to sustain, the general trend for the sector continued to be negative despite some differences. The fashion system, the metal industry and especially the wood and furniture sectors slumped, reflecting the crisis of the building sector.

Finally, the performance of the manufacturing sector in Lombardy in 2014 seems to confirm the average Italian figure from an economic point of view. The dynamics appear to be slightly better if seen from a trend point of view, with a recovery in industrial production (+1.5% on annual basis) and internal orders and a boost in turnover and foreign orders (+3.1%) even though the recovery of production and turnover is essentially due to the good performance at the start of the year. At the sectorial level, only non-metallic minerals, chemistry and paper maintained a negative trend throughout 2014. The others showed positive changes, particularly mechanical and steel.

Lending in Italy

With regards the main banking ratios, the downward trend of loans to the private sector slowed down slightly in 2014 to 1.6% on an annual basis (3.7% in December 2013). Also the decrease in loans to non-financial corporations slowed down to 2.3% in December 2014 compared to December 2013 (the decrease on an annual basis in December 2013 was 5.2%).[9] The changes related to non-financial corporations showed different intensities in the various areas in which the Bank operates (+1.3% in Trentino South Tyrol, -2.4% in Lombardy, -3.1% in Emilia-Romagna and -1.3% in Veneto).

Furthermore, the weak demand for loans by companies in 2014 gradually showed signs of a relative improvement, even though there are still no concrete signs of a recovery for demand. In the first half of 2014 the system's offer criteria decreased slightly for manufacturing companies against a further tightening for those working in the building sector. In the final part of the year, the system's offer conditions slowed down again, predominantly due to the recent targeted refinancing at a longer term by the ECB, aimed at companies with a higher creditworthiness, at least in the first phase.[10]

The interest rates applied on loans by the Banks gradually decreased throughout the year. The average rate applied to new transactions other than current accounts in the last month of 2014 was 3.31% for transactions of less than €1m and 2.15% for those above this amount (against 4.38% and 2.80% in January, respectively).

With regards to the bank funding activity, the annual growth rate continued to be negative and went to -1.15% on an annual basis in December (-1.83% in December 2013). Considering the dynamics of the different major funding components there was an increase and expansion in deposits from customers by 4.09% and a 13.54% decrease in bonds. The average rate on bank

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[9] Bank of Italy, *Main items of bank financial statements*, February 2015.

[10] Bank of Italy*, Quarterly survey on bank lending in the Eurozone (Bank Lending Survey), January 2015.*

deposits from customers (households and non-financial corporations) was down to 1.50% in December 2014 (it was 1.88% in December 2013). The bond component also decreased to 3.16% in December (3.44% in December 2013)[11].
During the year, the quality of bank assets continued to deteriorate albeit at a slower pace: the level of gross doubtful loans increased by 17.8% compared to December 2013, showing a reduction compared to the rate of growth in 2013 (+24.7%).
In relation to the total loans, the gross doubtful loans for the System amounted to 9.6% at the end of 2014 (8.1% a year earlier), although the figure for productive activities is far higher, reaching 16.1% for small businesses (14% in December 2013) and 16.2% for firms (13.3% a year earlier). The incidence of total non-performing loans on the banks' portfolio continued to grow from the already high levels set in 2013: in the Centre-North regions, the ratio of NPLs reached 29% on 30th June 2014[12].
The weak growth in margins, also due to the stagnation of our economy, combined with the heavy impact of the cost of credit, in some cases amplified by the recent Asset Quality Review, are expected to continue to have a marked effect on the profitability of the Italian banking system. The forecast for 2014 is for a practically nil ROE, after this indicator has been negative for three years. A weak recovery of profitability, albeit a very limited one, is expected by 2016[13].

Extraordinary finance

In 2014, there was an increase in the issues of bond loans 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 Extramot pro segment by the Italian Stock Exchange.
As at 31 December 2014, the Extramot Pro segment of the Italian Stock Exchange listed 72 issues with an amount below €50m, for a total of €708m (approximately 7 times the figure at the end of 2013). 77.5% of these issues were made by residents of Northern Italy (of which 3.9% in Trentino-South Tyrol, 30% in Veneto, 24.9% in Lombardy and 10.7% in Emilia Romagna). There are 29 specialised funds, with a funding target of € 5.6 billion[14]. A specialised fund has been operating in Trentino-South Tyrol for some time that has so far subscribed bonds issued by a dozen of companies for over €30m. Also in relation to this region, the new Fondo Strategico Trentino-Alto Adige (Trentino-South Tyrol Strategic Fund) was launched, which will invest important public and private resources in the local economy.

In 2014, the Italian M&A market[15] confirmed the recovery that started in 2013, with an increased total value of approximately €38.9 billion compared to €30.9 billion in 2013 (+26%). There was a strong increase in volumes too, with 522 transactions compared to 381 last year. There was a significant contribution by foreign investors with 190 transactions concluded for a total of €16 billion (approximately 40% of the total, a trend in line with the 43% of 2013).

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[11] ABI Monthly Outlook, *Deposits from customers and debt securities of Italian banks*, February 2015.

[12] Bank of Italy, *Regional Economies*, December 2014.

[13] ABI Financial Outlook. *Forecast Report 2014-2016* December 2014.

[14] Osservatorio sui Mini-Bond (Study on Mini-Bonds), School of Management, Milan Polytechnic.

[15] KPMG Corporate Finance Report, December 2014.

A positive balance also for the Italian Stock Exchange, which in 2014 confirmed the recovery of IPOs with 26 new listings (18 in 2013) against 13 delistings. A total of 21 new listings were made on the AIM Italia market dedicated to small and medium businesses[16].
The Italian market of private equity and venture capital recovered in 2014. According to the AIFI analysis, during the first half of 2014, 139 new operations were recorded on this market, a decrease of 13.7% compared with the same period last year, for a total of €1,890m, corresponding to a 34% increase compared to the same period in 2013. Most of the resources invested continue to be allocated to buy-outs and expansions. With regard to the geographical distribution of investments, it is worth mentioning that in the areas of interest to the Bank the value of the transactions carried out in Northern Italy remained essentially the same (91% compared to 94% in the first half of 2013) and two transactions were carried out in our Region[17].
The data for the entire year are not yet available but Private Equity Monitor[18] has estimated that approximately 80 private equity transactions were concluded in November 2014 by the funds in Italy. This figure is temporary but shows anyway a good recovery of activities by funds compared to 2013, when just over 60 transactions were concluded.
With regard to project financing and in particular in the renewable energy sector, the investment in clean energy bounced back in 2014 with a global growth by 16%, achieving an overall volume of investments of €310 billion, just 2% lower than the historical record reached in 2011.[19]
Moreover, this development was driven by extra-European countries, while Europe was the only large clean energy market to remain essentially stable, with a growth of just 1% (following the 41% slump in 2013) mainly due to new investments in off-shore wind energy projects. The deadlock of investments continued and expanded further; investments decreased 60% in 2014 due to the cuts to the incentives for photovoltaic plants.

[16] Italian Stock Exchange, 30 December 2014.

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

[18] Università Carlo Cattaneo, Osservatorio Private Equity Monitor.

[19] Bloomberg New Energy Finance, Global trends in clean energy investment, January 2015.

MEDIOCREDITO IN 2014

In a scenario in which the expected signs of recovery in Italy have not yet become visible, 2014 saw Mediocredito still suffer from the ongoing weakness of the credit market despite the efforts to maintain its positions in economic and operational terms.

The volumes disbursed (€145.1m), despite a 12.1% increase compared to 2013 when they reached the minimum of 129.5m, made it only possible to contain the decrease in the credit portfolio, which decreased by 5.9% predominantly in the first half of the year, also due to the prepayments of significant amounts from public local counterparties. The ongoing downward trend of production investments combined with the continuing selection of projects and creditworthiness of the counterparties have not allowed yet to recover the volume of new funding at least until the first half of the year. Conversely, good results came from the financial management of the securities portfolio, which in 2014 led to a considerable income from trading, enabling to limit the decrease in net interest and other banking income with a more significant reduction in interest margin.

With regards to borrowing, given the reduced needs linked to the new issues, the activity focussed predominantly on covering the need generated by the tranche of bond loans reaching maturity by issuing new bond loans mainly placed on the network of regional co-operative credit banks. The accommodating policy of the ECB, exemplified in the postponement of the full allotment to 2016 and in the launch of the targeted loans (TLTRO), which the Bank took part in, made funding policies even more favourable, providing a wider choice of eligible reserves.

With regards to lending risk, the dynamics of the stock of impaired loans - after showing some growth which then slowed down in 2013 - highlighted a further decline with an overall growth of only 3.4% on an annual basis, with a slightly better trend compared to the system. The net flow of performing loans which became impaired in 2014 amounted to €19m against €32m in 2013 and €78m in 2012.

Finally, from an economic point of view, the net interest and other banking income decreased by 10.7% compared to 2013, mainly due to the reduced contribution by the interest margin and the services not offset by higher capital gains obtained on the securities portfolio. Operating costs were in line with the forecasts for the limited average historical levels, while net adjustments on assets, despite a decrease compared to the 2013 record (-21%) due to the slow growth dynamics of non-performing items, continue to be four times higher than the pre-crisis levels and had a decreasing effect also on the net profit for the period - affected also by the heavier tax burden - just above the levels of 2013 (+7.3%).

During the first half of the year, the Bank underwent the periodic inspection visit by the Bank of Italy, which was completed in the second half of the year with essentially positive outcomes both in terms of adequacy of the organisational system and of the controls and in terms of economic-financial soundness. In particular, the constructive debate that the Bank’s management entertained with the inspectors resulted in the reception of invaluable indications on the future strategic development for the Company and, through a total analysis of the valuation and classification of loans, in a full sharing of the provisioning policies already mentioned in the outcomes of the situation as at 30th June 2014.

BUSINESS REVIEW

LENDING OPERATIONS

Outline of lending operations (thousands of Euros)

Surveyed activities		2014	2013	Chg. %
Credit granted	number	233	196	+18.9
	amount	186,318	167,240	+11.4
Credit disbursed	amount	145,066	129,464	+12.1
		31 Dec 2014	**31 Dec 2013**	**Chg. %**
Total lending		1,350,537	1,400,776	-3.6
	- loans to banks	147,933	108,909	+35.8
	- loans to customers	1,202,604	1,291,867	-6.9

Credit granted

Credit granted in 2014 amounted to €186.3m: in contrast to the trend of the last few periods and confirming the trend already observed during this year, this amount increased by 11.4% to a total of €19.1m. This change, associated with a slight increase in the number of loans, led to a reduction in the average amount granted (from €0.9m to €0.8m).

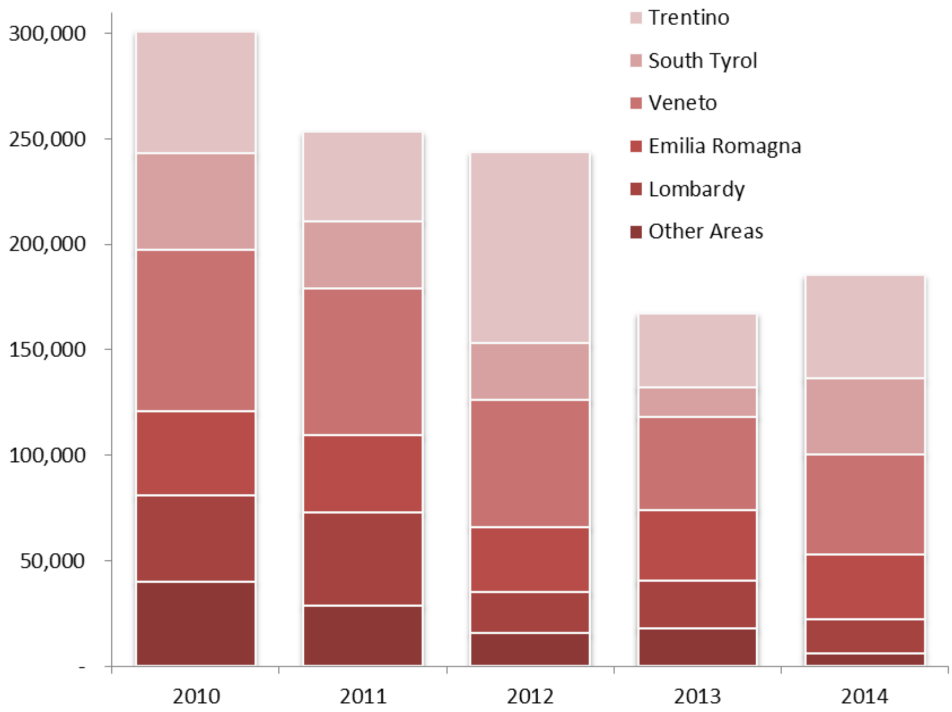
In 2014 Trentino-South Tyrol made up for 46.1% of the loans compared to 29.3% in 2013 thanks to the increases recorded in both Trentino (+€14.9m, +42.2%) and in South Tyrol (+€22.0m, +161.2%).

The volume of credit granted in Veneto and Emilia Romagna were confirmed, while a decrease was recorded in Lombardy (-€6.5m) and above all the Other areas (-€11.7m).

Breakdown of credit granted by area (thousands of Euros)

	2014	%	2013	%	Chg.	Chg. %
Trentino	50,168	26.9	35,276	21.1	+14,892	+42.2
South Tyrol	35,684	19.2	13,664	8.2	+22,020	+161.2
Veneto	47,597	25.5	44,222	26.4	+3,375	+7.6
Emilia Romagna	30,686	16.5	33,738	20.2	-3,052	-9.0
Lombardy	16,123	8.7	22,572	13.5	-6,449	-28.6
Other Areas	6,060	3.3	17,768	10.6	-11,708	-65.9
Total	**186,318**	**100.0**	**167,240**	**100.0**	**+19,078**	**+11.4**

Trend of credit granted by area 2010-2014



Considering the loans granted to non-financial corporations, the reduction in credit in favour of the energy sector (-€23.3m) stands out among the widespread increases in other sectors: Mining/manufacturing (+€15.4m), Transport services (+€4.2m), Hospitality (+€4.0m) and Building (+€6.5m).
On the increase were also the loans granted to public entities and families (+€5.7m) as well as those in favour of financial companies/banks (+€4.0m).

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

	2013	%	2012	%	Var.	% Var.
Non-financial corporations	**169,824**	**91.1**	**160,450**	**95.9**	**+9,374**	**+5.8**
Mining/manufacturing sector	65,631	35.2	50,226	30.0	+15,405	+30.7
Other services	22,132	11.9	20,850	12.5	+1,282	+6.1
Market services	20,637	11.1	19,450	11.6	+1,187	+6.1
Real Estate	13,547	7.3	9,728	5.8	+3,819	+39.3
Transport services	13,200	7.1	8,962	5.4	+4,238	+47.3
Hospitality	12,847	6.9	8,857	5.3	+3,990	+45.0
Energy	11,249	6.0	34,523	20.6	-23,274	-67.4
Agriculture	6,750	3.6	6,730	4.0	+20	+0.3
Building industry	3,831	2.1	1,124	0.7	+2,707	+240.8
Government Agencies, families and others	**9,994**	**5.4**	**4,290**	**2.6**	**+5,704**	**+133.0**
Financial corporations and banks	**6,500**	**3.5**	**2,500**	**1.5**	**+4,000**	**+160.0**
Total	**186,318**	**100.0**	**167,240**	**100.0**	**+19,078**	**+11.4**

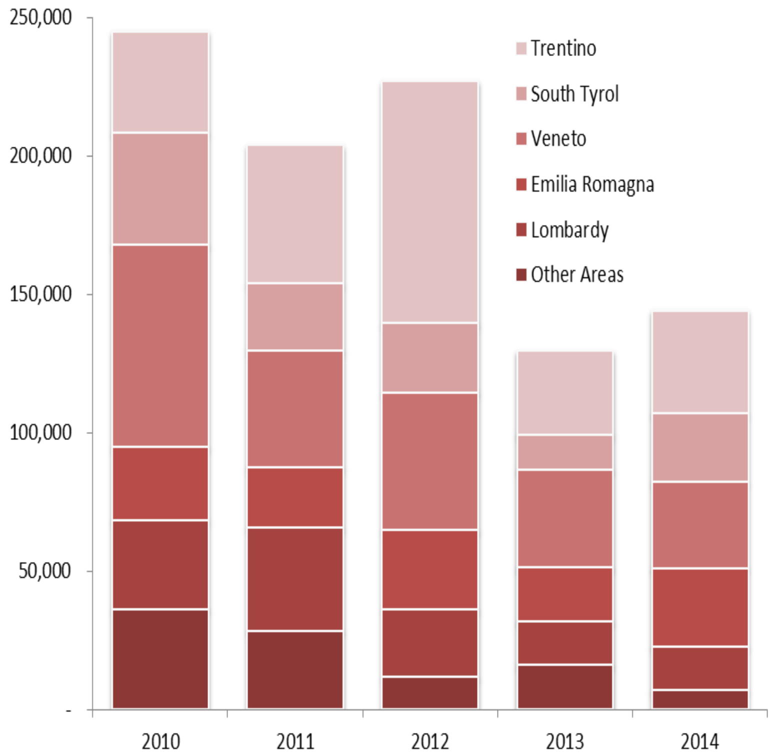
Credit disbursed

After years of decreasing volumes of credit granted, 2014 saw an inversion of trend recording a first increase by €15.6m, equal to 12.1%. The higher flow of loans went to benefit economic initiatives in Trentino-South Tyrol (+20.1m, +46.8%) and in Emilia-Romagna (+8.6m, +44.0%). These increases offset the decreases recorded in Veneto (-€4.2m, -12.0%) and in the Other Areas (-€9.2m, -57.7%).
Credit disbursed in Lombardy amounted to approximately €16m.

Breakdown of credit disbursed by area (thousands of Euros)

	2014	%	2013	%	Var.	% Var.
Trentino	38,130	26.3	30,225	23.3	+7,905	+26.1
South Tyrol	24,952	17.2	12,754	9.9	+12,198	+95.6
Veneto	30,974	21.4	35,182	27.2	-4,208	-12.0
Emilia Romagna	28,277	19.5	19,635	15.2	+8,642	+44.0
Lombardy	15,958	11.0	15,651	12.1	+307	+2.0
Other Areas	6,775	4.7	16,017	12.4	-9,242	-57.7
Total	**145,066**	**100.0**	**129,464**	**100.0**	**+15,602**	**+12.1**

Trend of credit disbursed by area 2010-2014



Compared to non-financial corporations, the Bank confirmed its support to mining companies with volumes disbursed approaching €50m. At the same time, the Bank increased the loans disbursed to the transport (+€4.3m), other services (+€4.7m), market services (+€2.3m) and hospitality services (+€3.0m). Essentially stable are the loans disbursed to the building sector while there was a decrease in credit disbursed to agriculture (-€2.3m, -28.5%) and above all to energy (-€5.6m, -31.6%).

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

	2014	%	2013	%	Chg.	Chg. %
Non-financial corporations	**131,045**	**90.3**	**122,740**	**94.8**	**+8,305**	**+6.8**
Mining/manufacturing sector	48,029	33.1	46,716	36.1	+1,313	+2.8
Other services	17,480	12.0	12,800	9.9	+4,680	+36.6
Market services	16,746	11.5	14,464	11.2	+2,282	+15.8
Energy	12,023	8.3	17,575	13.6	-5,552	-31.6
Transport services	11,239	7.7	6,910	5.3	+4,329	+62.6
Real Estate	8,255	5.7	6,225	4.8	+2,030	+32.6
Hospitality	7,545	5.2	4,517	3.5	+3,028	+67.1
Agriculture	5,691	3.8	7,955	6.1	-2,264	-28.5
Building industry	4,037	2.8	5,578	4.3	-1,541	-27.6
Government Agencies, families and others	**7,521**	**5.2**	**4,224**	**3.3**	**+3,297**	**+78.1**
Financial corporations and banks	**6,500**	**4.5**	**2,500**	**1.9**	**+4,000**	**+160.0**
Total	**145,066**	**100.0**	**129,464**	**100.0**	**+15,602**	**+12.1**

Among the loans granted and disbursed there is also a tranche of €1m issued by a company with registered offices in the province of Trento which operates in the IT services sector.

The operations in synergy with the co-operative credit system decreased. When considering, in addition to direct presentations, participations in syndicated loans linked to the co-operative system or in which it is involved, the percentage of disbursements was 24.0% of the total compared to 27.0% registered by the end of 2013.

Loans and advances[20]

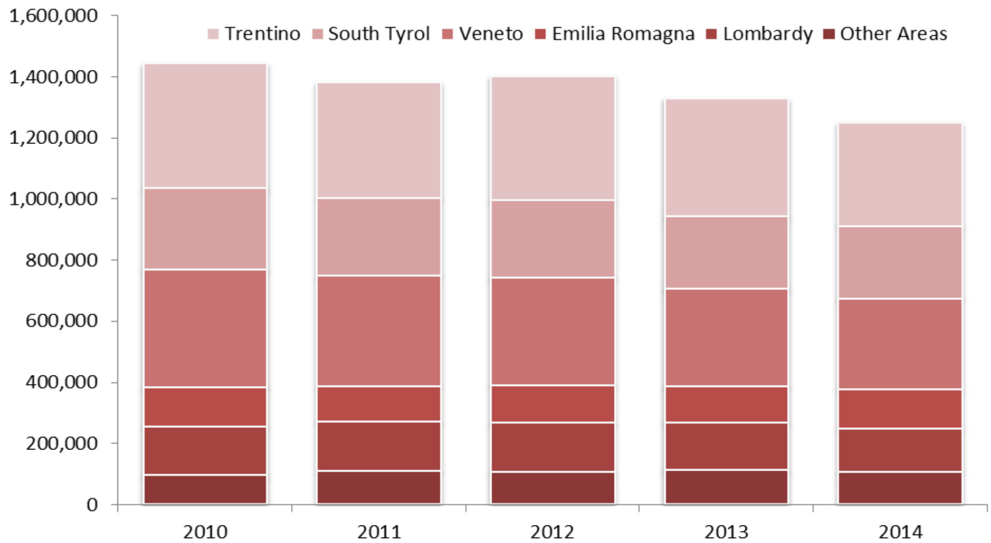
Overall amount of credit stood at levels below those of December 2013 (-2.6%): the increase of liquidity on current accounts and bank deposits (+€40.7m) only partially offset the decrease in typical loans (-€78.9m, -5.9%). However, it is worth pointing out that the second half of 2014, thanks to the positive dynamics of disbursement described above, suffered a setback in the negative trend of typical loans, which in the middle of the year stood already at €1,253m.

At geographical level, all the Bank's areas of activity decreased except for Emilia Romagna, which increased by 7.0%. Particularly significant is the decrease recorded in Trentino, which saw its portfolio fall by 12.2%, mostly (€32m) due to the expected reductions in important credit lines in favour of functional companies of the autonomous province of Trento. Credit remained stable in the province of Bolzano.

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

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Trentino	339,577	27.1	386,903	29.1	-47,326	-12.2%
South Tyrol	237,115	19.0	236,832	17.8	+283	+0.1%
Veneto	296,225	23.7	318,033	23.9	-21,808	-6.9%
Emilia Romagna	128,847	10.3	120,442	9.1	+8,405	+7.0%
Lombardy	141,947	11.3	154,965	11.7	-13,018	-8.4%
Other Areas	107,320	8.6	112,774	8.5	-5,455	-4.8%
Total typical loans and advances	**1,251,030**	**100.0**	**1,329,949**	**100.0**	**-78,919**	**-5.9%**
current accounts and deposits [21]	*172,044*		*131,342*		*+40,702*	*+31.0*
Total credit	***1,423,074***		***1,461,292***		***-38,218***	***-2.6***

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

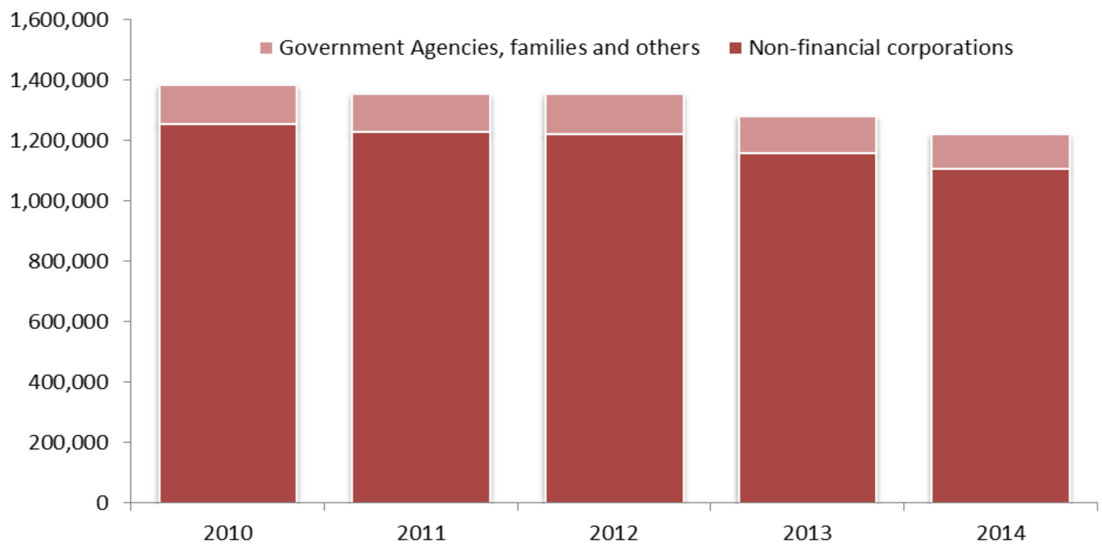


20 Loans and advances are shown in the tables relative to overall amounts, gross of depreciation but net of current accounts with bank deposits and of contributions in relation to subsidised credit.

21 Data for 2014 includes €24,111 thousand and data for 2013 includes €20,726 thousand of credit towards SPV claimed from the securitisation transaction. In 2013, it included also €1,715 thousands from the sale of a doubtful portfolio.

Loans to non-financial corporations settled at €1,104m against €1,154m at 31st December 2013: the contraction was concentrated mostly in the mining/manufacturing sector (-12.5m), agriculture (-€18.0m) and in the sectors linked to the building industry (-€14.2m). Increases were shown by the transport sector (+€2.7m) while energy continues to be stable.

Trend of typical gross loans and advances to non-financial corporations, government agencies, families and others 2010-2014



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

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Non-financial corporations	**1,103,982**	**88.2**	**1,154,376**	**86.8**	**-50,394**	**-4.4**
Mining/manufacturing sector	290,328	23.2	302,834	22.8	-12,505	-4.1
Real Estate	137,016	11.0	138,362	10.4	-1,346	-1.0
Agriculture	119,462	9.5	137,432	10.3	-17,970	-13.1
Energy	111,147	8.9	111,089	8.4	+57	+0.1
Building industry	105,312	8.4	118,117	8.9	-12,804	-10.8
Market services	100,331	8.0	102,226	7.7	-1,894	-1.9
Hospitality	95,960	7.7	96,663	7.3	-703	-0.7
Other services	83,282	6.7	89,257	6.7	-5,975	-6.7
Transport services	61,144	4.9	58,397	4.4	+2,747	+4.7
Government Agencies, families and others	**115,740**	**9.3**	**125,328**	**9.4**	**-9,589**	**-7.7**
Financial corporations and banks	**31,308**	**2.5**	**50,245**	**3.8**	**-18,937**	**-37.7**
Total	**1,251,030**	**100.0**	**1,329,949**	**100.0**	**-78,919**	**-5.9**

Performing loans[22]

The trend for typical performing loans (to customers and banks) showed a decrease of 7.8%. The breakdown by geographical area shows that the negative trend is particularly relevant in the main areas of the Bank's activity: Trentino showed a decrease in the volume of orders by €51m against an essential stability of South Tyrol. Veneto decreased by €25m, Lombardy by €13m and the other areas by €7m.

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

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Trentino	294,719	28.8	345,384	31.2	-50,665	-14.7
South Tyrol	226,662	22.2	225,160	20.3	+1,502	+0.7
Veneto	225,803	22.1	251,002	22.6	-25,199	-10.0
Emilia Romagna	104,289	10.2	96,166	8.7	+8,123	+8.4
Lombardy	98,512	9.6	111,812	10.1	-13,300	-11.9
Other Areas	72,304	7.1	79,240	7.1	-6,936	-8.8
Total typical loans and advances	**1,022,289**	**100.0**	**1,108,764**	**100.0**	**-86,475**	**-7.8**
current accounts and deposits [23]	*172,044*		*131,342*		*+40,702*	*+31.0*
Total performing loans	***1,194,333***		***1,240,106***		***-45,773***	***-3.7***

The breakdown by sector of activity confirmed what is already shown for total loans.

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

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Non-financial corporations	**883,315**	**86.4**	**941,677**	**84.9**	**-58,362**	**-6.2**
Mining/manufacturing sector	227,952	22.3	245,069	22.1	-17,117	-7.0
Energy	111,147	10.9	111,089	10.0	+57	+0.1
Agriculture	110,540	10.8	128,719	11.6	-18,179	-14.1
Real Estate	94,634	9.3	97,116	8.8	-2,482	-2.6
Market services	85,553	8.4	87,450	7.9	-1,897	-2.2
Other services	70,920	6.9	73,827	6.7	-2,907	-3.9
Hospitality	80,983	7.9	83,567	7.5	-2,584	-3.1
Transport services	57,740	5.6	56,519	5.1	+1,221	+2.2
Building industry	43,846	4.3	58,321	5.3	-14,475	-24.8
Government Agencies, families and others	**112,725**	**11.0**	**122,772**	**11.1**	**-10,047**	**-8.2**
Financial corporations and banks	**26,249**	**2.6**	**44,315**	**4.0**	**-18,066**	**-40.8**
Total	**1,022,289**	**100.0**	**1,108,764**	**100.0**	**-86,475**	**-7.8**

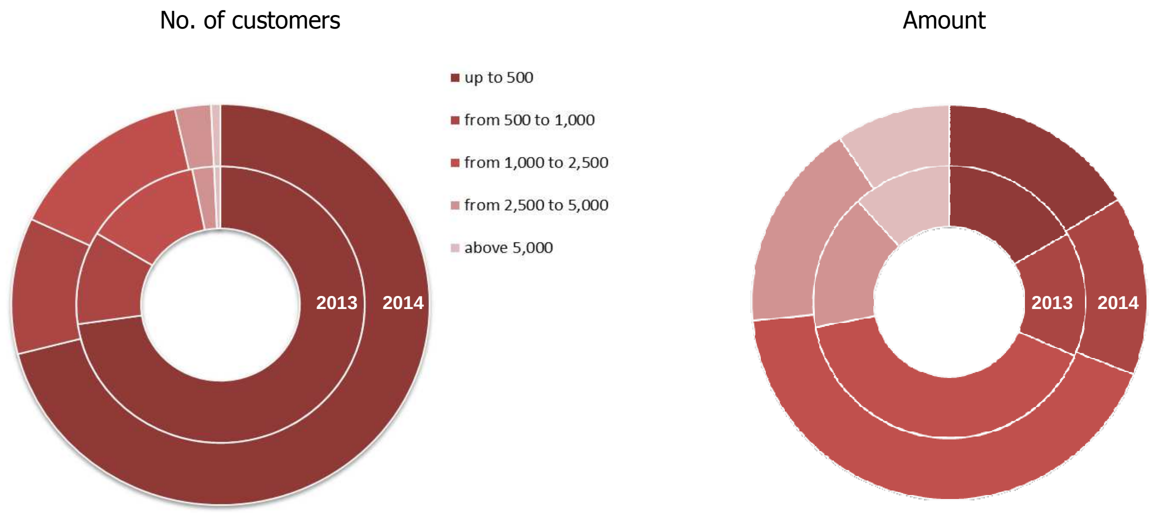
[22] Loans and advances are shown in the tables relative to overall amounts, gross of depreciation but net of current accounts with bank deposits and of contributions in relation to subsidised credit.

[23] Data for 2014 includes €24,111 thousand and data for 2013 includes €20,726 thousand of credit towards SPV claimed from the securitisation transaction. In 2013, it included also €1,715 thousands from the sale of a doubtful portfolio.

Performing typical loans: breakdown of customers by amount loaned (thousands of Euro)

	No. of customers	Amount	% customers	% amount	Average amount
Up to 500	1,378	166,567	71.0	16.3	120.9
from 500 to 1,000	213	150,076	11.0	14.7	704.6
from 1,000 to 2,500	281	434,845	14.5	42.5	1,547.5
from 2,500 to 5,000	54	175,147	2.8	17.1	3,243.5
above 5,000	14	95,654	0.7	9.4	6,832.4
Total	**1,940**	**1,022,289**	**100.0**	**100.0**	**527.0**

Distribution by loan amount – comparison 2014/2013



In relation to the indices of the performing loan portfolio, worth mentioning are the following events:

- The overall amount of transactions with borrowers, with an overall exposure exceeding €2.5m was equal to 26.5% of the total, down against the end of 2013 (28.0%);
- The average amount of performing loans remained stable, going from €520 thousand to €527 thousand;
- The incidence on total loans by the first transaction fell (from 2.3% to 0.9%), as well as the one for the top twenty transactions (from 11.2% to 9.3%) and the top one hundred (from 28.3% to 27.1%).

Typical gross performing loans: higher exposure (thousands of Euro)

	Dec 2014	%	Dec 2013	%
Top transaction	8,758	0.9	25,154	2.3
Top 20 transactions	95,212	9.3	124,138	11.2
Top 100 transactions	276,992	27.1	313,728	28.3

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

- overall exposure to the top borrower, who also belongs to the top group of debtors, fell from 2.3% to 1.3%;
- overall exposure to the top 20 borrowers (12.1%) also fell against 2013, and so did the exposure to the top 100 borrowers (33.6%);
- overall exposure to the top group of borrowers is down from 3.7% to 1.3%; the top 20 groups equalled 13.7% % of the total performing loans portfolio (16.0% at the end of 2013) and the top 100 groups came to 38.0% (39.0% at the end of 2013).

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

	Dec 2014	%	Dec 2013	%
top borrower	13,662	1.3	25,154	2.3
top 20 borrowers	123,465	12.1	154,367	13.9
top 100 borrowers	343,611	33.6	386,614	34.9

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

	Dec 2014	%	Dec 2013	%
top group of borrowers	13,662	1.3	40,554	3.7
top 20 groups of borrowers	139,573	13.7	176,847	16.0
top 100 groups of borrowers	388,534	38.0	433,015	39.0

It should be noted that the exposure relative to the first group in 2014 included one public entity, while in 2013 it included the aforementioned system operations in favour of a group of public entities with a rating a few notches higher than the Italian State.

High exposures

With regard to «high exposures», in accordance with current legislation we can report the following situation as at 31st December 2014:

	Dec 2014		Dec 2013	
Counterpart	**Nominal**	**Weighted**	**Nominal**	**Weighted**
Governments	345,753	-	258,276	-
Public entities	-	-	40,409	20,409
Banks	121,018	121,018	208,335	111,699
Total	**466,771**	**121,018**	**507,020**	**132,108**

Exposures to Governments refer for the entire amount to securities eligible for refinancing with the European Central Bank.

Impaired loans

The amount of gross impaired loans showed an increase of €7.6m, predominantly due to the increase in the portfolio of restructured loans and of past due loans. The increase in doubtful loans (+€6.5m, +5.1%) – marked by a constant decreasing trend – was essentially entirely offset by the decrease in substandard loans (-€5.2m, -7.0%).
The decrease in total gross loans (-2.6%) led to an increase in impaired loans compared to the total of the overall loans portfolio, which went from 15.1% in 2013 to the current 16.1%. This percentage, net of the adjustments, up by 23.5%, conversely remained essentially stable at 12.0%. The level of coverage of the individual categories of impaired loans improved and went from 24.4% to 29.1%.
The loans situation compared with the balance as at 31st December 2013 is shown in the following table.

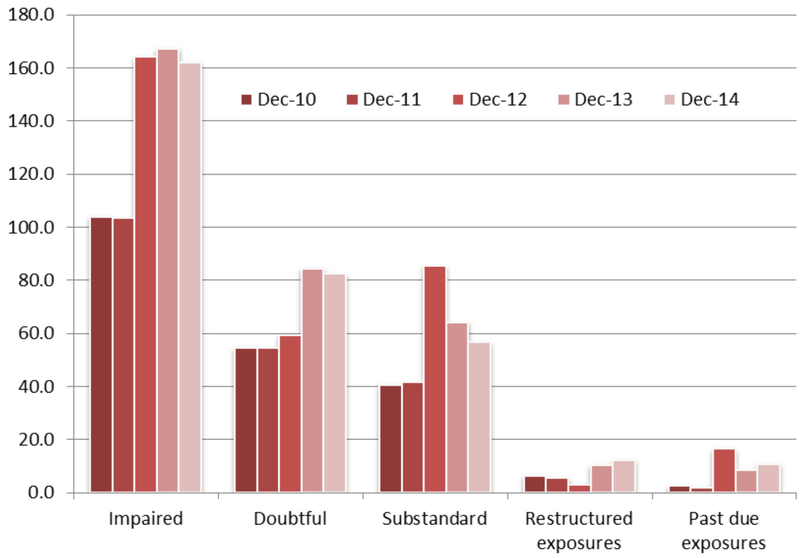
Loans and advances to customers and banks (thousands of Euro)

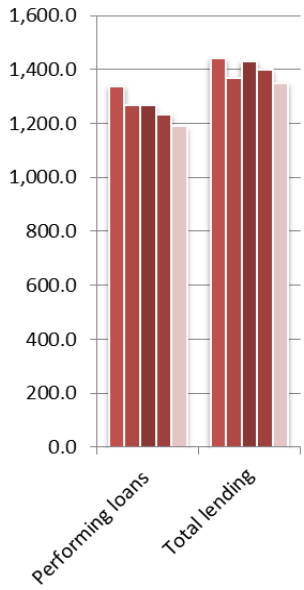
Dec 2014	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and country risk	**228,741**	**66,620**	**162,121**	**16.1**	**12.0**	**29.1**
- doubtful	133,563	51,094	82,469	9.4	6.1	38.3
- substandard	68,863	12,160	56,702	4.8	4.2	17.7
- restructured	15,424	3,223	12,201	1.1	0.9	20.9
- past due	10,854	105	10,749	0.8	0.8	1.0
over 180 days	5,978	79	5,899	0.5	0.4	1.3
over 90 days	4,875	26	4,850	0.3	0.4	0.5
- country risk	38	38	-	0.0	0.0	100.0
Performing loans	**1,194,333**	**5,916**	**1,188,417**	**83.9**	**88.0**	**0.5**
Total loans	**1,423,074**	**72,537**	**1,350,538**	**100.0**	**100.0**	**5.1**

Dec 2013	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and country 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**

Change % 2014/2013	Gross exposure	Overall adjustments	Net exposure
Impaired loans and country risk	**+3.4**	**+23.5**	**-3.1**
- doubtful	+5.1	+19.7	-2.3
- substandard	-7.0	+23.0	-11.6
- restructured	+32.9	+157.2	+17.8
- past due	+29.1	+55.4	+28.9
Performing loans	**-3.7**	**-10.1**	**-3.7**
Total loans	**-2.6**	**+19.9**	**-3.6**

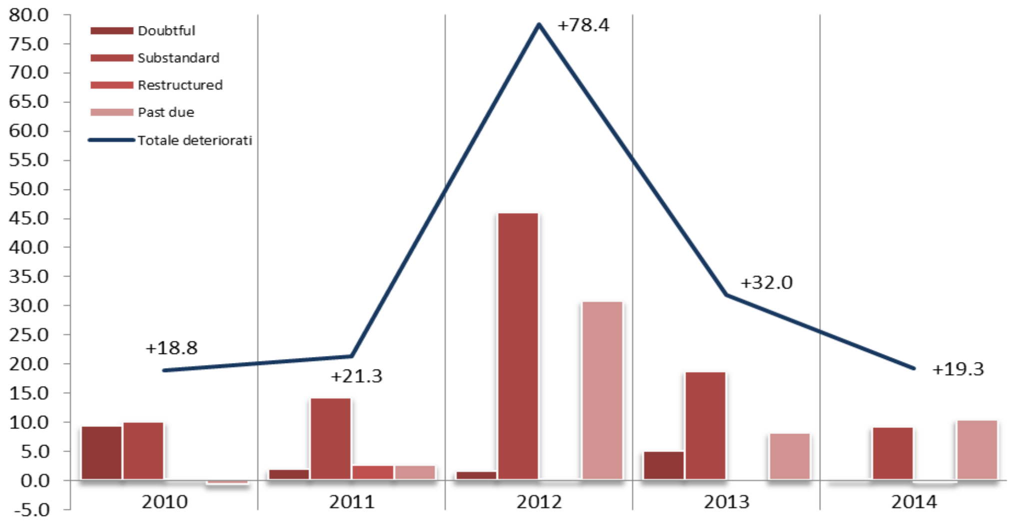
Trend of net loans (millions of Euro)





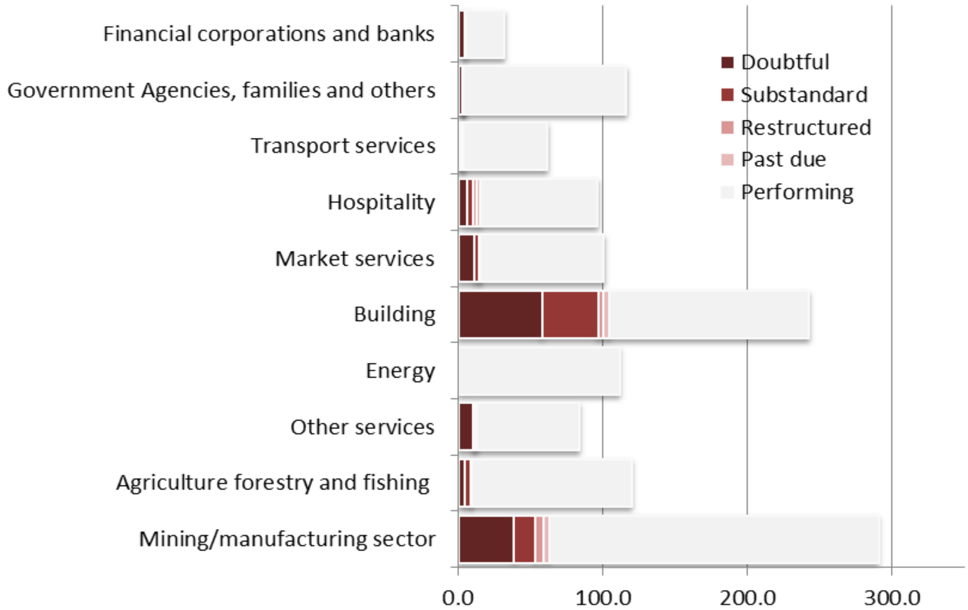
The flow of new impaired loans (transfers in net of transfers out to performing loans), after a significant worsening in 2012, has showed a gradual decrease since 2013 which has brought it back to the average levels of 2010-2011.

The net flow of new impaired loans coming from performing loans (millions of Euro)



At the sectorial level, the incidence of gross impaired loans on the total typical loan portfolio is particularly relevant in sectors related to constructions: slightly more than 60% of loans to construction companies are deteriorated and 30% of those to real estate businesses. Approximately 20% 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)



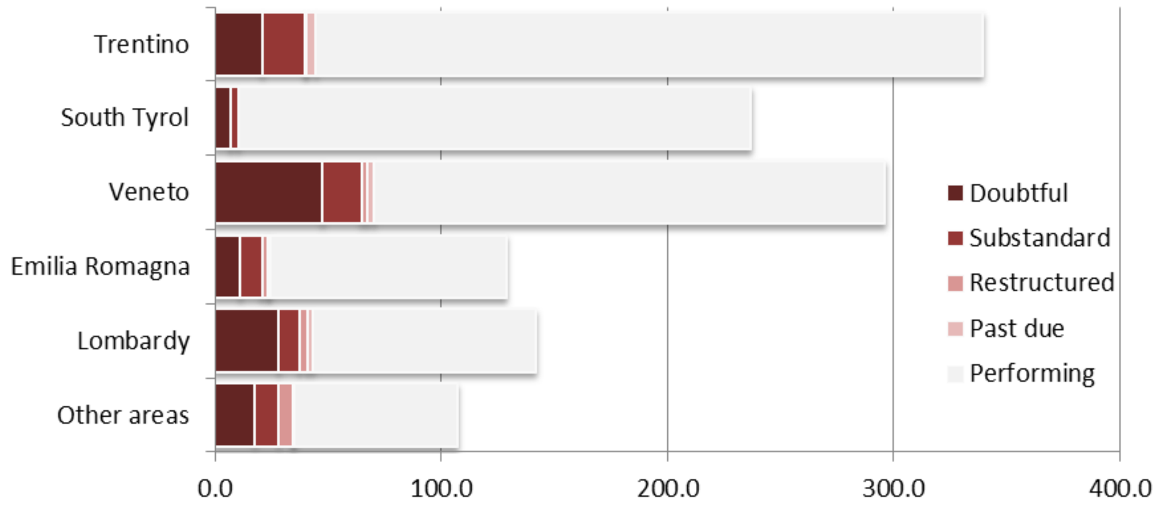
Breakdown of gross impaired loans by counterparty and economic sector (data in %)

	Doubtful	Substandard	Restructured	Past due	Total
Non-financial corporations	**11.5**	**6.2**	**1.3**	**1.0**	**20.0**
Mining/manufacturing sector	13.2	5.1	1.9	1.3	21.5
Agriculture	3.5	3.2	0.0	0.8	7.5
Real Estate	15.0	12.5	1.0	2.4	30.9
Other services	11.7	2.1	1.0	0.0	14.8
Energy	0.0	0.0	0.0	0.0	0.0
Building industry	35.2	20.6	2.0	0.6	58.4
Market services	10.8	3.1	0.8	0.0	14.7
Hospitality	6.2	4.1	3.0	2.3	15.6
Transport services	0.8	3.7	1.1	0.0	5.6
Government Agencies, families and others	**2.1**	**0.4**	**0.1**	**0.1**	**2.6**
Financial corporations and banks	**12.5**	**0.0**	**3.5**	**0.0**	**16.2**

The breakdown by area shows that the phenomenon of credit deterioration is concentrated mostly outside the region: in Trentino impaired loans make up for 13% of the loans and in South Tyrol

4%. In other areas of operation for the Bank there are incidences ranging from 19.1% in Emilia Romagna to 32.6% in Other Areas.

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



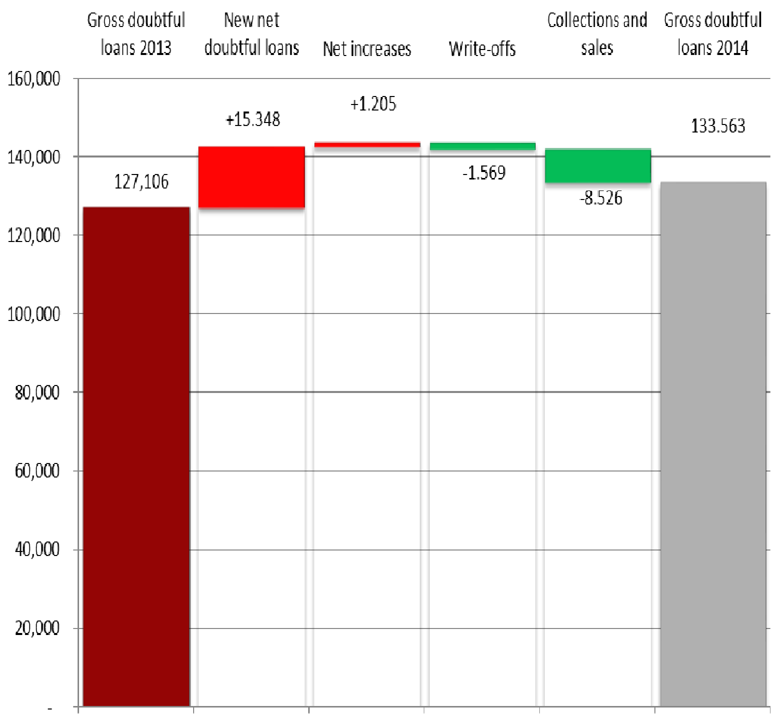
Gross impaired loans: incidence of each status by area (data in %)

	Doubtful	Substandard	Restructured	Past due	Total
Trentino	6.2	5.6	0.2	1.2	13.2
South Tyrol	3.0	1.4	0.0	0.0	4.4
Veneto	16.1	5.8	0.8	1.0	23.8
Emilia Romagna	8.8	7.3	2.0	0.8	19.1
Lombardy	20.0	6.4	2.5	1.7	30.6
Other Areas	16.7	9.8	5.9	0.3	32.6

Doubtful loans

Doubtful loans gross of write-downs amount to €133.6m and show an increase (+€6.5m) compared to 2013. The construction industry is, with €58m, the top collector of doubtful loans, followed by the manufacturing sector with €38m.

Trend of gross doubtful loans 2013-2014 (thousands of Euros)



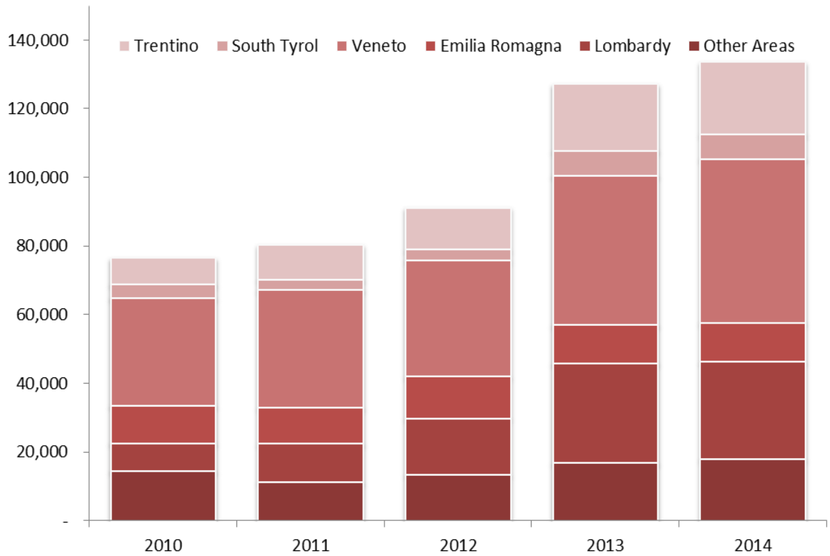
Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Non-financial corporations	**127,234**	**95.3%**	**121,236**	**95.4**	**+5,999**	**+4.9%**
Mining/manufacturing sector	38,391	28.7%	36,063	28.4	+2,328	+6.5%
Building industry	37,094	27.8%	34,760	27.3	+2,334	+6.7%
Real Estate	20,600	15.4%	19,551	15.4	+1,049	+5.4%
Market services	10,856	8.1%	7,854	6.2	+3,002	+38.2%
Other services	9,737	7.3%	11,565	9.1	-1,828	-15.8%
Hospitality	5,919	4.4%	5,430	4.3	+489	+9.0%
Agriculture	4,158	3.1%	5,536	4.4	-1,378	-24.9%
Transport services	479	0.4%	476	0.4	+3	+0.6%
Energy	0	0.0%	0	0.0	-	-
Government Agencies, families and others	**2,414**	**1.8%**	**1,956**	**1.5**	**+458**	**+23.4**
Financial corporations and banks	**3,915**	**2.9%**	**3,914**	**3.1**	**+1**	**+0.0**
Total	**133,563**	**100.0%**	**127,106**	**100.0**	**+6,458**	**+5.1**

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

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Trentino	21,091	15.8	19,390	15.3	+1,701	+8.8
South Tyrol	7,083	5.3	7,261	5.7	-178	-2.5
Veneto	47,791	35.8	43,489	34.2	+4,302	+9.9
Emilia Romagna	11,395	8.5	11,125	8.8	+270	+2.4
Lombardy	28,326	21.2	29,088	22.9	-762	-2.6
Other Areas	17,877	13.4	16,753	13.2	+1,123	+6.7
Total	**133,563**	**100.0**	**127,106**	**100.0**	**+6,457**	**+5.1**

Trend of gross doubtful loans by area 2010-2014



From a geographical point of view, the majority of doubtful loans were in Veneto (35.8%) while Trentino, Emilia Romagna, Lombardy and Other Areas each accounted for between 8% and 21% of the total. South Tyrol stands out, accounting for just over 5% of the total doubtful loans, for a total amount of €7m.

Doubtful loans, net of write-downs amounted to €82.5m, up by €1.9m in comparison with December 2013.
The ratio of net doubtful loans to total net loans was 6.1%, stable against the 6.0% at the end of the previous year. The same ratio gross of write-downs went from 8.7% in 2013 to 9.4%.
The level of coverage of doubtful loans was 38.3%, relatively up on the percentage at the end of 2013 (33.6%).

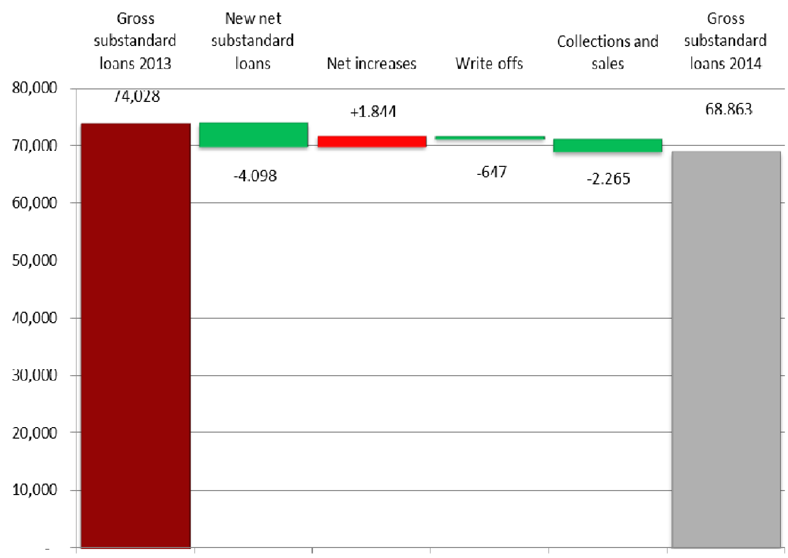
Key ratios relative to doubtful loans

in %	Dec 2014	Dec 2013
Gross doubtful loans / total gross lending	9.4	8.7
Gross doubtful loans / total gross lending to customers	10.5	9.4
Gross doubtful loans / own funds	71.3	67.8
Net doubtful loans / total net lending	6.1	6.0
Net doubtful loans / total net lending to customers	6.9	6.5
Net doubtful loans / own funds	44.0	45.0

Substandard loans

Substandard loans equalled €68.9m gross of write-downs, decreasing by 7% compared to the end of 2013.
The above-mentioned dynamics is the summary of the reductions recorded by the hospitality sector (-€3.7m), market services (-€3.0m), other services (-€2.0m) and of the increases in the transport sector (+€2.3m) and agriculture (+1.0m).

Trend of gross substandard loans by area 2013-2014 (thousands of Euro)



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

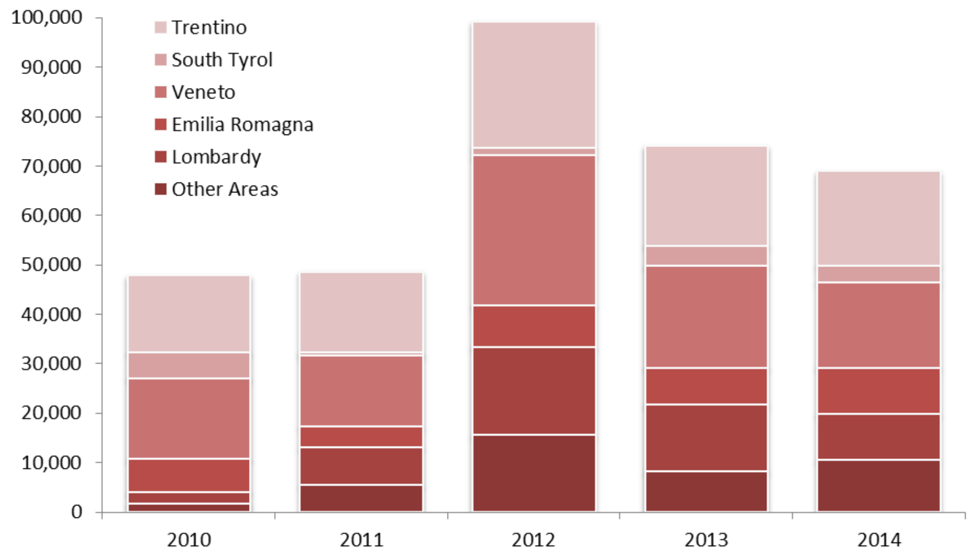
	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Non-financial corporations	**68,430**	**99.4**	**73,647**	**99.5**	**-5,217**	**-7.1**
Building industry	21,649	31.4	22,285	30.1	-636	-2.9
Mining/manufacturing sector	14,684	21.3	14,667	19.8	+17	+0.1
Real Estate	17,158	24.9	16,335	22.1	+823	+5.0
Hospitality	3,973	5.8	7,653	10.3	-3,681	-48.1
Market services	3,149	4.6	6,150	8.3	-3,001	-48.8
Other services	1,759	2.6	3,744	5.1	-1,985	-53.0
Agriculture	3,803	5.5	2,814	3.8	+990	+35.2
Transport services	2,256	3.3	-	0.0	+2,256	
Energy	-	0.0	-	0.0	-	-
Government Agencies, families and others	**433**	**0.6**	**381**	**0.5**	**+52**	**+13.6**
Financial corporations and banks	**-**	**0.0**	**-**	**0.0**	**-**	**-**
Total	**68,863**	**100.0**	**74,028**	**100.0**	**-5,165**	**-7.0**

At geographical level, it is worth highlighting the reduction in the substandard loans portfolio in Trentino-South Tyrol, Veneto and Lombardy, while increases were recorded in Other areas and Emilia Romagna (+28.8% and +27.2% respectively).

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

	31 Dec 2014	%	31 Dec 2013	%	Chg.	Chg. %
Trentino	19,040	27.6	20,192	27.3	-1,152	-5.7
South Tyrol	3,371	4.9	4,183	5.6	-812	-19.4
Veneto	17,317	25.1	20,518	27.7	-3,201	-15.6
Emilia Romagna	9,453	13.7	7,434	10.0	+2,019	+27.2
Lombardy	9,152	13.3	13,523	18.3	-4,371	-32.3
Other Areas	10,530	15.3	8,178	11.0	+2,352	+28.8
Total	**68,863**	**100.0**	**74,028**	**100.0**	**-5,165**	**-7.0**

Trend of gross substandard loans by area 2010-2014



Substandard loans net of write-downs, equalled €56.7m, down by 11.6% against 31st December 2013.
The ratio of net substandard loans to total net loans was 4.2% compared to 4.6% at the end of the previous business period.

Key ratios relative to substandard loans

in %	Dec 2014	Dec 2013
Gross substandard loans / total gross lending	4.8	5.1
Gross substandard loans / total gross lending to customers	5.4	5.5
Net substandard loans / total net lending	4.2	4.6
Net substandard loans / total net lending to customers	4.7	5.0

Restructured loans
Restructured loans net of write-down amounted to €12.2m, up by 17.8% compared to the end of 2013.
The ratio of net restructured loans to total net loans was up, settling to 0.9%.

Past due loans

This item is made up of all cash loans to borrowers (not included in the other categories of impaired loans) whose debts are overdue by more than 90 days according to the criteria established by the Supervisory Authority.
These loans, net of write-downs amounted to €10.7m, up by €2.4m in comparison with 31st December 2013.
The ratio of "loans past due" to total net loans is 0.8% against the 0.6% recorded at the end of the previous business period.

Update to the definition of impaired assets

Through the seventh update of its Circular no. 272 of 30th July 2008 "Accounts matrix", the Bank of Italy updated the definition of impaired financial assets to bring them in line with the new concepts of Non-Performing Exposures and Forbearance introduced by the implementing technical standards (ITS) on the harmonised supervisory statistical disclosures defined by the European Banking Authority and approved by the European Commission on 9th January 2015.
According to these standards, impaired financial assets are included in the categories of doubtful loans, unlikely to pay, past due exposures. The standards introduce also the category of forborne exposures, which represent a sub-category of loans (performing and impaired).
Through this update, the concepts of substandard exposures and restructured exposures have been abrogated.
The new regulations must be applied starting from the disclosures as at 31st January 2015, except for the part regarding the forborne exposures, which was postponed to 31st March 2015 for impaired loans and to 30th September 2015 for performing loans. No significant impacts are expected on the "unlikely to pay" category compared to the volume of the substandard positions above the necessary reclassification of restructured positions.

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 €14.8m, down (-€1.2m) against December 2013.

During the year, the equity investments in Valsugana Energia and in Alto Garda Servizi Teleriscaldamento were sold obtaining capital gains of €133 thousand and €465 thousand respectively. A new investment was made for €115 thousand in the share capital of the asset management company Assietta Private Equity SGR S.p.A. - which recently purchased and incorporated Intermonte BCC Private Equity SGRpa, and which therefore now manages also the disinvestment phase of the Fund MC^2 Impresa - and in the fund Assietta PE III, managed by the same company, for €390 thousand.

Worth mentioning are the following movements:

– the investment in Hotel Lido Palace S.p.A was increased by €145 thousand (bringing the total investment to €674 thousand);
– following the debt restructuring of Aedes, the Bank was allocated special shares for €40 thousand and units in the real estate investment fund Leopardi for €89 thousand;
– following the debt restructuring of Koelliker, the Bank was allocated equity investments for €105 thousand;
– €100 thousand were transferred to the subsidiary Paradisidue Srl to cover losses.

Equity Investment (thousands of Euro)

	Dec 2014			Dec 2013		
	Afs	**Equity inv.**	**Total**	**Afs**	**Equity inv.**	**Total**
Merchant banking investments	9,013	68	9,081	10,705	72	10,777
Investments in UCITS	5,311	-	5,311	4,891	-	4,891
Other investments	388	55	443	246	99	345
Total	**14,712**	**123**	**14,835**	**15,842**	**171**	**16,013**

Equity investment by economic sector

Notes on equity investments (amounts in thousands of Euros)

Paradisidue S.r.l. – Trento

This real estate company was founded on in 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 three buildings that acted as a guarantee for doubtful loans of the Bank in 2009, 2011 and 2014 respectively. On 31st December 2014, 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; one of the three buildings underwent enhancement works in 2014 and promotional activities for its placement on the real estate market are currently under way. The company closed 2014 with a loss of approximately €67.9 thousand, covered by a payment by the Parent Company.

Other investments	
Balance at 31/12/2013	**22.8**
Purchases	+100.0
Sales	-
Gains	-
Losses	-67.9
Impairment	-
Balance at 31/12/2014	**54.9**
Stake held	**100.000%**

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

Founded in 1999 as joint stock company on the 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 Mediocredito.

Essedi changed its corporate type and became an S.r.l. (a limited liability company) in 2009 and Mediocredito's stake became 31.869%. After a positive phase up to 2013, the company faced market difficulties in 2014 which a negative effect on the ability to produce income. This has brought the value of the equity investment down to zero.

Other investments	
Balance at 31/12/2013	**75.5**
Purchases	-
Sales	-
Gains	-
Losses	-
Impairment	-75.5
Balance at 31/12/2014	**-**
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. Issues with the authorisation procedure do not allow the investments to begin.

The equity method valuation of the latest financial statements available led to the recognition of a loss of approximately €4.7 thousand.

Merchant Banking Investments	
Balance at 31/12/2013	**72.4**
Purchases	-
Sales	-
Gains	-
Losses	-4.7
Impairment	-
Balance at 31/12/2014	**67.7**
Stake held	**20.000%**

Notes on other equity investments and stakes available for sale

Green Hunter Group S.p.A. – Milan

The company operates in the renewable energy sector. The capital used to start Green Hunter Group 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.

Following the approval of "Decreto spalma incentivi" (Incentive spreading decree) and the different reference scenario, an impairment loss was recorded for €437 thousand following a recent appraisal prepared by an independent advisor.

Merchant Banking Investments	
Balance at 31/12/2013	**1,337.3**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-437.3
Balance at 31/12/2014	**900.0**
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 MC^2 Impresa.

On the basis of biannual projections, and taking into account that the profit for 2014 was lower than expected, the fair value was decreased by €201 thousand.

Merchant Banking Investments	
Balance at 31/12/2013	**1,201.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-201.0
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**1.000.0**
Stake held	**14.966%**

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

The company was established to build a luxury hotel on the well-known tourist destination overlooking Lake Garda encouraging the involvement - alongside the public entity - of private shareholders with proven experience in this sector and adequate financial partners. 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 €354 thousand, which in 2010 grew to 4.84% following a capital increase. The hotel started its operations in 2011 and continues to increase its turnover and operating profitability.

A share capital increase was made in 2014 in which the Bank also took part pro-rata.

Merchant Banking Investments	
Balance at 31/12/2013	**528.8**
Purchases	+145.2
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**674.0**
Stake held	**4.840%**

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

Valsugana Energia S.p.A. was established to realise a project for a trigeneration plant. The promoter of this project was STET S.p.A., a multi-utility company active in the eastern part of Trentino. Valsugana Energia S.p.A. was set up on 21st August 2007 with a starting capital of €2.5m of which 60% was underwritten by STET S.p.A. and the rest by local financial institutions. Mediocredito supported the initiative by acting as the managing bank in the context of a financial operation worth €6.2m and purchased a 12% stake in the company equal to €300 thousand. The plant started operating in December 2008.

In 2014 the equity investment was repurchased by the majority shareholder STET SpA, generating a capital gain of €132.7 thousand.

Merchant Banking Investments	
Balance at 31/12/2013	**420.0**
Purchases	-
Sales	-432.7
Gains/Losses on disposal	+132.7
Fair value changes	-
Reversal to income statement negative reserve	-120
Impairment	-
Balance at 31/12/2014	**-**
Stake held	**-**

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 valuation as at 31.12.2014 did not reveal any changes in the fair value compared to 2013.

Merchant Banking Investments	
Balance at 31/12/2013	**1,917.2**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**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 2014 has increased by €37.5 thousand.

Merchant Banking Investments	
Balance at 31/12/2013	**2,246.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+37.5
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**2,283.5**
Stake held	**6.051**

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

Established towards the end of 2008, this company is the instrument by which the controlling company Alto Garda Servizi S.p.A. (AGS) intends to manage the district heating service for the area of Riva del Garda and its surrounding municipalities. AGS brought a few financiers into the initiative as minority shareholders amongst which are Mediocredito (as advisor), Fincoop S.p.A. and Cassa Rurale Alto Garda.
The investment for the Bank resulted in €1.5m and a share of 16.13%.
In 2014 the equity investment was sold and generated a capital gain of €465.4 thousand.

Merchant Banking Investments	
Balance at 31/12/2013	**1,500.0**
Purchases	-
Sales	-1,965.4
Gains/Losses on disposal	+465.4
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**-**
Stake held	**-**

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

In 2012, the Bank has approved the acquisition of the stake in Alto Srl, a subsidiary of Podini, destined to acquire, with an LBO, the control of Piteco SpA. Piteco SpA is a company operating in a niche sector for the development of software for financial applications. It is characterised by stable business, a positive economic outlook, high levels of profitability and no net financial debt. In 2013 Alto Srl was incorporated into Piteco Srl, subsequently transformed in a plc (S.p.A.). In 2014, the company showed positive economic results in line with the business plan. The Bank holds a 10% share in the company for an investment of €1.555m. Given the positive performance shown by the company, a fair value increase was recognised for €683 thousand.

Merchant Banking Investments	
Balance at 31/12/2013	**1,555.0**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+683.0
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**2,238.0**
Stake held	**10.000**

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 terminated its role as advisor for the fund. The role was handed over in 2014 to Assietta Private Equity SGR (which incorporated the previous manager Intermonte Bcc Private Equity). The Fund is currently under disinvestment.

The unit value of the 80 shares held by the Bank - valued at 31.12.2014 by the asset management company - amounted to €54,201,161, generating a positive change in equity reserve of €121.5 thousand.

Investments in UCITS	
Balance at 31/12/2013	**4,214.6**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	+121.5
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**4,336.1**

Close-ended securities investment fund Assietta Private Equity III

This is a Private Equity fund reserved for institutional investors, which aims at investing in small and medium Italian businesses characterised by a good positioning in the reference sector, operating in well-established sectors, with steady cash generation, a defensible competitive positioning and good economic performance. The fund is managed by Assietta Private Equity SGR.

In 2014 Mediocredito purchased 60 units for a total of €450.5 thousand. The unit value - valued at 31.12.2014 by the asset management company - amounted to €5,074,265, generating a negative change in equity reserve of €146.0 thousand.

Investments in UCITS	
Balance at 31/12/2013	**-**
Purchases	+450.5
Sales	-
Gains/Losses on disposal	-
Fair value changes	-146.0
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**304.5**

Assietta Private Equity SGR S.p.A. – Milan

At the same time as investing in the Fund APE III, the Bank subscribed an equity investment for the management company of €115 thousand.

The equity investment represents an opportunity for the Bank to have a presence in the world of private equity, which represents one of the instruments that could in the future lead to new developments in the Investment Banking sector and therefore enhance the services provided to customers.

Merchant Banking Investments	
Balance at 31/12/2013	**-**
Purchases	+115.0
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	-
Impairment	-
Balance at 31/12/2014	**115.0**
Stake held	**5.000%**

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 €41,523.718 to each unit on 31st December 2014 compared to €48,331.695 on 31st December 2013.

The value impairment compared to the book value is deemed significant and prolonged. As a result, an impairment of €183 thousand was entered in the income statement.

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 31/12/2013	**676.6**
Purchases	-
Sales	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal to income statement negative reserve	+87.4
Impairment	-182.7
Balance at 31/12/2014	**581.3**

Other equity investments and stakes available for sale

(thousands of Euros)

	Cassa Centrale Banca S.p.a. - Trento Other investments	P.B. S.r.l. in liquidation - Milan Other investments	Trentino Volley S.r.l. Trento (previously Trentino Volley S.p.A) Merchant Investments Banking	Trevefin S.p.A. Tarzo Other investments
Balance at 31/12/2013	**50.2**	**3.4**	**-**	**108.8**
Purchases	-	-	-	-
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve	-	-	-	
Impairment	-	-	-	-
Balance at 31/12/2014	**50.2**	**3.4**	**-**	**108.8**
Stake held	**0.025%**	**0.820%**	**5.350%**	**3.69**

(thousands of Euros)

	Funivie Madonna di Campiglio S.p.A. – Pinzolo (TN) Other investments	Funivie Folgarida Marilleva S.p.A. – Pinzolo (TN) Other investments	Koelliker S.p.A. Milan Other investments	Lineapiù S.p.A. Prato Other investments
Balance at 31/12/2013	**25.4**	**-**	**-**	**-**
Purchases	-	+23.3	+104.5	-
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve	-	-	-	
Impairment	-	-	-104.5	-
Balance at 31/12/2014	**25.4**	**23.3**	**-**	**-**
Stake held	**0.033%**	**0.033**	**-**	**1.670%**

(thousands of Euros)

	Formazione-Lavoro Società consortile per azioni - Trento Other investments	Federazione Trentina delle Cooperative Scarl - Trento Other investments	AEDES SpA - Milan Other investments	Fondo immobiliare Leopardi - Milan Unit in UCITS
Balance at 31/12/2013	**0.6**	**5.1**	**52.5**	**-**
Purchases	-	-	+40.4	+89.2
Sales	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal to income statement negative reserve				
Impairment	-	-	-36.6	-
Balance at 31/12/2014	**0.6**	**5.1**	**56.3**	**89.2**
Stake held	**0.042%**		**0.030%**	

The equity investments in Funivie Madonna di Campiglio S.p.A., Funivie Folgarida Marilleva S.p.A., Koelliker S.p.A., Lineapiù S.p.A., Aedes S.p.A. and Fondo Immobiliare Leopardi (linked to Aedes S.p.A.) derive from the restructuring of deteriorated loans.

Other corporate & investment banking activities

Also in 2014 he reduced activity levels, the decline in investment and operations in project finance and the stabilisation 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 2014.

	2014	2013	Chg. %
Syndications, project & energy	625.9	601.9	+4.0
M&A – Advisory	25.0	38.7	-35.4
Total	**650.9**	**640.6**	**+1.6**

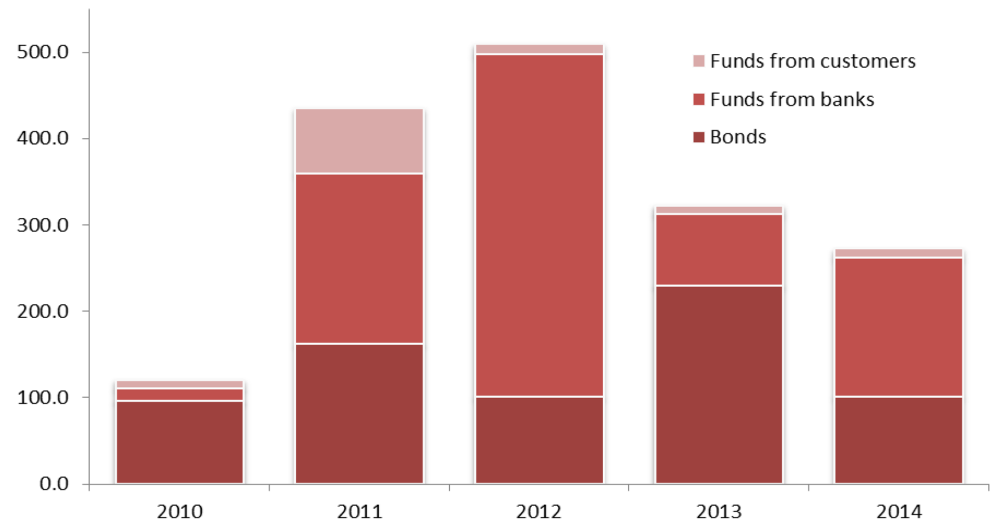
BORROWING OPERATIONS AND TREASURY MANAGEMENT

In 2014 borrowing amounted to €272.0m and decreased by 14.3% compared to 2013 (-€45.5m). Borrowing flows in 2014 were marked by bond issues predominantly placed on the regional market (€95m) and other medium/long term funds from banks for €161m (of which €67m as part of the Targeted Long Term Refinancing Operation - TLTRO - from the European Central Bank, €21m from the EIB, €18m from Cassa Depositi e Prestiti and €55m from co-operative banks). The borrowing flows in 2013 mainly consisted of bond issues for €224.2m, mostly from the EMTN programme, and €83m from Banks.

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2014	%	2013	%	Chg. %
BONDS	**100,800**	**37.1**	**224,150**	**70.6**	**-55.0**
- straight bonds	*100,800*	*37.1*	*224,150*	*70.6*	*-55.0*
- special bonds	-	-	-	-	-
FUNDS FROM BANKS AND CDP	**160,984**	**59.2**	**83,500**	**26.3**	**+92.8**
- EIB funds	*21,000*	*7.7*	*15,000*	*4.7*	*+40.0*
- other medium/long term bonds	*139,984*	*51.5*	*50,000*	*15.7*	*+180.0*
- debit deposit	-	-	*18,500*	*5.8*	*-100.0*
FUNDS FROM CUSTOMERS	**10,233**	**3.8**	**9,881**	**3.1**	***+3.5***
- funds from third parties	*5,636*	*2.1*	*5,300*	*1.6*	*+6.3*
- other funds from customers	*4,587*	*1.7*	*4,581*	*1.4*	*+0.1*
TOTAL	**272,007**	**100.0**	**317,531**	**100.00**	**-14.3**

Trend of fund flows (thousands of Euro)



In terms of overall amount, the bond issues decreased by 21.0% as net result of the new issues and the repayments of matured bonds.

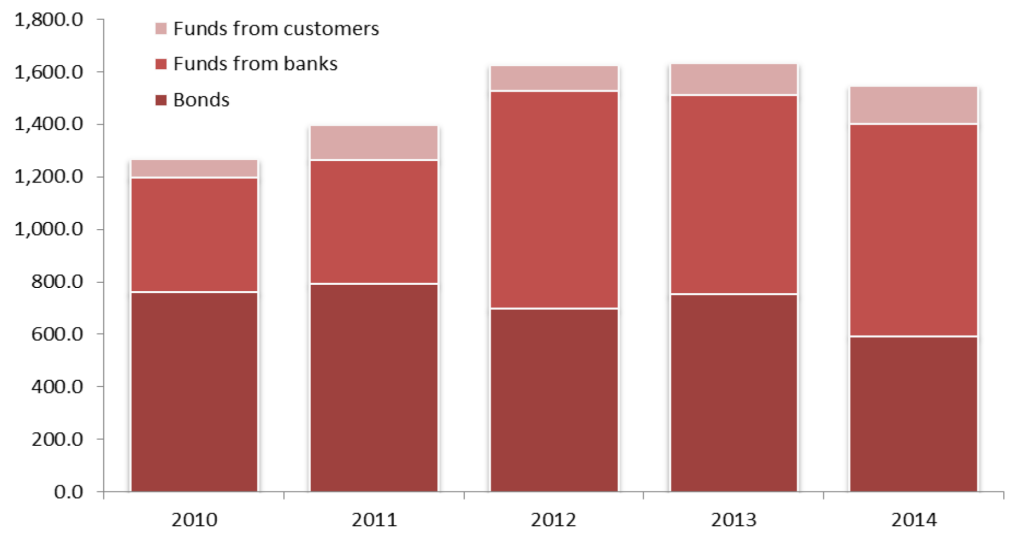
Borrowing declined by €46.7m in the medium/long term component as net effect of the €132m repayment of the ECB loan (LTRO) and the new loans described above (TLTRO, EIB).
Funds from third parties remained stable settling at around €60m, while funds from other customers, mainly consisting of short-term deposits, increased by about €23m.
Overall amount of funding registered a decrease of 5.3%, equal to €86.2m.

Overall amounts of borrowing operations (in thousands of Euros)

TYPE	OVERALL AMOUNTS				
	Dec 2014	%	Dec 2013	%	Chg. %
BONDS	**594,827**	**38.4**	**753,351**	**46.1**	**-21.0**
- straight bonds	*594,690*	*38.4*	*753,148*	*46.1*	*-21.0*
- special bonds	*137*	*-*	*203*	*-*	*-32.5*
FUNDS FROM BANKS AND CDP	**810,027**	**52.3**	**759,294**	**46.5**	**+6.7**
- EIB funds	*113,110*	*7.3*	*107,787*	*6.6*	*+4.9*
- other medium/long term bonds [1]	*547,621*	*35.4*	*599,552*	*36.7*	*-8.7*
- current accounts and debit deposit	*149,296*	*9.6*	*51,955*	*3.2*	*+187.4*
FUNDS FROM CUSTOMERS	**142,556**	**9.2**	**120,958**	**7.4**	**+17.9**
- funds from third parties	*57,093*	*3.7*	*58,933*	*3.6*	-3.1
- other funds from customers	*85,463*	*5.5*	*62,025*	*3.8*	+37.8
TOTAL	**1,547,410**	**100.0**	**1,633,603**	**100.0**	**-5.3**

[1] of which €43m in 2014 and €52m in 2013 from Cassa Depositi e Prestiti and €317m in 2014 and €382.0m in 2013 from ECB.

Evolution of overall amounts of funds (thousands of Euro)

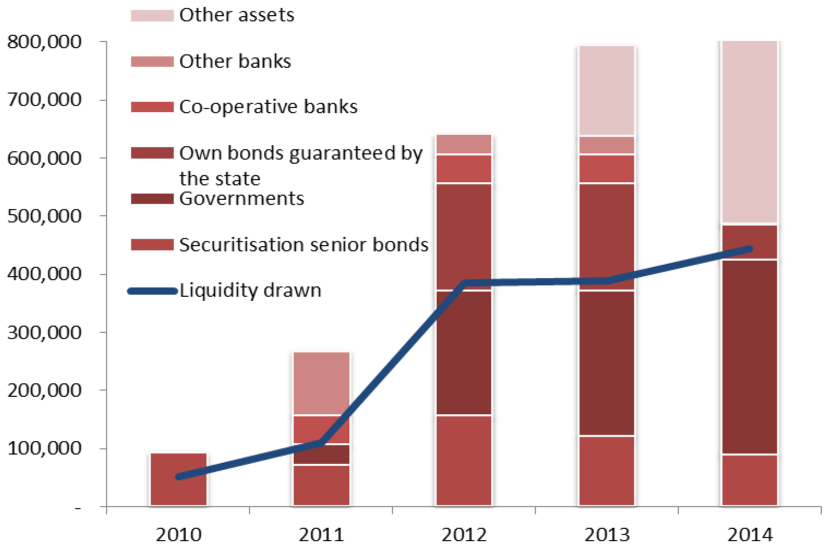


In 2014, the portfolio of securities eligible for refinancing with the European Central Bank was affected by a physiological decline following the repayment of some matured bonds (including the bond loans issued by the Bank guaranteed by the Italian Government for €125m), settling at a total value of €487.4m. Added to these are collateralised loans for €376.7m.
Net of the operations already carried out (including LTRO for €250m and the aforesaid TLTRO for €67m), these assets guarantee a liquidity reserve estimated at about €191m (after a haircut).

Breakdown of eligible securities (thousands of Euro)

Issuer	Eligible	Potential liquidity
Governments	335,000	342,886
Banks	2,000	1,500
Securitisation senior bonds	90,393	75,679
Own bonds guaranteed by the state	60,000	60,068
Total bonds	**487,393**	**480,133**
Other collateralised assets	376,749	154,831
Total bonds and other assets	**864,142**	**634,964**
Liquidity already drawn		444,332
Residual available liquidity		**190,632**

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 2014		Dec 2013	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Governments	345,500	356,536	260,800	269,499
Co-operative banks	-	-	50,400	50,730
Other banks	2,900	3,012	77,500	78,373
Total	**348,400**	**359,548**	**388,700**	**398,602**

The bonds issued by banks have an average life of 1 year while government securities (Italian State bonds for €335m and French for €10.5m) have an average life of 1.8 years.

Chart: allocation of AFS debt securities by maturity date

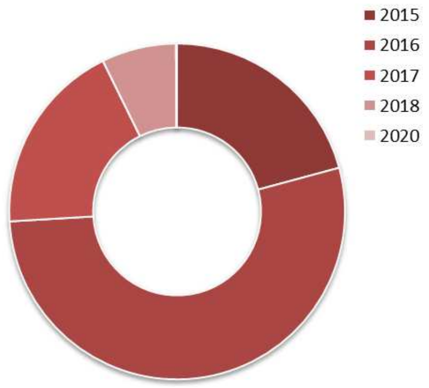
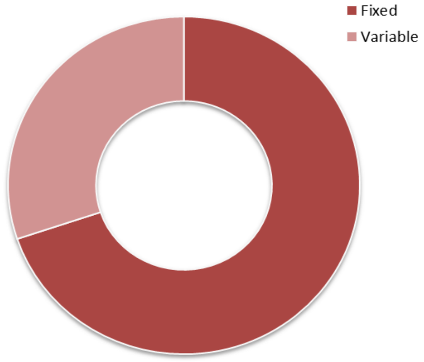


Chart: allocation of AFS debt securities by interest rate type



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

The Bank offers its 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.
4 contracts were signed with customers in 2014 amounting to €14.0m (8 in 2013 amounting to €12.4m) with related symmetrical hedge.

The table below compares overall notional amounts at 31st December 2014 with the previous business period.

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

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2014	2013	Dec 2014	Dec 2013
- held for trading purposes	-	-	381	745
- acting as coverage of debt securities in issue	-	-	-	-
- cash flow	-	-	-	-
- linked with FVO	-	-	-	-
- acting as coverage of loans from banks	-	-	-	-
- cash flow	-	-	-	-
TOTAL	**-**	**-**	**381**	**745**

Financial derivatives – cap options (in thousands of Euros)

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2014	2013	Dec 2014	Dec 2013
- sales (customers)	14,034	12,368	31,473	18,566
- purchases (banks)	14,034	12,368	31,473	18,566
TOTAL	**28,068**	**24,736**	**62,946**	**37,132**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, equipment and intangible assets are functional investments that amount to €10.8m, mainly buildings (headquarters in Trento and Bolzano and the Treviso branch).

All items were affected by a decline in value due to amortisation/depreciation. With regard to the investments made during the year, we report €18 thousand for the purchase of information totems, €12 thousand for the partial upgrade of printers, €24 thousand for the purchase of the software for the selection of assets to be used as collateral to guarantee loans from the ECB and €23 thousand for safety software.

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

	Dec 2014	%	Dec 2013	%	Chg. %
Functional assets	**10,762**	**98.9**	**11,426**	**99.0**	**-5.8**
- Land and buildings	8,901	81.8	9,237	80.0	-3.6
- Furnishing	755	6.9	893	7.7	-15.5
- IT equipment	132	1.2	154	1.3	-14.3
- Other equipment	757	7.0	860	7.5	-12.0
- Vehicles	43	0.4	83	0.7	-48.2
- Software	174	1.6	199	1.7	-12.6
Investment land	**116**	**1.1**	**116**	**1.0**	**-**
Total	**10,878**	**100.0**	**11,542**	**100.0**	**-5.8**

During 2014, 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.

In 2014, the Bank tested the effectiveness of its Disaster Recovery Plan with the outsourcer of the IT System which is managed by SIBT S.r.l.. The result of the test was positive which means that should the need arise, it would be possible to maintain a sufficient level of business continuity for the Bank, characterised by low level inter-relations with its customers.

OPERATIONAL STRUCTURE

As at 31 December 2014, the number of employees increased by 1 unit compared to 31st December 2013. There were 85 employees, 2 of whom with a temporary contract: 62 contracts are full-time and 23 part-time. One resource, on leave of absence and not salaried as at 31.12.2014 resigned at the beginning of 2015.

Position and movement of employees

	Situation 31.12.2013	Resignation	Recruitments	Change of positions	Situation 31.12.2014
Managerial staff	3	-	-	-	3
Managerial staff 3rd and 4th level	19	-	-	+1	20
Managerial staff 1st and 2nd level	17	-	+1	+2-1	19
3rd professional area	40	-2	-	-2	36
2nd professional area	5	-2	+4	-	7
Total	**84**	**-4**	**+5**	**-**	**85**

Breakdown by area[24]

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

Breakdown by age

	Men	Women	Total
< 30 years	2	1	3
> 30 years < 45 years	17	14	31
> 45 years	32	19	51
Total	**51**	**34**	**85**

Breakdown by length of service

	Men	Women	Total
< 5 years	8	2	10
> 5 years < 10 years	5	6	11
> 10 years < 20 years	23	16	39
> 20 years	15	10	25
Total	**51**	**34**	**85**

948 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 External courses		Relational training at the Bank's premises		Technical training at the Bank's premises	
	Classroom days	No. of attendees	Classroom days	No. of attendees	Classroom days	No. of attendees
General management	-	-	-	-	-	-
Business area	27.33	13	-	-	40.60	35
Legal dept. and contracts	13.27	5	-	-	2.13	3
Technical admin. area	10.93	6	-	-	3.87	4
Management support staff	26.60	7	-	-	1.73	2
Total	**78.13**	**31**	**-**	**-**	**48.33**	**44**

The Administrative Board carried out their activities thorough 10 Board of Directors meetings, 8 Executive Committee meetings, 6 meetings of the Board of Auditors and 1 Ordinary Shareholders' Meeting.

PRINCIPAL TRENDS IN THE FINANCIAL STATEMENTS AND STATE OF AFFAIRS

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (ABRIDGED)

(in thousands Euro)

Assets	31.12.2014	31.12.2013	Chg.	Chg. %
CASH AND CASH EQUIVALENTS	6	2	+4	+206.9
FINANCIAL ASSETS HELD FOR TRADING	696	902	-206	-22.8
FINANCIAL ASSETS AVAILABLE FOR SALE	374,260	414,444	-40,184	-9.7
LOANS AND ADVANCES TO BANKS	147,933	108,909	+39,025	+35.8
LOANS AND ADVANCES TO CUSTOMERS	1,202,604	1,291,867	-89,262	-6.9
EQUITY INVESTMENTS	123	171	-48	-28.2
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	10,878	11,542	-664	-5.8
TAX ASSETS	12,909	9,990	+2,919	+29.2
OTHER ASSETS	1,567	2,204	-636	-28.9
TOTAL ASSETS	**1,750,977**	**1,840,029**	**-89,053**	**-4.8**

Equity and liabilities	31.12.2014	31.12.2013	Chg.	Chg. %
DUE TO BANKS	766,585	691,767	+74,818	+10.8
DUE TO CUSTOMERS	185,998	188,485	-2,487	-1.3
DEBT SECURITIES IN ISSUE	594,827	753,351	-158,524	-21.0
FINANCIAL LIABILITIES HELD FOR TRADING	709	938	-229	-24.4
TAX LIABILITIES	6,711	7,020	-309	-4.4
OTHER LIABILITIES	5,982	8,311	-2,329	-28.0
VALUATION RESERVES	5,740	5,934	-194	-3.3
CAPITAL AND RESERVES	183,038	182,931	+107	+0.1
NET INCOME FOR THE YEAR	1,386	1,292	+94	+7.3
TOTAL EQUITY AND LIABILITIES	**1,750,977**	**1,840,029**	**-89,053**	**-4.8**

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

RECLASSIFIED INCOME STATEMENT[25]

(in thousands Euro)

Items	2014	2013	Chg.	Chg. %
NET INTEREST INCOME	**18,719**	**23,739**	**-5,020**	**-21.1**
Net fee and commission income	1,134	1,173	-39	-3.4
Dividends	228	113	+115	+101.6
Income from trading	7,513	5,865	+1,647	+28.1
Fair value results	-	15	-15	-100
NET INTEREST AND OTHER BANKING INCOME	**27,593**	**30,905**	**-3,312**	**-10.7**
OPERATING COSTS	(10,079)	(9,807)	-272	+2.8
GROSS OPERATING INCOME	**17,515**	**21,099**	**-3,584**	**-17.0**
NET IMPAIRMENT ADJUSTMENTS	(14,881)	(18,846)	+3,965	-21.0
PROFIT BEFORE INCOME TAXES	**2,634**	**2,252**	**+382**	**+17.0**
INCOME TAXES	(1,248)	(960)	-287	+29.9
NET INCOME FOR THE YEAR	**1,386**	**1,292**	**+94**	**+7.3**

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 %)	2014	2013
Net interest income / Net interest and other banking income	67.8	76.8
Gross operating income / Net interest and other banking income	63.5	68.3
Profit before income taxes / Net interest and other banking income	9.5	7.3
Net income for the year / Net interest and other banking income	5.0	4.2

[25] The reclassified 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 profit from the sale of loans from "Net interest and other banking income" to "Net impairment adjustments" for €0.137m (losses for €1.04m in 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 (€1.015m in 2014, €1.388m in 2013) have been reclassified from "Net fee and commission expense" to "Net interest income" (interest expense). Losses on the sale of assets for €3.5 thousand (€1 thousand in 2013) have been reclassified as "Operating costs" and net losses on equity investments for €148 thousand (€20 thousand in 2013) amongst "Net impairment adjustments".

INCOME STATEMENT DYNAMICS

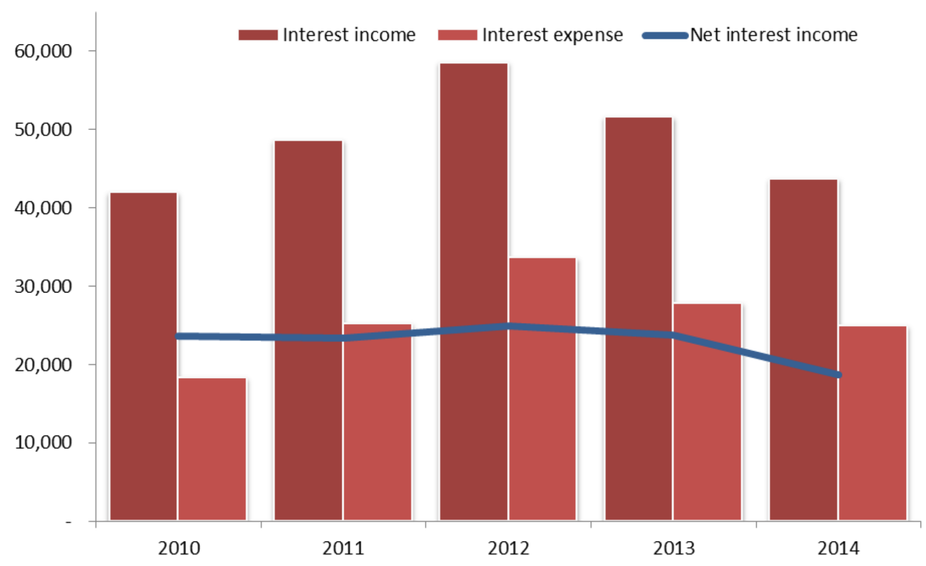
Net interest income

Breakdown of the net interest income (thousands of Euros)

Items	2014	2013	Chg.	Chg. %
INTEREST INCOME AND SIMILAR REVENUES	43,651	51,565	-7,914	-15.3
INTEREST EXPENSE AND SIMILAR CHARGES	(24,931)	(27,826)	+2,894	-10.4
NET INTEREST INCOME	**18,719**	**23,739**	**-5,020**	**-21.1**

The net interest income recorded a negative performance (-€5.0m, -21.1%): the reduction was mostly due to the decline in profitability of the securities portfolio (about €6.7m) as a result of the turnover which, at the same time, generated significant profit from sales; the reduction in the average interest-bearing balances for typical loans (-5.4%) led to lower interest income for about €2.1m, offset by the increase in average profitability of the portfolio (3.27% vs 3.20%) and by the lower average cost of borrowing. Therefore, the spread of money management (net interest income net of interest on arrears and doubtful loans) went down to 1.07% from 1.34% recorded by the Bank in 2013.

Trend of net interest income (thousands of Euro)



Net revenues from services and net interest and other banking income

Net commissions stood at similar levels to those of 2013 (-€39 thousand, -3.4%) due to a positive performance in the second half of the year, which helped close the 11.5% gap shown in the half-yearly accounting period.

The total value of net commissions was over €1.1m. The stability described above was mainly due to the decrease in commissions linked to credit disbursement (survey and investigation -€21 thousand) and consultancy services (-€14 thousand) while corporate finance commissions continued to show significant values due to the agency fee component (+€24 thousand).

Net revenue from services (thousands of Euro)

Items	31.12.2014	31.12.2013	Chg.	Chg. %
FEE AND COMMISSION INCOME	**1,374**	**1,401**	**-26**	**-1.9**
- survey and investigation	573	594	-21	-3.6
- corporate finance	626	602	+24	+4.0
- expense refunds in relation to administrative deeds	77	88	-11	-12.6
- prepayment penalties	56	42	+14	+32.8
- others	43	75	-32	-43.0
FEE AND COMMISSION EXPENSE	**(241)**	**(228)**	**-13**	**+5.7**
- collection of applications	(84)	(99)	+16	-15.7
- others	(157)	(129)	-29	+22.2
NET COMMISSIONS	**1,134**	**1,173**	**-39**	**-3.4**

In the course of 2014, the Bank cashed dividends valuing €228 thousand (€113 thousand in 2013). The management of the securities portfolio generated a gain of €6.8m, while the sale of the equity investments in Alto Garda Servizi Teleriscaldamento S.p.A. and Valsugana Energia S.p.A. resulted in gains of €465 thousand and €133 thousand respectively.

The net result from brokerage activities amounts to €78 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 €27.593m, down by 10.7% (-€3.3m) against the result for the same period in 2013.

Operating costs

Operating costs came to €10.079m, up (+€272 thousand) on the same period of the previous year (€9.807m).
More specifically, payroll decreased by €59 thousand compared to 2013 as it benefited from the decrease in the average number of employees from 79.9 to 78.6 units.

An increase, albeit limited (€69 thousand) was recorded by other administrative expense: the increase in IT costs (€30 thousand) and legal and procedural costs (€88 thousand net of recovery) was partially offset by savings on professional fees (-€45 thousand, mainly due to lower costs for technical surveys).

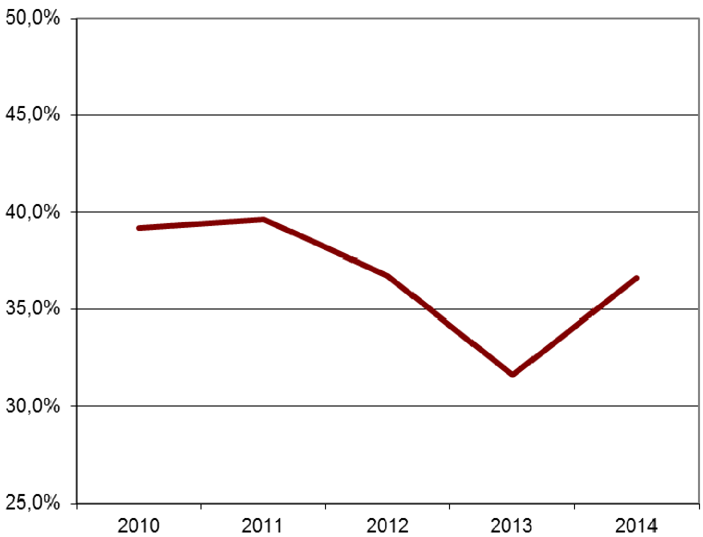
Operating costs (thousands of Euros)

Items	31.12.2014	31.12.2013	Chg.	Chg. %
ADMINISTRATIVE COSTS:	(9,125)	(9,115)	-10	+0.1
a) payroll:	(6,628)	(6,687)	+59	-0.9
- employees costs	*(6,170)*	*(6,230)*	*+60*	*-1.0*
- directors and auditors costs	*(457)*	*(457)*	*-0*	*+0.1*
b) other administrative costs [26]	(2,497)	(2,428)	-69	+2.8
NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES	(131)	487	-618	-126.8
NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	(773)	(1,104)	+331	-30.0
OTHER OPERATING CHARGES/INCOME	(50)	(75)	+25	-33.5
OPERATING COSTS	**(10,079)**	**(9,807)**	**-272**	**+2.8**

Net allocations to provisions for risks and charges - which in 2013 included the reduction in potential liability relating to a revocatory action initiated in 2008, following a favourable verdict of the first degree, for €537 thousand - include €100 thousand for the personnel incentive system and €31 thousand to cover the risks for legal disputes currently under way.

Amortisation/depreciation for the period totalled €773 thousand, a decrease compared to December 2013 by €331 thousand, mainly due to the end of the amortisation period of the initial investment to start up the IT management system. Considering the other net charges, for €50 thousand, the total of operating costs showed an increase by €272 thousand, bringing the cost to income ratio to 36.5% (31.7% in 2013; 36.7% in 2012).

Trend of cost to income ratio



[26] The recoveries from customers for indirect expenses and taxes incurred by the Bank (+ €580 thousand in 2014, +€722 thousand in 2013) 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 (€4 thousand in 2014, €5 thousand in 2013) 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 "Gains/losses on disposal of investments" (-€3.5 thousand in 2014, -€1.2 thousand in 2013).

Efficiency indices

Items	2014	2013	Chg.
Operating costs/Net interest and other banking income (%)	36.5	31.7	+4.8
Payroll/Net interest and other banking income (%)	24.0	21.6	+2.4
Average cost per employee (thousands of Euros)	78.5	78.0	+0.5
Net interest and other banking income/average number of employees (thousands of Euros)	351.0	386.8	-35.9
Positive total/average number of employees (thousands of Euros)	22,271	23,032	-760.7

Net of the operating costs the Operating Income stood at €17.515m, a decrease of €3.584m (-17.0%) 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	31.12.2014	31.12.2013	Chg.	Chg. %
NET IMPAIRMENT ADJUSTMENTS ON:	(14,870)	(17,785)	+2,915	-16.4
a) loans and advances	(14,106)	(17,731)	+3,625	-20.4
b) financial assets available for sale	(761)	(63)	-698	+1,102.2
c) financial assets held to maturity	-	-	-	-
d) other financial transactions	(3)	10	-13	-126.0
NET INCOME (LOSS) ON DISPOSAL OR REPURCHASE OF	137	(1,042)	+1,179	-113.2
a) loans and advances	137	(1,042)	+1,179	-113.2
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(148)	(20)	-128	+641.8
NET ADJUSTMENTS ON FINANCIAL ACTIVITIES	**(14,881)**	**(18,846)**	**+3,965**	**-21.0**

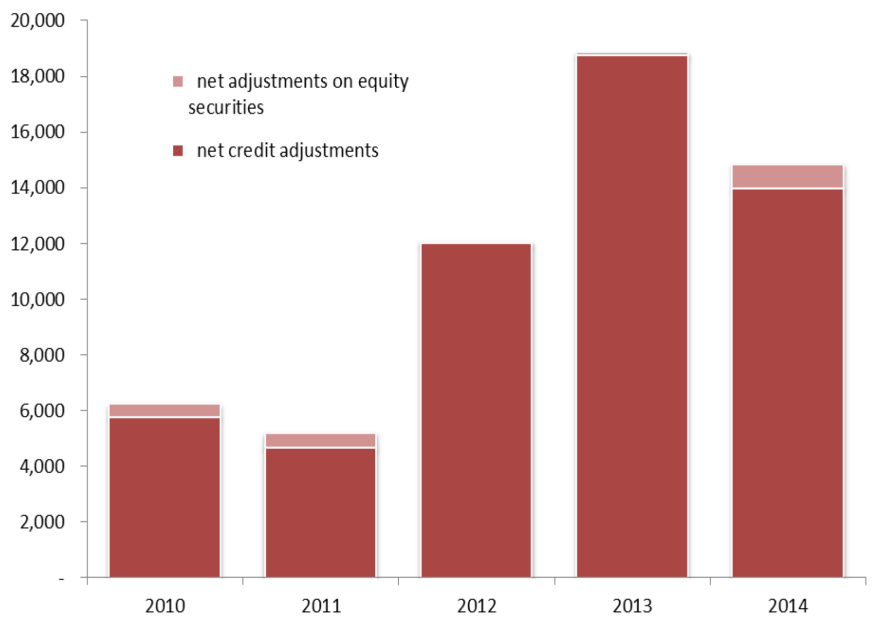
The analytical valuation (for which the valuation of non-performing loans was carried out by discounting the anticipated inflows) produced value adjustments of €24.3m and write-backs of €5.5m.
The percentages applied to the value adjustment of portfolios resulted from a specific calculation procedure, prudentially maintaining for "substandard loans" - for which an analytical valuation was carried out - the higher percentage adopted for the financial statements as at 31/12/2013, considering the ongoing unfavourable economic cycle. This led to net recoveries totalling €4.5m.
During the year, collections on doubtful loans were recorded, which reverted to losses in previous periods for €322 thousand, while losses reported in the income statement amounted to approximately €72 thousand.
A write-back of €2 thousand was recorded in relation to guarantees provided. About €1 thousand were allocated to the national guarantee fund for interventions already resolved (item 130.d).
The impairment test on equities available for sale led to a loss on equity investments considered durable for €761 thousand, due to the reset of the share capital of Green Hunter Group Spa (€437 thousand), the Close-ended Real Estate Fund Clesio (€183 thousand), Koelliker Spa (€105 thousand) and Aedes SpA (€37 thousand).
The equity method valuation of equity investments generated net losses amounting to €148 thousand: €68 thousand related to the subsidiary Paradisidue, €76 thousand related to the affiliated Essedi strategie d'impresa and €5 thousand related to the affiliated Biorendena.
The sale of doubtful loans generated profit amounting to €137 thousand.

The total net value adjustments on financial assets reached €14.9m, compared to €18.8m in the previous year (-21.0%).

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

		2014 Adjust.	2014 Write-offs	2014 Net effect	2013 Adjust.	2013 Write-offs	2013 Net effect
a)	**LOANS AND ADVANCES**	**24,380**	**10,274**	**(14,106)**	**26,082**	**8,351**	**(17,731)**
	- analytical valuation	24,290	5,479	(18,811)	24,360	5,584	(18,776)
	- lump sum valuation	-	4,473	4,473	1,506	1,898	391
	- loan losses	72	-	(72)	215	-	(215)
	- «country risk» valuation	8	-	(8)	-	-	-
	- initial FV of loans granted at an interest rate lower than the market rate	10	-	(10)	0	-	(0)
	- collection from transactions concluded in prior periods	-	322	322	-	869	869
b)	**ASSETS AVAILABLE FOR SALE**	**761**	**-**	**(761)**	**63**	**-**	**(63)**
	- valuation of equity securities	761	-	(761)	63	-	(63)
c)	**ASSETS HELD TO MATURITY**	**-**	**-**	**-**	**-**	**-**	**-**
d)	**OTHER TRANSACTIONS**	**3**	**-**	**(3)**	**-**	**10**	**10**
	- valuation of financial guarantees	2	-	(2)	-	10	10
	- allocations for interventions resolved FITD	1	-	(1)	-	-	-
e)	**NET INCOME (LOSS) ON DISPOSAL OF:**	**-**	**137**	**137**	**1,539**	**497**	**(1,042)**
	- loans	-	137	137	1,539	497	(1,042)
f)	**NET INCOME (LOSS) FROM EQUITY INVESTMENTS**	**148**	**-**	**(148)**	**24**	**4**	**(20)**
	TOTALS	**25,292**	**10,411**	**(14,881)**	**27,708**	**8,862**	**(18,846)**

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

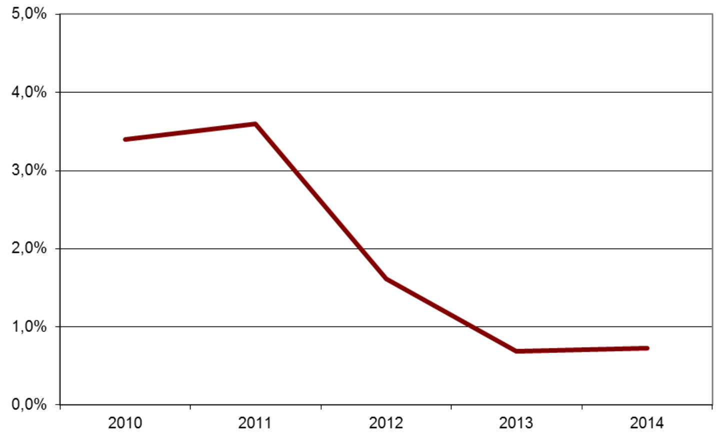


Income for the period

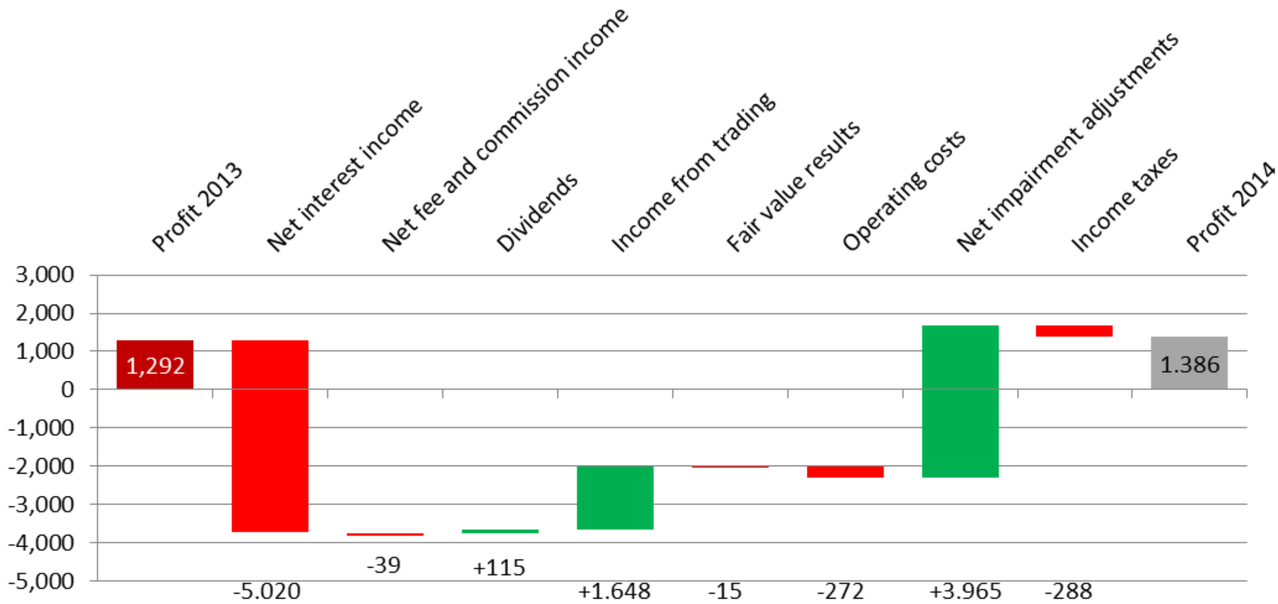
Net profit before taxes came to €2.634m, up by 17.0% against 2013.

The net profit for the period was €1.386m which, after calculating income taxes, increased by €94m (+7.3%) against the result recorded at 31st December 2013 (€1.292m). Income taxes for the period came to €1.248m, equal to a tax rate of 47.4% compared to 42.6% in 2013.

Trend for ROE



Comparison net profit 2014 and 2013



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Reserves increased by €107 thousand due to attribution of the net profit for 2013, while valuation reserves decreased by €194 thousand due to the adaptation of fair value of assets available for sale and the 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, stable when compared to the figure for 2013.

(in thousands Euro)

	Items	Dec 2014	Dec 2013	Chg.
130.	Valuation reserves	5,740	5,934	-194
160.	Reserves	94,712	94,605	+107
170.	Additional paid-in capital	29,841	29,841	-
180.	Capital stock	58,485	58,485	-
200.	Income for the year	1,386	1,292	+94
	Total equity	**190,164**	**190,157**	**+7**

Following the Shareholders' Meeting of 14th April 2014, dividends on the overall amount of €1,124,704.00, equal to €0.010 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 9th June 2014.

Own funds requirements

The regulatory framework on Regulatory Capital (so-called Basel II) were scrapped in 2014 and replaced by the new regulations on Own Funds in application of the changes introduced by Directive no. 2013/36/UE related to prudential supervision of the banks (CRD - so-called Basel III). The new regulations guarantee significant advantages in terms of weighting of the assets with counterparties from the retail and SME sectors.
Own funds as well as the capital ratios were calculated on the data taken from the financial statements prepared in application of the international accounting standards IAS/IFRS and the new regulatory framework.
Data for 2013 was recalculated for comparison purposes in accordance with the new regulations. In order to provide a historical comparison, the Regulatory Capital and the Total Capital Ratio according to Basel II were also included.

(in thousands Euro)

Items	Dec 2014	Dec 2013	
		Basel III	Basel II
Common Equity Tier 1 (CET1)	186,794	186,824	
Additional Tier 1 (AT1)	-	-	
Total Tier 1 capital	**186,794**	**186,824**	
Tier 2 capital (T2)	601	779	
Own funds	**187,396**	**187,603**	**187,800**
CET1 ratio	16.34	15.32	
T1 ratio	16.34	15.32	
Tier1	-	-	15.07
Total capital ratio	16.40	15.39	15.50

Own funds amounted to €187.4m; net of the minimum regulatory requirements, their residual value was as follows:

- €135.4m with respect to the 4.5% threshold set for CET1, reduced to €106.8m to take into account the 2.5% additional conservation buffer;
- €118.2m with respect to the 6.0% threshold set for total tier 1 capital and
- €96.0m with respect to the 8.0% threshold set for own funds

which are considered adequate to ensure the development of the business activity and future compliance of the minimum equity requirements established by Basel III.

Dynamics of own funds

	2014
Opening tier 1 capital	**186,824**
Capital stock increase (+)	-
Capital stock reduction (-)	-
Distributed income (-)	(1,307)
Dividends paid out in shares (+)	-
Income for the year (+)	+1,386
Change in Bank's creditworthiness (-)	-
Change in overall profitability:	(577)
Assets available for sale	(443)
Defined benefit plans	(134)
Other	-
Changes in goodwill and other intangible assets	+25
Changes in the impact of the transitional transitional regime	+443
Losses not incurred measured at fair value	-
Profit not obtained measured at fair value	+443
Deduction of deferred tax assets that depend on future profitability and do not derive from temporary differences.	-
Deferred tax assets that depend on future profitability and derive from temporary differences in existence as at 1st January 2014	-
Changes in additional tier 1 capital (AT1)	-
Other changes	+0
Closing tier 1 capital	**186,794**

Opening tier 2 capital	**779**
Share capital increases that cannot be included in tier 1 capital (+)	-
Share capital decreases that cannot be included in tier 1 capital (-)	-
Changes in the impact of transitional regime:	
Filters and deductions provided for by national regulations in accordance with Basel II (so-called prudential filters)	(177)
Depreciation changes	-
Other changes	-
Closing tier 2 capital	**601**
Own funds	**187,396**

Rating

The ratings given to the Bank as at 31st December 2014 were as follows:

Moody's Investor Service

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

Fitch ratings

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

In the first months of 2015, rating agencies updated their methodologies to rate the banks, reducing or removing the component related to the support by public shareholders, in the light of the introduction in the EU of the "Bank Recovery and Resolution Directive" (BRRD). For Mediocredito this means a review to BB- Stable by Fitch and the notification of a review by Moody's.

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 business model, operates in a moderate 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 Investment Committee 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 2014, 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 2014 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.
A Service Agreement is in effect between the internal auditing function and the compliance function of the Bank in order to avoid duplication in their monitoring responsibilities and obtain better efficiency in the control process. To this purpose, a new IT tool was adopted, which includes specific functions devoted to the level 1 controls system.

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.
In addition to the traditional risk management and non-compliance activity, in 2014 the compliance function focussed on implementing the 15th update of the Bank of Italy's Circular no. 263/2006 on internal control system, IT system and operational continuity as well as on upgrading the regulatory reference framework and updating / improving the operating processes associated with the law provisions against usury, privacy and money laundering (Legislative Decree of 21 November 2007 and subsequent implementation provisions issued by the Supervisory Authority).

RISK MANAGEMENT ACTIVITY

The management and monitoring of the overall risks for the Bank is entrusted to the "Risk Management" function which in the current organisational chart reports directly to the Board of Directors (responsibility for the overall monitoring of the risk management and control system), with a reporting line into the General Management. The "Risk Management" function attends the board committees in charge of assessing and managing risks and, particularly, the Credit Risk Management 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 Supervisory Authority.

In 2014, there were activities articulated over three main areas of intervention, namely:

- implementing the 15th update of the Circular no. 263/2006, Title 5, Chapters 7, 8 and 9 "Internal control system, IT system and operational continuity"; given the extent of the regulations on Internal Control Systems, the decision was made to comply first with the

Circular particularly in terms of preparation, definition and drawing up of the Bank's risk appetite framework (RAF);

- risk measurement, assessment and control system correlated to the obligations and compliance with the Internal Capital Adequacy Assessment Process (ICAAP), monitoring and management reporting;
- carrying out the Risk Management controls in accordance with the internal rules on the Credit Risk Mitigation policies;
- monitoring the risks on investment services.

COMPLIANCE WITH REGULATIONS

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

Internal Regulations require to oversee the regulatory risk related to the Tax Register (Presidential Decree no. 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.
The submission to the Inland Revenue of the reports as at 31.12.2012 was carried out on 27.03.2014, as prescribed in the regulations.

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

In 2014, no particular activities need to be highlighted in relation to Legislative Decree no. 231/2001. However, pursuant to the new supervisory provisions (Circular no. 263/2006 - 15th Update) it is hereby mentioned that the Board of Auditors was entrusted with the functions of the Supervisory Authority, previously carried out by the Committee in accordance with Legislative Decree no. 231/2001. The Board of Auditors.

Circular no. 263 of 27th December 2006 - 15th Update

Through the 15th Update of the Circular no 263/2006, the Bank of Italy summarised and updated the provisions on the internal control system, the IT system and the operational continuity in the chapters 7, 8 and 9 of Title 5.
The provisions give a holistic overview of the principles and regulations, most of them already in effect, on which the internal control systems must be based, namely:

- 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 related 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 management of the outsourced corporate functions and related monitoring, aimed at mitigating the risks deriving from the outsourcing of activities or services.

On the basis of the gap analysis sent to the Bank of Italy, during the year the Board of Directors approved the compliance of the internal policies and procedures by the deadlines set by the Supervisory Authority.
More specifically, the following were implemented or updated:
- the operating process aimed at defining the "RAF" ("Risk Appetite Framework"), which sets the risk/return objectives ex ante that the Bank intends to pursue and the consequent operational limits;
- the regulations to prepare the RAF, which defines the timings and the methods to upgrade the regulations and the tasks entrusted to the corporate bodies and functions, including the linking/coordination phases between RAF and ICAAP;
- the governance regulations to: define the tasks entrusted to the corporate bodies and functions, formalise the information flows and the coordination/collaboration methods between the control functions, upgrade the allocation of the corporate control functions, identify the contact person for the outsourced activities and formalise their tasks;
- internal regulations that govern the functioning of the varies corporate control functions (Internal auditing, Compliance and Risk Management);
- classification, valuation and management criteria for impaired exposures, identifying the responsible units and integrating the credit process establishing specific procedures to accurately identify the interventions to be implemented in case of impairment of risk positions;
- the assessment policy for the risk of non-compliance with tax regulations;
- the process (managers, procedures, conditions) to approve the investments in new products, the distribution of new products or services or the starting of new activities or entering new markets;
- the policy for the outsourcing of corporate functions;
- the policy that governs the management of IT technology, which identifies the roles and responsibilities of the bodies and individual corporate functions, sets the guidelines to define the architectural model and the Bank's strategic policies (sourcing strategies, risk propensity, strategic objectives, etc.) and provides directives for analysing IT adequacy and safety.

Provisions on the disclosure of banking information and traceability of banking transactions (Provision issued by the Italian Data Protection Authority no. 192 of 12/02/2011)

Through Provision no. 192 of 12th May 2011, the Italian Data Protection Authority, pursuant to Article 154, paragraph 1, letter c) of Legislative Decree no. 196/2003 (hereinafter "Consolidated Data Protection Act") introduced a series of necessary and appropriate measures to be adopted by the managers in charge of data protection.
The most important features are shown below:
- the outsourcer is responsible for the handling and traceability of transactions;
- the tracking log of the transactions must be kept and alert systems implemented;

- disclosure and communication to customers;
- communication of breaches to the Data Protection Authority;
- internal control audit - Periodic Reports.

The Bank - in its capacity as data holder - put in place the necessary actions to update procedures and supervision to the provisions set out.

Public system to prevent, on an administrative level, fraud in the consumer credit sector, with specific reference to identity theft (Legislative Decree no. 141 of 13th August 2010)

The Decree by the Italian Ministry of Economy and Finance no. 95, published on the Official Gazette on 19th May 2014, establishes the execution and implementation provisions for the fraud prevention system, set forth in Article 30-ter of Legislative Decree no. 141 of 13th August 2010.
Thanks to this system, it is possible to:

- verify the identification data of people, the identification documents, income, social security and welfare data;
- share information on fraud received or fraud risks;
- set up / prepare statistics to study the phenomenon on aggregate and anonymous data.

The provision is aimed at banks and financial intermediaries included in professional registers and in the supervisory registers held by the Bank of Italy. These entities must comply with the Public Fraud Prevention System and have the duty to query the system to verify the authenticity of the data included on the documentation provided by the individuals applying for a loan.
Conversely, members can send a request to the managing body to verify the authenticity of the data included on the documentation provided by individuals.
The following document are subject to verification: identity and recognition documents, VAT numbers, tax codes and documents certifying income only for the purposes meant by this legislative decree, contribution, welfare and social security data.
Article 11 of the provision regulates the information on frauds received and the information on fraud risk. The so-called fraud risk occurs when three or more inconsistencies are detected whilst verifying the authenticity of the data provided by the person requiring the operation.
On this point, the Bank has signed a specific agreement with the managing body (CONSAP) to join the system.

Usury (Law no. 108 of 7th March 1996)

Following also the decision no. 350/2013 of the Italian Court of Cassation and subsequent decisions by the merit judges, the operational and regulatory set up supervising the anti-usury legislation was reviewed (Law no. 108 of 7th March 1996).
The outcome of the compliance audits showed that the procedural and IT set-up adopted by the Bank is adequate. However, a series of actions have been identified and put in place to improve and integrate the control activities both at IT system level and at operational process level.

Foreign Account Tax Compliance Act (FATCA)

FATCA is a law introduced in the United States to prevent US citizens from hiding their revenues to the US tax authorities taking advantage of foreign vehicle companies.
At European level, an intergovernmental agreement was entered into with the aim of exchanging automated information that financial institutions must provide to their tax authorities in relation to identifying customers when opening new accounts.
Through a specific decree, the Italian Ministry of Economy and Finance specified the data subject to notification and the communication duties to the Inland Revenue for financial institutions.
With respect to these regulations, the Bank is in the low risk category (local financial institutions); its duty is therefore to register the customer checks with the FATCA system but it has no communication duty.
However, the Bank made some organisational, procedural and IT changes aimed at supervising risk, especially in the phase of entering and identifying customers when opening new bank accounts.

Legality rating (Ministerial Decree no. 57 of 20th February 2014)

The Ministerial Decree no. 57 of 20th February 2014, which came into effect on 8th April 2014, establishes the methods for assigning the legal rating, giving operational force to the "Regulations on the identification of the methods on the basis of which the legal rating assigned to businesses is taken into account when granting loans by the public administration and giving access to banking credit, pursuant to article 5-ter, paragraph 1 of Law Decree no. 1 of 24th January 2012, converted through amendments by Law no. 27 of 24th March 2012".
The decree establishes the regulations that the Bank must follow when an entity with a legal rating applies for a loan in terms of internal processes with evidence of the effect on creditworthiness, on timings for the access to credit and related costs. According to these Regulations, the Bank "include the legality rating among the factors used to decide whether to grant credit to the business and to establish the economic conditions for credit disbursement and review, when it is considered relevant in relation to the performance of the credit relation".
The regulations establishes also that credit institutions that do not take into account the legal rating when granting loans to businesses must provide a detailed report to the Bank of Italy explaining the reasons for the decision by 30th June of each year. This report will also be published on the bank's website.
Compared to the current provisions, the Bank integrated its internal processes and regulations defining specific procedures governing the granting of credit to entities with a legality rating with evidence and traceable impact of the rating in terms of investigation timings and costs and definition of the creditworthiness.

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

On 1st January 2014, the new provisions relating to customer due diligence, set forth in the Provision by the Bank of Italy of 3rd April 2013 came into force. Added to the provisions relating to the organisation and maintenance of the Single Digital Archive (AUI), these new provisions complete the picture of the regulatory standards of competence of the Supervisory Authority, as provided by primary anti-money laundering legislation (Legislative Decree no. n. 231/2007).

The Bank updated its procedural and IT system to said provisions.

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).

In relation to MiFID - Markets in Financial Instruments Directive 2004/39/EC - Mediocredito maintains policies and operational procedures, which were completed in the early months of 2014 and comply with 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.

Basel III (Bank of Italy's Circular no. 285/2013)

Regulation (EU) No 575/2013 ("CRR") which introduces the rules defined by the Basil Committee on banking supervision regarding capital adequacy (First Pillar) and public disclosure (Third Pillar) (so-called Basel III) applies since 1st January 2014. The CRR is integrated by Directive no. 2013/36/UE ("CRD IV"), the Regulatory Technical Standards (RTS) and the Implementing Technical Standards (ITS).

The new regulation retains the rules of the previous Agreement (so-called Basel II) and strengthens them in terms of:

1. supervision of the quality and quantity of the banking capital,
2. limiting the financial leverage and
3. controlling the liquidity risk,

softening at the same time their potential pro-cyclical effects.

More in details, the capital strengthening was achieved by rearranging the structure of own funds in favour of the tier 1 capital (now CET1), establishing higher minimum requirements for the CET1 itself and introducing the duty to maintain asset resources in excess of the minimum requirements (capital buffers). To partially soften the tougher capital requirements, a new corrective factor of 76.19% was introduced (so-called supporting factor) to be applied by small and medium-sized enterprises to further reduce the weighted value for the risk of exposures.

With regards to containing the financial leverage, a limit was set in terms of tier 1 capital which, starting from 2018, must at least equal 3% of the assets.

Two new rations were introduced for the control of liquidity risk:

- Liquidity Coverage Ratio (LCR) to control the liquidity risk within 30 days; the limits of this ratio, calculated in a hypothesis of stress data, start from 60% for 2015 and will be gradually increased up 100% in 2019;
- Net Stable Funding Ratio (NSFR) to verify the balance between stable borrowing sources and the medium/long term need. Starting from 2018, this ratio will have to be at least 100%.

Following the introduction of these changes, the Bank updated the processes to prepare its information bases and to correctly identify the risk portfolios: more specifically, the positions towards SMEs were accurately identified, acquiring from an external provider the data required to verify the compliance with the parameters used to classify the customers in this portfolio.

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 related monitoring activity continued also in 2014.
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 2014, 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. 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 terms - also introducing stress hypotheses - 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;
- confirmation of the capital adequacy and the absence of significant impacts in prospective capital terms of the new supervisory regulations - Basel III.

Third Pillar

In the course of 2014, the Bank has prepared and published the report relating to the third Pillar of the Basel II framework, i.e. public disclosure, as at 31/12/2013.

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 Board of Auditors 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.

To this regard, Mediocredito kept Italy as *country of origin* and, in application of Law no. 262/2005 on savings, has appointed the manager responsible for preparing the company’s financial reports.

Risk assets and conflicts of interest in respect of related parties (Bank of Italy’s Circular no. 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.

The company policy, which combines also the provisions of art. 36 of the Consolidated Financial Act, 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) is in place to give mandatory but non-binding opinion in respect to all transactions with related parties. 5 non-negative opinions were given in 2014.

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:

- the identification and assessment of the 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 presence of a supervisory board, with the aim of verifying the functionality and efficiency of the organisational and management model;
- 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 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 4th 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 whose review has implemented the new regulations introduced by the Bank of Italy's Circ. no. 285/2013 and, as far as the Bank is concerned, mainly refers to the criteria for the composition and self-assessment of the Administrative Board.
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.

a) "Corporate Government Project": information on the 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 Internal Audit, the Control Committee, the Credit Risk Management Committee, the ALCO Committee, the Investment Committee as well as the Compliance and Risk Management Functions.

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 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 officer in charge with the departments of Internal Auditing, 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 the changes to the organisation and the statutes linked to the appointment of the Manager in charge, in application of the Savings Law (Law no. 262/05), the Bank refers to the models generally recognised and accepted at international level (CoSO Framework and CObiT) for the ongoing review of the procedural and control structure.
With regards to assessing the adequacy of the IT system, the Bank has outsourced the IT Audit service to Federazione Trentina delle Cooperative which employees adequate resources specialised on this matter and ensures compliance of its analysis and assessment methods with the CObiT standard issued by the international Information Systems Audit and Control Association (ISACA).

EXPECTED BUSINESS TREND AND R&D ACTIVITIES

Even though the first signs of a timid growth and of an improvement in climate and expectations are starting to appear, the permanent economic stagnation which is delaying the ending of the crisis and - at least so far - has particularly affected competitiveness and internal demand, even in the rich areas of North-eastern Italy, will continue to influence the Bank's operations and performance also in 2015.

The financial markets, which in 2014 were still marked by a high degree of uncertainty and volatility, seem to be starting on a virtuous path supported also by the extensive measures planned and put in place by the European Central Bank (Quantitative Easing). As a result, the yield of European Government securities are reducing fast, and the spread of Italian and Spanish securities against the German ones is decreasing to less than 100 bp, going back to pre-crisis levels. In this context, marked by a renewed trust boosted by the expected structural reforms in our country, Italian banks are effectively starting to have easier access to the international funds market at lower costs. However, short-term refinancing operations will continue to be widely used with the ECB (which has guaranteed their total hedging up to the end of 2016) and so will long-term targeted operations (TLTRO).

In this scenario, still characterised by a generalised 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 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. With regards to deteriorated loans, a less negative trend is expected.

Profitability will be characterised by 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.

The financial requirements, with the related liquidity risk will be moderate, thanks also to the implementation of funding repositioning policies through the placement of important tranches of medium-term bonds as part of the EMTN programme, which took place in January 2015 - seizing the improved opportunities offered by the wholesale market - and the opportunity to access the ECB's long-term targeted refinancing operations. These operations will represent also an important tool to leverage the timeframe of the liabilities and to reduce the cost of procurement.

As part of the treasury management activities and in order to prevent the risk of short-term liquidity, Mediocredito has also strengthened 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, the Bank will be involved in:

- updating to the regulations issued by the Bank of Italy through the 1st update of Circular no. 285/2013 of 6th May 2014 related to the organisation and corporate governance of banks which incorporates the changes made to the Directive no. 2013/36/UE (CRD4);
- implementing - in accordance with the 7th update of the Bank of Italy’s Circular no. 272/2008 - the changes to the definitions of impaired financial assets to bring them in line with the new concepts of non-performing exposures and forbearance introduced by the implementing technical standards on the harmonised consolidated supervisory statistical disclosures defined by the European Banking Authority and approved by the European Commission on 9th January 2015;
- starting, when perfected, the disclosure of the losses historically recorded on the default positions, in accordance with the Bank of Italy’s Circular no. 284/2013, to create an archive that collects data on the debt recovery carried out by the supervised intermediaries so that the loss rates historically recorded can be calculated on impaired positions. This in connection with the new impairment accounting model based on expected losses replacing the model based on incurred losses.

With respect to the strategic objectives, the forecast period of the business plan 2010-2013 was concluded. The preparatory activities aimed at creating a new corporate and organisational structure for the Bank have been under way since early 2014 between members of the Government of the Region and of the Autonomous Provinces and the Cooperative Credit, which will lead to the drawing up of the new Business Plans.

PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

Dear Shareholders,

the net distributable profit for 2014 amounts to €1,386,024.64 in addition to freed reserves under Article 6, paragraph 2 of Legislative Decree no. 38/05 available for €58,556.98.
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, taking into account the indications of the Supervisory Authority, 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	€	**1,386,024.64**
- non-distributable reserves under article 6, paragraph 2 Legislative Decree no. 38/2005 freed during the year	€	+58,556.98
- allocation to non-distributable reserves under article 6, paragraph 2 of Legislative Decree no. 38/2005	€	-
Distributable amount	**€**	**1,444,581.62**
- 5% to the legal reserve	€	72,229.08
- at the disposal of the Board of Directors for undertakings as per Article 21 of the By-laws	€	70,000.00
- dividend to distribute to shareholders (€0.011 for the 112,470,400 shares, which correspond to 2.115% of their nominal value)	€	1,237,174.40
- allocation to the extraordinary reserve	€	65,178.14

We propose to begin paying dividends starting from 15th June 2015.

Following the aforementioned distribution, the equity as at 31.12.2014 is as follows:

- share capital	€	58,484,608.00
- additional paid-in capital	€	29,841,458.06
- legal reserve	€	19,093,007.66
- statutory reserves	€	54,106,972.95
- valuation reserves	€	5,739,788.57
- reserves from the reclassification of risk provision	€	18,936,305.62
- reserve from the FTA as per Legislative Decree no. 38/2005	€	2,273,855.22
- reserve as for IAS 8	€	380,695.00
- non-distributable under article 6, paragraph 2 of Legislative Decree no. 38/2005	€	-
Total	**€**	**188,856,691.08**

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 14th 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 24th 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 financial statements during 2014.

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 - European Medium Term Notes 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 31st December 2014 has been based on procedures consistent with the reference standards of the internal control system of the Bank.

3. The parties further declare that:
   3.1. The financial statements:
      a) have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union under EC Regulation No. 1606/2002 of the European Parliament and Council of 19th 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 2015

Il Presidente
del Consiglio di Amministrazione

Franco Senesi

Il Dirigente Preposto alla redazione dei
documenti contabili societari

Leo Nicolussi Paolaz

INDEPENDENT AUDITOR'S REPORT

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Mediocredito Trentino – Alto Adige SpA

1 We have audited the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2014, 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 21 March 2014.

3 In our opinion, the financial statements of Mediocredito Trentino – Alto Adige SpA as of 31 December 2014 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 preparated clearly and give a true and fair view of the financial position, result of operations and cash flows of Mediocredito Trentino – Alto Adige SpA for the 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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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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 2014.

Padua, 20 March 2015

PricewaterhouseCoopers SpA

Signed by
Alessandra Mingozzi
(Partner)

This report has been translated into English from the Italian 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 2014 in accordance with Legislative Decree No. 38 of 28th 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 2014 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 22nd 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 26th April 2010.
For comparative purposes, the financial statements show the equivalent figures for the financial year 2013.

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 2014 the Board of Directors met ten times and the Executive Committee eight times.
3. The statement of financial situation as at 31st December 2014 can be summarised as follows:

Statement of financial position				
Total assets			Euro	1,750,976,624.45
Debts and funds	Euro	1,560,812,758.97		
Capital and reserves	Euro	188,777,840.84	Euro	1,749,590,599.81
Income for the year			Euro	1,386,024.64
Income statement				
Net interest and other banking income			Euro	27,730,485.64
Value adjustments			Euro	(14,869,958.19)
Operating costs			Euro	(10,075,024.58)
Revenues from equity investments, property, plant and equipment and intangible assets			Euro	(151,635.45)

Income taxes	Euro	(1,247,842.78)
Income for the year	Euro	1,386,024.64

4. Over the financial year 2014 there have been equity changes owing to:
   - Recognition of €106,938.38 in reserves from the profits in 2013 (part of the profit not distributed);
   - Net recognition of €60,006.13 net with a negative sign related to the valuation of the securities available for sale and of €133,978.73 with a negative sign related to defined benefit plans (severance indemnities);
   - Distribution of profit for a total €1,184,704.00;
   - In addition, the profit amounted to €1,386,024.64 for the year 2014.

   The equity of the Bank as at 31st December 2014 amounted to €190,163,865.48 made up from:
   - Share capital – item 180: €58,484,608.00
   - Additional paid-in capital – item 170: €29,841,458.06
   - Reserves – item 160: €94,711,986.21
   - Valuation Reserves – item 130: €5,739,788.57
   - Profit for the year – item 200 €1,386,024.64
5. Own Funds entered into the financial statements as at 31st December 2014 were calculated applying the regulations introduced by the Directive no. 2013/36/UE related to prudential supervision of the banks (CRD IV - so-called Basel III).
   The result obtained shows that own funds as at 31 December 2014 decreased, compared to 31st December 2013 (recalculated on the basis of the new regulations), by €207,306 to €187,395,926: the solvency ratio as at 31.12.2014 was 16.40% compared to 15.39% of 2013 (recalculated). 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 considers this disclosure and related processes adequate to the transparency needs, also in relation to the indications included in the documents issued by the Italian Supervisory Authorities.
   The valuation process of financial assets has produced the following results in relation to the income statement:

	Adjust.	Write-offs	Net effect
Loans (analytical adjustments)	(24,372,395.06)	5,800,876.48	(18,571,518.58)
Loans (net collective adjustments)	(7,620.08)	4,472,935.28	4,465,315.20
Assets available for sale	(761,169.23)	-	(761,169.23)
Other operations (signature loans)	(2,585.58)	-	(2,585.58)
Total	(25,143,769.95)	10,273,811.76	(14,869,958.19)

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 in application of the current tax regulations. 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 (Bank of Italy’s Circular no. 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 regulations on the subject of business continuity and disaster recovery, in 2014 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 2014 the Board of Auditors held six 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 2015, 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 oversaw the observance of the regulations on professional services and investment activities with the public, the regulations in accordance with Legislative Decree no. 231/2001, following also the newly assigned functions of Supervisory Body during the year, relating to the administrative responsibility of legal entities for crimes committed by individuals with senior positions or by individuals subject to their direction or supervision and of the regulations pursuant to Legislative Decree no. 231/2007 and the overall adequacy of the supervision of the money laundering risk of which there are no signs or deeds, which the individual came to knowledge while exercising their role, which may represent a breach of the regulatory provisions.

13. In 2014, 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 accompanies the financial statements is drafted in compliance with the current regulations. 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 2014. 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 financial statements on 31st December 2014 by the independent auditor PricewaterhouseCoopers S.p.A. on 20th March 2015, which contains no critical aspects. Based on the work done as statutory auditor of the financial statements at 31st December 2014, 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 PricewaterhouseCoopers 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 2015

Stefan Klotzner	Hansjörg Verdorfer	Renato Beltrami
Presidente	Sindaco effettivo	Sindaco effettivo

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION – ASSETS

	Assets	31.12.2014	31.12.2013
10.	CASH AND CASH EQUIVALENTS	6,162	2,008
20.	FINANCIAL ASSETS HELD FOR TRADING	696,311	902,063
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	374,259,960	414,443,988
60.	LOANS AND ADVANCES TO BANKS	147,933,436	108,908,563
70.	LOANS AND ADVANCES TO CUSTOMERS	1,202,604,294	1,291,866,710
100.	EQUITY INVESTMENTS	122,600	170,712
110.	PROPERTY, PLANT AND EQUIPMENT	10,704,290	11,343,131
120.	INTANGIBLE ASSETS	173,773	198,504
	Of which:		
	- goodwill	-	-
130.	TAX ASSETS	12,908,649	9,989,902
	(a) current	1,799,768	1,077,891
	(b) deferred	11,108,881	8,912,011
	as for Law 214/2011	-	-
150.	OTHER ASSETS	1,567,149	2,203,641
	TOTAL ASSETS	**1,750,976,624**	**1,840,029,222**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded.

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	Equity and liabilities	31.12.2014	31.12.2013
10.	DUE TO BANKS	766,585,399	691,767,470
20.	DUE TO CUSTOMERS	185,998,107	188,485,389
30.	DEBT SECURITIES IN ISSUE	594,827,413	753,350,986
40.	FINANCIAL LIABILITIES HELD FOR TRADING	708,615	937,734
80.	TAX LIABILITIES	6,711,213	7,019,766
	(a) current	-	-
	(b) deferred	6,711,213	7,019,766
100.	OTHER LIABILITIES	3,307,186	5,797,926
110.	PROVISION FOR SEVERANCE INDEMNITY	1,546,435	1,405,063
120.	PROVISIONS FOR RISKS AND CHARGES	1,128,390	1,108,359
	(a) pension fund and similar provisions	-	-
	(b) other provisions	1,128,390	1,108,359
130.	VALUATION RESERVES	5,739,789	5,933,773
160.	RESERVES	94,711,986	94,605,048
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 (+/-)	1,386,025	1,291,642
	TOTAL EQUITY AND LIABILITIES	**1,750,976,624**	**1,840,029,222**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded. The Algebraic sum of discrepancies due to rounding off is equal to -€2 and is booked to “other liabilities”.

INCOME STATEMENT

	Items	31.12.2014	31.12.2013
10	INTEREST INCOME AND SIMILAR REVENUES	43,650,516	51,564,967
20	INTEREST EXPENSE AND SIMILAR CHARGES	(23,916,295)	(26,438,175)
30	NET INTEREST INCOME	**19,734,221**	**25,126,792**
40	FEE AND COMMISSION INCOME	1,374,438	1,400,882
50	FEE AND COMMISSION EXPENSE	(1,255,924)	(1,615,472)
60	NET FEE AND COMMISSION INCOME (EXPENSE)	**118,514**	**(214,590)**
70	DIVIDENDS AND SIMILAR INCOME	228,185	113,170
80	NET TRADING INCOME	77,969	138,839
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	7,571,597	4,683,997
	a) loans and advances	137,019	(1,041,908)
	b) financial assets available for sale	7,434,578	5,572,949
	c) financial assets held to maturity	-	-
	d) other financial liabilities	-	152,956
110	NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE	-	15,039
120	NET INTEREST AND OTHER BANKING INCOME	**27,730,486**	**29,863,247**
130	NET IMPAIRMENT ADJUSTMENTS ON:	(14,869,958)	(17,784,622)
	a) loans and advances	(14,106,203)	(17,731,269)
	b) financial assets available for sale	(761,169)	(63,315)
	c) financial assets held to maturity	-	-
	d) other financial transactions	(2,586)	9,962
140	NET INCOME FROM FINANCIAL ACTIVITIES	**12,860,528**	**12,078,625**
150	ADMINISTRATIVE COSTS:	(9,704,847)	(9,836,907)
	a) payroll:	(6,627,526)	(6,686,733)
	b) other administrative costs	(3,077,321)	(3,150,174)
160	NET PROVISIONS FOR RISKS AND CHARGES	(131,011)	487,318
170	NET ADJUSTMENT TO PROPERTY, PLANT AND EQUIPMENT	(689,892)	(718,617)
180	NET ADJUSTMENT TO INTANGIBLE ASSETS	(75,651)	(378,784)
190	OTHER OPERATING CHARGES/INCOME	526,376	641,529
200	OPERATING COSTS	**(10,075,025)**	**(9,805,461)**
210	PROFIT (LOSS) FROM EQUITY INVESTMENTS	(148,112)	(19,967)
240	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	(3,523)	(1,153)
250	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	**2,633,868**	**2,252,044**
260	INCOME TAXES ON CURRENT OPERATIONS	(1,247,843)	(960,402)
270	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**1,386,025**	**1,291,642**
290	**NET INCOME (LOSS) FOR THE YEAR**	**1,386,025**	**1,291,642**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded.

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2014	31.12.2013
10.	NET INCOME (LOSS) FOR THE YEAR	**1,386,025**	**1,291,642**
	Other comprehensive income, net of taxes without reversal to income statement		
40.	DEFINED BENEFITS PLANS	(133,979)	49,052
	Other comprehensive income, net of taxes with reversal to income statement		
90.	CASH FLOW HEDGES	-	293,149
100	FINANCIAL ASSETS AVAILABLE FOR SALE:	(60,006)	(625,435)
	- Equity securities	372,383	34,778
	- Investments in UCITS	42,631	(30,010)
	- Debt securities	(475,020)	(630,203)
130.	**TOTAL OTHER POST TAX COMPONENTS OF INCOME**	**(193,985)**	**(283,234)**
140.	**TOTAL COMPREHENSIVE INCOME (Item 10+130)**	**1,192,040**	**1,008,408**

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

The components related to "equity securities", "investments in UCITS" 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.

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY 31/12/2013 – 31/12/2014

	Balance on 31.12.2013	Changes in opening balance	Balance on 1.1.2014	Allocation of the previous year's results: Reserves	Allocation of the previous year's results: Dividends and other allocations	Change for the year: Changes of reserves	Change for the year – Transaction booked to equity: Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Change for the year: Total comprehensive income (loss) 2014	Balance on 31.12.2014
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	29,841,458	-	29,841,458	-	-	-	-	-	-	-	-	-	-	**29,841,458**
Reserves:	94,605,048	-	94,605,048	106,938	-	-	-	-	-	-	-	-	-	**94,711,986**
a) from profit	94,605,048	-	94,605,048	106,938	-	-	-	-	-	-	-	-	-	**94,711,986**
- legal reserve	18,956,373	-	18,956,373	64,405	-	-	-	-	-	-	-	-	-	**19,020,778**
- extraordinary reserve[27]	54,057,818	-	54,057,818	42,533	-	-	-	-	-	-	-	-	-	**54,100,351**
- other profit reserves[28]	21,590,856	-	21,590,856	-	-	-	-	-	-	-	-	-	-	**21,590,856**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves:	5,933,773	-	5,933,773	-	-	-	-	-	-	-	-	-	-193,985	**5,739,787**
a) assets available for sale	1,947,084	-	1,947,084	-	-	-	-	-	-	-	-	-	-60,006	**1,887,078**
b) financial flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) others	3,986,689	-	3,986,689	-	-	-	-	-	-	-	-	-	-133,979	**3,852,711**
- severance indemnities	-331,643	-	-331,643	-	-	-	-	-	-	-	-	-	-133,979	**-465,621**
- property revaluation Law no. 413/91	745,631	-	745,631	-	-	-	-	-	-	-	-	-	-	**745,631**
- property revaluation Law no. 342/2000	3,572,701	-	3,572,701	-	-	-	-	-	-	-	-	-	-	**3,572,701**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Net income (loss) for the year	1,291,642	-	1,291,642	-106,938	-1,184,704	-	-	-	-	-	-	-	1,386,025	**1,386,025**
Equity	**190,156,530**	**-**	**190,156,530**	**-**	**-1,184,704**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,192,040**	**190,163,865**

[27] The item includes the non-distributable reserve under article 6, paragraph 2 of Legislative Decree no. 38/2005.

[28] 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 31/12/2012 – 31/12/2013

	Balance on 31.12.2012	Changes in opening balance[29]	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	Extraordinary distribution of dividends	Change in equity	Derivatives on treasury	Stock options	Total comprehensive income (loss) 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	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**
- legal reserve	18,808,620	-	18,808,620	147,753	-	-	-	-	-	-	-	-	-	**18,956,373**
- extraordinary reserve[30]	53,977,422	-	53,977,422	80,396	-	-	-	-	-	-	-	-	-	**54,057,818**
- other profit reserves[31]	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[29]	-	-380,695	-380,695	-	-	-	-	-	-	-	-	-	+49,052	**-331,643**
- property revaluation Law no. 413/91	745,631	-	745,631	-	-	-	-	-	-	-	-	-	-	**745,631**
- property revaluation Law no. 342/2000	3,572,701	-	3,572,701	-	-	-	-	-	-	-	-	-	-	**3,572,701**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-		**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-		**-**
Net income (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**
Equity	**191,879,940**	**-**	**191,879,940**	**-**	**-2,731,819**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,008,408**	**190,156,530**

[29] EU regulation no. 475/2012 of 5th 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.

[30] The item includes the non-distributable reserve under article 6, paragraph 2 of Legislative Decree no. 38/2005.

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

CASH FLOW STATEMENT (INDIRECT METHOD)

A. OPERATING ACTIVITIES		2014	2013
1.	**Operations**	**+16,899,322**	**+23,600,361**
-	Profit (loss) for the year	+1,386,025	+1,291,642
-	capital gains/losses on financial assets held for trading and on assets/liabilities at fair value	-19,156	-45,414
-	capital gains/losses on hedging activities	-	-
-	net value adjustments/write-backs due to impairment	+15,109,411	+18,437,966
-	net write-downs/write-backs on property, plant and equipment and intangible assets	+769,066	+1,098,554
-	net provision for risks and charges and other costs/revenues	+136,685	-481,696
-	unpaid duties and taxes	+1,247,843	+960,402
-	other adjustments	-1,730,552	+2,338,907
2.	**Cash flow generated/absorbed by financial assets**	**+72,132,320**	**-18,831,495**
-	financial assets held for trading	-	-
-	financial assets at fair value	-	-
-	financial assets available for sale	+40,984,998	-26,763,125
-	loans and advances to banks: on demand	-12,480,145	-29,663,370
-	loans and advances to banks: other loans and advances	-25,645,508	-14,757,225
-	loans and advances to customers	+75,134,553	+55,664,815
-	other assets	-5,861,578	-3,312,590
3.	**Cash flow generated/absorbed by financial liabilities**	**-87,637,289**	**-1,753,559**
-	amounts due to banks: on demand	+9,000,000	+8,165
-	amounts due to banks: other amounts	+66,425,162	-68,501,209
-	amounts due to customers	-2,549,653	+16,969,045
-	debt certificates in issue	-159,265,322	+62,868,099
-	financial liabilities held for trading	-	-
-	financial liabilities at fair value	-	-10,000,000
-	other liabilities	-1,247,476	-3,097,659
	Net cash flow generated/absorbed by operating activities	**+1,394,353**	**+3,015,307**

B.	INVESTING ACTIVITIES		
1.	**Cash flow generated by**	**+855**	**+1,169**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of financial assets held to maturity	-	-
-	sale of property, plant and equipment	+855	+1,169
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-206,349**	**-287,434**
-	purchase of equity investments	-100,000	-38,199
-	purchase of financial assets held to maturity	-	-
-	purchase of property, plant and equipment	-55,429	-132,011
-	purchase of intangible assets	-50,920	-117,224
-	purchase of company divisions		-
	Net cash flow generated/absorbed by operating activities	**-205,494**	**-286,265**

C.	FINANCING ACTIVITIES	2014	2013
-	issue/purchase of treasury shares	-	-
-	issue/purchase of equity instruments	-	-
-	distribution of dividends and other objectives	-1,184,704	-2,731,819
	Net liquidity generated/absorbed by financing activities	**-1,184,704**	**-2,731,819**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**+4,154**	**-2,776**

RECONCILIATION

Balance items	2014	2013
Cash and cash equivalent at the beginning of the period	**2,008**	**4,784**
Net liquidity generated/absorbed during the period	+4,154	-2,776
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	**6,162**	**2,008**

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 22nd December 2005 and subsequent amendments.

SECTION 2 – GENERAL PRINCIPLES OF PREPARATION

General aspects
The financial statements compose of the Statement of Financial Position, the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Cash flow statement[32] 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.

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 international accounting standards - recalled by the coordination table with The Bank of Italy, Consob and Isvap coordination forum on applying IASs/IFRSs with document no. 2 of 6th February

[32] 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.

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»" require 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".
Despite the economic growth forecast and the performance of the financial markets are showing the first signs of optimism, the ongoing critical conditions of the real economy require a very accurate assessment of the existence of the going concern basis.
Relating to this, the directors of Mediocredito Trentino – Alto Adige S.p.A., 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 2014 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 closure of the financial year 2014 and the date of approval of these financial statements, it is worth highlighting that:

- In January 2015 the Bank placed a medium-term bond loan on the financial market and as part of the EMTN programme for a total of €200m;
- in January 2015 the Bank made an early repayment of its own issue bond loans guaranteed by the Italian Government, issued and at the same time repurchased in 2012 for €60m;
- following the introduction in the EU of the "Bank Recovery and Resolution Directive" (BRRD), rating agencies lowered or cancelled the component related to the support by the public shareholders. For Mediocredito this meant a review, in March 2015, of the rating to BB- by Fitch and the notification of a review from Moody's.

SECTION 4 – OTHER ASPECTS

<u>Parent company</u>
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 31/12/2014 of €8.2m) is not deemed significant to the improvement of the disclosures provided *(IAS 8 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 Legislative Decree No. 39 of 27th 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 26th 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 31st December 2014, 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 31st December 2014, although the valuation processes, mostly linked to the credit portfolio, are considerably complex due to the current 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. 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.
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 are disposed of with a substantial transfer of the relative risks and benefits.

1.5 Income component recognition criteria

Interest income on securities and differentials and spreads on derivative contracts classified to this category, but which are linked to other assets measured at fair value for management purposes, are recognised on an accrual basis to the income statement items for interest, accounting for any commissions (up-front fees) paid or collected in one initial operation.

Profits and losses realised on the disposal or redemption and unrealised profits and losses on changes in the fair value of the trading portfolio are classified to item "80 Net trading income", except for the share relative to derivative contracts that are linked to assets or liabilities measured at fair value for management purposes, which are entered to item "110 Net change in financial assets and liabilities at fair value".

SECTION 2 – FINANCIAL ASSETS AVAILABLE FOR SALE

2.1 Classification criteria

This category includes non-derivative financial assets that have not been classified as Loans and Advances, Assets held for trading or Assets held to maturity.
Specifically, shareholdings that are not held for trading and may not be considered to establish a relationship of control, affiliation, or joint control are classified to this item.
Securities in the available-for-sale portfolio may in particular circumstances be transferred into the portfolio of securities held to maturity, whilst financial instruments originally classified to Loans and Advances and Assets held to maturity may be transferred into the available-for-sale portfolio.

2.2 Recognition criteria

Upon initial recognition, assets in this category are entered at cost, which is defined as the fair value of the instrument, including transaction costs and income directly attributable to the instrument. If recognition occurs subsequent to reclassification from assets held to maturity, the value of initial recognition is equal to the fair value at the time of transfer.
Interest-bearing instruments are entered at amortised cost according to the effective interest rate 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 rate 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". 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 130.b) 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 rate 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 original effective 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 rate 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 entities, services, banks and substandard 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 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.

Equity instruments without a reliable fair value may not be classified to this category.

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 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 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.
Property, plant and equipment 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, property,

plant and equipment 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 funds" including the allocations:

- 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 DEBT SECURITIES IN ISSUE

13.1 Classification criteria

Amounts due to banks, customers, and debt securities in issue 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 debt securities issue 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 rate method.

13.4 Income component recognition criteria

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

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 expense in this category is 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. 252/2005 those amounts of the severance indemnities that had accrued as at 31st December 2006 remain under the management of the Bank while amounts accruing starting from 1st 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 31st December 2006 and to amounts accruing starting from 1st January 2007.

In details:

- Amounts accruing starting from 1st 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 31st 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 31st 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 1st 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 1st January 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 financial statements for 2013, implementing the recognition in the income statement of gains and losses attributable to the actuarial nature of these differences directly in equity, with data related to financial statements for 2012 reclassified in accordance with IAS 8.
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. In details:
- 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 2014, 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.
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.
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 (PD) and loss given default (LGD) of the counterparties.

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

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:
- amortisation plan with future coupons estimated based on forward rates and yield curve including credit spread for variable rate securities;
- amortisation plan with estimated future coupons and yield rate including credit spread for fixed rate securities.

Bonds classified under the available for sale portfolio

The methods used for the valuation of these bonds are:
- amortisation plan with future coupons estimated based on forward rates and yield curve including credit spread for variable rate securities;
- amortisation plan with estimated future coupons and yield rate including credit spread for fixed rate securities.

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[33].
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.

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;
- amortisation plan with estimated future coupons and yield rate including credit spread for the fixed rate component.

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.

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

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:

- For loans to customers and banks, the fair value (level 2) is calculated by discounting the future contractual flows on the basis of the market rates curve at the closing of the year according to an approach based on the discount rate adjustments, which provides that risk factors - represented by the PD and LGD parameters used in calculating impairment of the portfolios - are taken into account in the rate used to discount the future flows, considering also the general worsening of the risk differentials expressed by the current market conditions;
- For bonds issued and in the portfolio, the fair value (level 2) is calculated with the help of external providers, based on the discounting of future cash flows expected from the contractual plan of the security on the basis of the market rates curve at the closing of the year, adjusted as necessary to take into account the risk profile of the issuer;
- The fair value of loans and amounts due to customers and banks on demand is estimated from the book value (level 3).

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 S.p.A.) 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 Statement of Financial Position.

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.

QUALITATIVE 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 level

	2014			2013		
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		696			902	
2. Financial assets held at fair value						
3. Financial assets available for sale	359,189	416	14,655	277,459	121,195	15,790
4. Hedging derivatives						
5. Property, plant and equipment						
6. Intangible assets						
Total	**359,189**	**1,112**	**14,655**	**277,459**	**122,097**	**15,790**
1. Financial liabilities held for trading		709			938	
2. Financial liabilities valued at fair value		-			-	
3. Hedging derivatives		-			-	
Total		**709**			**938**	

In 2014 the Bank did not undertake 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	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance			**15,790**			
2. Increases			**2,455**			
2.1 Purchases[1]			928			
2.2 Profits in:			1,440			
2.2.1 Income statement			598			
- of which: Capital gains [2]			598			
2.2.2 Equity[3]			842			
2.3 Transfers from other levels			-			
2.4 Other increases[4]			87			
3. Decreases			**3,590**			
3.1 Sales [2]			2,398			
3.2 Redemptions			-			
3.3 Losses in:			1,072			
3.3.1 Income statement			725			
- of which Unrealised losses[5]			725			
3.3.2 Equity [6]			347			
3.4 Transfer from other levels			-			
3.5 Other decreases[2]			120			
4. Closing balance			**14,655**			

1 This refers to: the investment in the share capital of Assietta Private Equity SGR S.p.A. (€115 thousand), the units in the closed-end fund Assietta Private Equity III (€450 thousand), the increase in the investment in Hotel Lido Palace S.p.A. (€145 thousand), the purchase of shares in Koelliker S.p.A. against partial transfer of a loan (€104 thousand), units in the real estate fund Leopardi (€89 thousand) and the company Funivie Folgarida Marilleva S.p.A. (€23 thousand).

2 This is the capital gain generated by the sale for €433 thousand (see item 3.1 "Sales") of the subsidiary Valsugana Energia S.p.A. (item 3.5. "Other decreases" includes the reclassification through profit or loss of the positive valuation reserve for the amount as at 31.12.2013 of €120 thousand) and by the sale for €1.965m (see item 3.1 "Sales") of the subsidiary Alto Garda Servizi Teleriscaldamento S.p.A..

3 This refers to the revaluation of the equity investment in the Fund MC^2 Impresa amounting to €121.5 thousand, the equity investment in Alto Garda Servizi S.p.A. amounting to €37 thousand and the equity investment in Piteco S.p.A. amounting to €683 thousand.

4 This refers to the reclassification through profit or loss of the negative valuation reserve for the Fund Clesio for the amount as at 31.12.2013., following the recording of an impairment on this amount.

5 This refers to the loss generated by the Fund Clesio (€183 thousand), the equity investment in Green Hunter Group S.p.A. (€437 thousand) and the equity investment in Koelliker S.p.A. €105 thousand).

6 This refers to the negative fair value change for the equity investment in SWS Group S.p.A. (€201 thousand) and of the closed-end fund Assietta Private Equity III (€146 thousand).

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/Amount	2014				2013			
	BV	FV			BV	FV		
		Lev 1	Level 2	Level 3		Lev 1	Level 2	Level 3
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Loans and advances to banks	147,933	-	51,159	96,770	108,909	-	44,756	63,652
3. Loans and advances to customers	1,202,604	-	1,053,461	171,305	1,291,867	-	1,117,297	173,556
4. Property, plant and equipment held for investment purposes	116	-	-	116	116	-	-	116
5. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**1,350,653**	**-**	**1,104,620**	**268,191**	**1,400,892**	**-**	**1,162,053**	**237,324**
1. Due to banks	766,585	-	614,558	149,297	691,767	-	641,010	36,682
2. Due to customers	185,998	-	43,324	142,556	188,485	-	51,861	136,232
3. Debt securities in issue	594,827	-	601,739	-	753,351	-	751,402	-
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**1,547,410**	**-**	**1,259,621**	**291,853**	**1,633,603**	**-**	**1,444,273**	**172,914**

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 POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

	2014	2013
a) Cash	6	2
b) Demand deposits with Central Banks	-	-
Total	**6**	**2**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: breakdown by sector

Items/amounts	2014			2013		
	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 debt securities						
2. Equity securities						
3. Investments in UCITS						
4. Loans						
4.1 Repurchase agreement						
4.2 Others						
Total A						
B Derivative instruments						
1. Financial derivatives		696			902	
1.1 trading [1]		696			902	
1.2 related to fair value option						
1.3 others						
2. Credit derivatives						
2.1 trading						
2.2 related to fair value option						
2.3 others						
Total B		**696**			**902**	
Total (A+B)		**696**			**902**	

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 €10 thousand in 2014 and €19 thousand in 2013.

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

Items/amounts	2014	2013
A. Financial assets		
1. Debt securities	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**-**	**-**
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	**696**	**902**
a) Banks	696	902
- fair value	696	902
b) Customers	-	-
- fair value	-	-
Total B	**696**	**902**
Total (A+B)	**696**	**902**

Financial assets held for trading: annual changes

	Trading derivatives	Trading derivatives relating to the fair value option	Total
A. Opening balance	**902**	**-**	**902**
B. Increases	**278**	**-**	**278**
B1. Purchases	-	-	-
B2. Positive changes in fair value	278	-	278
B3. Other changes	-	-	-
C. Decreases	**484**	**-**	**484**
C1. Sales	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	484	-	484
C4. Transfers to other portfolios	-	-	-
C5. Other changes	-	-	-
D. Closing balance	**696**	**-**	**696**

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/amounts	2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	359,132	416	-	277,406	121,195	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	359,132	416	-	277,406	121,195	-
2. Equity securities	56	-	9,345	53	-	10,899
2.1 Measured at fair value	56	-	9,013	53	-	10,705
2.2 Carried at cost [2]	-	-	332	-	-	194
3. Investments in UCITS	-	-	5,311	-	-	4,891
4. Loans	-	-	-	-	-	-
Total	**359,189**	**416**	**14,655**	**277,459**	**121,195**	**15,790**

1 These consist of €345.5m of government securities and €2.5m of bonds issued by banks (Level 1) and €0.4m of bonds issued by banks (level 2) purchased by the Bank to provide adequate reserves of liquid assets eligible for ECB refinancing for €337.0m as guarantee to the securitisation operation started in 2009 for €10.5m and for other purposes for €0.9m.

2 Unlisted equity securities carried at cost amounted to €0.3m in 2014 and €0.2m in 2013: 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/amounts	2014	2013
1. Debt securities	**359,548**	**398,602**
a) Governments and Central Banks	356,536	269,499
b) Other public entities	-	-
c) Banks	3,012	129,103
d) Other issuers	-	-
2. Equity securities	**9,401**	**10,951**
a) Banks	50	50
b) Other issuers	9,351	10,901
- insurance companies	-	-
- financial corporations	3,041	3,363
- non-financial corporations	6,310	7,538
- others	-	-
3. Investments in UCITS [1]	**5,311**	**4,891**
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**374,260**	**414,444**

1 This item is largely made up (€4.3m) 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), the closed-end fund Assietta Private Equity III (€0.3m) and the real estate fund Leopardi (€0.1m).

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	Investments in UCITS	Loans	Total
A. Opening balance	**398,602**	**10,951**	**4,891**	**-**	**414,444**
B. Increases	**850,751**	**1,747**	**749**	**-**	**853,247**
B1. Purchases	843,014	428	540	-	843,982
B2. Positive changes in fair value	649	721	-	-	1,370
B3. Write-backs	-	-	121	-	121
- through profit or loss	-		-	-	-
- in equity	-	-	121	-	121
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	7,088[1]	598	88	-	7,774
C. Decreases	**889,805**	**3,297**	**329**	**-**	**893,431**
C1. Sales	735,969	2,398	-	-	738,367
C2. Redemptions	146,600	-	-	-	146,600
C3. Negative changes in fair value	537	201	146	-	884
C4. Impairments	-	578	183	-	761
- through profit or loss	-	*578*	*183*	-	*761*
- in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	6,699[2]	120	-	-	6,819
D. Closing balance	**359,548**	**9,401**	**5,311**	**-**	**374,260**

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

1 This originates from the profit realised on the sale of government bonds for €6.837m and from the positive change in amortised cost for €0.252m.

2 This originates for €811 thousand for the reversal to income of the positive reserve following the sale of government bonds and for €5.888m of the negative change in amortised cost.

Commitments referred to equity investment classified in the available for sale portfolio

Subsidiary	2014	2013
Investments in UCITS	2,610	-

The amount refers to the residual commitment to purchasing units in the closed-end real estate fund Assietta Private Equity III.

SECTION 6 – LOANS AND ADVANCES TO BANKS – ITEM 60

6.1 Loans and advances to banks: breakdown by type

Type of transaction/Amount	2014				2013			
	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	**147,933**	**-**	**51,159**	**96,770**	**108,909**		**44,756**	**63,652**
1. Loans	147,933	-	51,159	96,770	108,909		44,756	63,652
1.1 Current accounts and demand deposits	51,159				38,347			
1.2 Time deposit	45,611				25,298			
1.3 Other loans:	51,163				45,264			
- Repurchase agreements	-				-			
- Finance lease	-				-			
- Other	51,163				45,264			
2. Debt securities	-	-	-	-	-			
2.1 Structured securities	-				-			
2.2 Other debt securities	-				-			
Total (book value)	**147,933**	**-**	**51,159**	**96,770**	**108,909**		**44,756**	**63,652**

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 €214 thousand as at 31st December 2014 (was €225 thousand as at 31st December 2013) and is included in item B.1.2..

SECTION 7 – LOANS AND ADVANCES TO CUSTOMERS - ITEM 70

7.1 Loans and advances to customers: breakdown by type

Type of transaction/Amount	2014						2013					
	Book value			Fair value			Book value			Fair value		
	Performing	Impaired: Purchased	Impaired: Other	L1	L2	L3	Performing	Impaired: Purchased	Impaired: Other	L1	L2	L3
Loans and advances	**1,039,440**	**-**	**162,121**	**-**	**1,052,315**	**171,305**	**1,124,599**	**-**	**167,245**	**-**	**1,117,273**	**173,556**
1. Current accounts	9,185	-	0				6,311	-	-			
2. Repurchase agreements	-	-	-				-	-	-			
3. Mortgages	814,043	-	132,949				849,252	-	136,651			
4. Credit cards, personal loans including "one-fifth of salary deducted loan"	-	-	-				-	-	-			
5. Financial lease[1]	38,545	-	8,210				43,130	-	7,024			
6. Factoring	-	-	-				-	-	-			
7. Other loans[2]	177,667	-	20,962				225,898	-	23,570			
Debt securities	**1,043**	**-**	**-**	**-**	**1,146**	**-**	**31**	**-**	**-**	**-**	**25**	**-**
8 Structured securities	-	-	-				-	-	-			
9 Other debt securities	1,043	-	-				31	-	-			
Total (book value)	**1,040,483**	**-**	**162,121**	**-**	**1,053,461**	**171,305**	**1,124,622**	**-**	**167,245**		**1,117,298**	**173,556**

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 €8.8m in 2014 and €9.8m in 2013.

2 The amount includes building leasing turnkey operations for €1.9m in 2014 and €1.9m in 2013.

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 €57.0m of funding provided from funds made available by the Autonomous Province of Trento for €3.5m, the Autonomous Province of Bolzano €41.4m and the Veneto Region, directly or through the instrumental company Veneto Sviluppo, for €12.1m.
All of the above loans, intended for particular operations as envisaged and governed by specific Legislation[34], require that Mediocredito takes fully the risks associated with the operations.

[34] In details:
1. For the Autonomous Province of Trento: Regional Laws no. 21/93 and 3/91, Provincial Law no. 6/99;
2. For the Autonomous Province of Bolzano: Regional Laws no. 21/93 and 3/91, Provincial Law no. 9/91 and Law no. 817/71
3. For the region Veneto: Regional Laws no. 18/94, 598/94, 6/96, 1/99, 5/2001, 33/2002 and 40/2003

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

Type of transaction/Amount	2014			2013		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**1,043**			**31**		
a) Governments						
b) Other public entities						
c) Other issuers	1,043			31		
- non-financial corporations	1,043			31		
- financial corporations						
- insurance companies						
- others						
2. Loans to:	**1,039,440**		**162,121**	**1,124,591**		**167,245**
a) Governments	-		-	-		-
b) Other public entities	89,912		-	98,139		-
c) Other debtors	949,528		162,121	1,026,452		167,245
- non-financial corporations	876,584		157,636	935,326		162,158
- financial corporations	40,371		2,064	66,687		2,961
- insurance companies	-		-	-		-
- others	32,573		2,421	24,439		2,126
Total	**1,040,483**		**162,121**	**1,124,622**		**167,245**

7.4 Financial lease

Items/amounts	31/12/2014			31/12/2013		
	Minimum lease payments	Present value of minimum lease payments	Deferred financial income	Minimum lease payments	Present value of minimum lease payments	Deferred financial income
Within 1 year	8,427	6,680	1,746	8,580	6,566	2,014
1 - 5 years	30,520	24,699	5,821	34,452	27,726	6,726
Over 5 years	21,819	19,473	2,346	26,241	23,309	2,932
Total	**60,766**	**50,852**	**9,913**	**69,273**	**57,601**	**11,672**

	Gross	Adjust.	Net	Gross	Adjust.	Net
Advances in the statement of financial position	58,226	2,663	**55,563**	63,652	3,752	**59,900**

SECTION 10 – EQUITY INVESTMENTS – ITEM 100

10.1 Equity investments: information on shareholders' equity

Denomination	Registered office	Operating office	Stake held %	Votes %
A. Subsidiaries				
1. Paradisidue S.r.l.	Trento	Trento	100.000	100.000
B. Joint ventures				
C. Companies under significant influence				
1. Essedi Strategie d'Impresa Srl	Trento	Trento	31.869	31.869
2. Biorendena Spa	Pinzolo (TN)	Pinzolo (TN)	20.000	20.000

10.4 Neglectable equity investments: accounting information [1]

Denomination	Book value of equity investments	Total assets	Total equity and liabilities	Total revenues	Net profit (Loss) from current operations net of taxes	Net profit (Loss) from groups of assets held for sale	Net income (loss) for the year (1)	Other income components net of taxes (2)	Total comprehensive income (loss) (3)=(1)+(2)
A. Subsidiaries	**55**	**8,155**	**8,100**	**2,723**	**(68)**	**-**	**(68)**	**-**	**(68)**
1. Paradisidue S.r.l.	55	8,155	8,100	2,723	(68)	-	(68)	-	(68)
B. Joint ventures									
C. Companies under significant influence	**68**	**1,115**	**970**	**533**	**(2)**	**-**	**(2)**	**-**	**(2)**
1. Essedi Strategie d'Impresa Srl	-	964	886	533	3	-	3	-	3
2. Biorendena Spa	68	151	83	0	(5)	-	(5)	-	(5)

1 Statement of Financial Position data as at 31/12/2014 for the subsidiary Paradisidue S.r.l., and as at 31/12/2013 for Essedi Strategie d'Impresa Srl and for Biorendena S.p.A..

10.5 Equity investments: annual changes

	2014	2013
A. Opening balance	**171**	**152**
B. Increases	**100**	**42**
B.1 Purchases	100	38
B.2 Write-backs	-	4
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**148**	**24**
C.1 Sales	-	-
C.2 Value adjustments	148	24
C.3 Other changes	-	-
D. Closing balance	**123**	**171**
E. Total revaluations	-	-
F. Total write-downs	379	231

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 €9.000m – for which the amount of €7.472m was withdrawn as at 31st December 2014 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

Items/Amount	2014	2013
1. Assets owned	**10,589**	**11,227**
a) land[1]	1,950	1,950
b) buildings[2]	6,951	7,287
c) furniture	755	893
d) IT equipment	132	154
e) others	801	943
2. Assets purchased under finance lease	**-**	**-**
a) land	-	-
b) building	-	-
c) furniture	-	-
d) IT equipment	-	-
e) others	-	-
Total	**10,589**	**11,227**

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

Items/Amount	2014				2013			
	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%

Furnishing................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 Property, plant and equipment for operational use: annual changes

	Land	Buildings	Furnishing	IT equipment	Other	Total
A. Gross opening balance	**1,950**	**12,222**	**2,312**	**682**	**2,620**	**19,786**
A.1 Net decreases	-	4,935	1,419	528	1,677	8,559
A.2 Net opening balance	**1,950**	**7,287**	**893**	**154**	**943**	**11,227**
B. Increases:	-	**-**	**169**	**168**	**568**	**905**
B.1 Purchases		-	18	26	12	56
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			151	142	556	849
C. Decreases:	**-**	**336**	**307**	**190**	**710**	**1,543**
C.1 Sales [1]			27	142	86	255
C.2 Depreciation		336	156	48	150	690
C.3 Adjustments due to impairment booked to						
a) equity						
b) income statement						
C.4 Negative fair value changes booked to						
a) equity						
b) income statement						
C.5 Exchange losses						
C.6 Transfers to:						
a) property held for investment purposes						
b) assets held for sale						
C.7 Other changes [2]			124		474	598
D. Net closing balance	**1,950**	**6,951**	**755**	**132**	**801**	**10,589**
D.1 Total net write-downs	-	5,271	1,424	434	1,270	8,399
D.2 Gross closing balance	**1,950**	**12,222**	**2,179**	**566**	**2,071**	**18,988**
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 €0.9 thousand, is highlighted in the cash flow statement in the "Cash flow generated by sale of property, plant and equipment" entry. For balancing purposes (for item "Total net write-downs") the change of the depreciation fund relating to such assets, of equal amount, is shown in entry "Increases B.7 – other changes".

2 The decreasing amounts in the "other changes" entry refer to the sale of assets, totally or partially depreciated. For balancing purposes (for item "Net decreases") the change in the depreciation fund relating to such assets was shown in entry "Increases B.7 - Other changes". The loss generated by these operations amounted to €3.5 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 thousand.

11.7 Commitments to purchase property, plant and equipment (IAS 16/74.c)

At the end of these financial statements, the Bank had no contractual commitments for purchasing property, plant and equipment.

Through preliminary deed of 25th June 2014, the Bank took the commitment to sell the premises currently used as secondary offices in the municipality of Bolzano not earlier than three years and but before a time period of four years. The price amounts to €3m, of which €300 thousand as initial deposit and €2.7m plus VAT when signing the notary's deed of sale. The property maintains its function in relation to the Bank's activity, which continues to hold, in the current year, its ownership, the risks and benefits.

SECTION 12 – INTANGIBLE ASSETS – ITEM 120

12.1 Intangible assets: breakdown by type of asset

Items/Amount	2014		2013	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets	**174**	**-**	**199**	**-**
A.2.1 Assets carried at cost:	174	-	199	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	174	-	199	-
A.2.2 Assets carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**174**	**-**	**199**	**-**

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	**-**	**-**	**-**	**2,972**	**-**	**2,972**
A.1 Net decreases	-	-	-	2,773	-	2,773
A.2 Net opening balance	**-**	**-**	**-**	**199**	**-**	**199**
B. Increases	**-**	**-**	**-**	**51**	**-**	**51**
B.1 Purchases	-	-	-	51	-	51
B.2 Increase in intangible assets generated internally		-	-	-	-	-
B.3 Write-backs		-	-	-	-	-
B.4 Positive fair value changes booked to:		-	-	-	-	-
- equity		-	-	-	-	-
- income statement		-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**76**	**-**	**76**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	76	-	76
- Amortisations		-	-	76	-	76
- 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	**-**	**-**	**-**	**174**	**-**	**174**
D.1 Net adjustment values	-	-	-	2,849	-	2,849
E. Gross closing balance	**-**	**-**	**-**	**3,023**	**-**	**3,023**
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

	2014	2013
	11,109	**8,912**
A. With contra-entry to income statement	**10,953**	**8,847**
Payroll	41	14
Adjustment to/Impairment of loans deductible in future years	10,695	8,680
Depreciation of buildings for operational use	46	39
Other	171	114
B. With contra-entry to equity	**156**	**65**
Financial assets held for sale at fair value	74	31
Other	82	34

13.2 Deferred tax liabilities: breakdown

	2014	2013
	6,711	**7,020**
A. With contra-entry to income statement	**6,402**	**6,539**
Reserve for loan losses	5,530	5,530
Write-down of loans exceeding the tax deductibility limit	741	878
Depreciation of buildings for operational use	108	108
Change in employee leaving indemnity	23	23
B. With contra-entry to equity	**309**	**481**
Financial assets held for sale at fair value	309	481

Percentages used in the calculation of deferred taxes:

for IRES: 27.50%;
for IRAP: 4.65%

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

	2014	2013
1. Opening balance	**8,847**	**4,464**
2. Increases	**3,785**	**4,822**
2.1 Deferred tax assets recognised during the period	3,772	4,822
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) write backs	-	-
d) other	3,772	4,822
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	13	-
3. Decreases	**1,679**	**439**
3.1 Deferred tax assets derecognised during the period	1,640	435
a) reversals	1,640	435
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	1
3.3 Other decreases	39	3
a) transformation of tax credits pursuant to Law no. 214/2011	-	-
b) other [1]	39	3
4. Final balance	**10,953**	**8,847**

1 This amount represents the reversal of deferred tax assets recognised in 2010 against the impairment of a title available for sale, which in both years 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)

	2014	2013
1. Opening balance	**6,539**	**6,826**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities 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	**137**	**287**
3.1 Deferred tax liabilities derecognised during the period	137	287
a) reversals	137	287
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**6,402**	**6,539**

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

	2014	2013
1. Opening balance	**65**	**525**
2. Increases	**122**	**21**
2.1 Deferred tax assets recognised during the period	122	21
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	122	21
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**31**	**481**
3.1 Deferred tax assets derecognised during the period	31	481
a) reversals	31	481
b) written down as now considered unrecoverable	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**156**	**65**

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

	2014	2013
1. Opening balance	**481**	**1,096**
2. Increases	**194**	**291**
2.1 Deferred tax liabilities recognised during the period	194	291
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	194	291
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**366**	**906**
3.1 Deferred tax liabilities derecognised during the period	327	903
a) reversals	327	903
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases [1]	39	3
4. Final balance	**309**	**481**

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

13.7 Other information

The item "current tax assets" amounts to €1.800m and relates to the imbalance of amounts paid to (€5.490m) and due to (€3.690m) the Revenue with regard to IRES and IRAP; in 2013 the imbalance, included among "current tax assets", amounted to €1.078m (€6.778m owed and €5.700m due).

SECTION 15 – OTHER ASSETS – ITEMS 150

15.1 Other assets: breakdown

	2014	2013
Illiquid assets	764	932
Various prepayments and advances	207	127
Amounts due for unpaid commissions	203	204
Items in processing [1]	198	119
Accrued income and prepayments	102	230
Tax assets (indirect taxes and substitute tax)	72	529
Amounts due in relation to invoices – issued or not	18	56
Leasehold improvements	0	4
Other liabilities	3	3
Total	**1,567**	**2,204**

1 The amount refers to transfers arranged but pending charge.

LIABILITIES

SECTION 1 – AMOUNTS DUE TO BANKS – ITEM 10

1.1 Due to banks: breakdown by type

Type of transaction/Amount	2014	2013
1. Amounts due to central bank	**440,780**	**303,852**
2. Due to banks	**325,805**	**387,915**
2.1 Current accounts and demand deposits	9,008	8
2.2 Time deposits	20,289	36,673
2.3 Loans	296,508	351,234
2.3.1 Repurchase agreements	-	-
2.3.2 Other	296,508	351,234
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other amounts due	-	-
Total	**766,585**	**691,767**
Fair value – level 1	-	-
Fair value – level 2	614,558	641,010
Fair value – level 3	149,297	36,682
Total Fair value	**763,855**	**677,692**

1.4 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 2014 nor in the previous year.

SECTION 2 – AMOUNTS DUE TO CUSTOMERS – ITEM 20

2.1 Loans and advances to customers: breakdown by type

Type of transaction/Amount	2014	2013
1. Current accounts and demand deposits	28,828	1,763
2. Time deposit	56,635	75,536
3. Loans	43,442	52,253
3.1 Repurchase agreements	-	-
3.2 Others	43,442	52,253
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other amounts due [1]	57,094	58,933
Total	**185,998**	**188,485**
Fair value – level 1	-	-
Fair value – level 2	43,324	51,861
Fair value – level 3	142,556	136,232
Total Fair value	**185,880**	**188,093**

1 Sub-item "Other amounts due" includes funds managed on behalf of third parties to the amount of €57,016 thousand in 2014 and €58,777 thousand in 2013, according to supervisory regulations.

SECTION 3 – DEBT SECURITIES IN ISSUE – ITEM 30

3.1 Debt securities in issue: breakdown by type

Type of transaction/ Amounts	2014				2013			
	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	594,797	-	601,709	-	753,321	-	751,372	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	594,797	-	601,709	-	753,321	-	751,372	-
2. Other securities	30	-	30	-	30	-	30	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others [1]	30	-	30	-	30	-	30	-
Total	**594,827**	**-**	**601,739**	**-**	**753,351**	**-**	**751,402**	**-**

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 Luxembourg 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.

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amount	2014					2013				
	NV	FV			FV *	NV	FV			FV *
		Lev. 1	Lev. 2	Lev. 3			Lev. 1	Lev. 2	Lev. 3	
A. Financial liabilities										
1. Due to banks										
2. Due to 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	**31,854**		**709**		**709**	**19,311**		**938**		**938**
1.1 held for trading			709					938		
1.2 related to fair value option										
1.3 Others										
2. Credit derivatives										
2.1 held for trading										
2.2 related to fair value option										
2.3 Others										
Total B	**31,854**		**709**		**709**	**19,311**		**938**		**938**
Total (A+B)	**31,854**		**709**		**709**	**19,311**		**938**		**938**

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 or notional value

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	**938**	**-**	**938**
B. Increases	**278**	**-**	**278**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	278	-	278
B4. Other changes	-	-	-
C. Decreases	**507**	**-**	**507**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	503	-	503
C4. Other changes	4	-	4
D. Closing balance	**709**	**-**	**709**

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

SECTION 8 – TAX LIABILITIES – ITEM 80

See section 13 of Assets.

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities: breakdown

	2014	2013
Amounts due to third parties [1]	1,012	1,590
Amounts due to suppliers	695	758
Items in processing [2]	642	1,890
Withholdings made as tax collection agent	384	767
Withholdings on employee compensation	236	232
Commission fees to be paid	222	291
Accrued liabilities and deferred income	110	263
Provision for guarantees issued	5	2
Other liabilities	1	5
Total	**3,307**	**5,798**

1 They mainly refer to: €317 thousand to be paid to participants in syndicated transactions led by Mediocredito, €210 thousand for monetisation of employees' leave credits, €188 thousand for 2014 bonuses and €56 thousand for rewarding the extra time of managerial staff.

2 In 2013 this item included transfers yet to be credited to correspondents for the amount of €1.331m.

SECTION 11 – PROVISION FOR SEVERANCE INDEMNITIES – ITEM 110

11.1 Provision for severance indemnities: annual changes

	2014	2013
A. Opening balance	**1,405**	**1,702**
B. Increases	**190**	**6**
B.1 Provisions for the period [1]	5	6
B.2 Other changes [2]	185	-
C. Decreases	**49**	**303**
C.1 Indemnities paid	49	235
C.2 Other changes	-	68
D. Closing balance	**1,546**	**1,405**

1 This amount corresponds to provisions shown in table 9.1 "Payroll: breakdown" of Part C "Information on the income statement" (€8 thousand) net of the substitute tax (€3 thousand).

2 This item includes the amount of the actuarial losses recognised in the specific equity reserve. In 2013 the amount of the actuarial profit was reported in item "C.2 Other decreases"

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

Items/amounts	2014	2013
1 Post retirement benefit obligations	-	-
2. Other provisions for risks and charges	1,128	1,108
2.1 legal disputes	92	61
2.2 personnel expenses	150	50
2.3 others	886	997
Total	**1,128**	**1,108**

12.2 Provisions for risks and charges: annual changes

	Post-retirement benefit obligations	Other funds	Total
A. Opening balance	**-**	**1,108**	**1,108**
B. Increases	**-**	**241**	**241**
B.1 Provisions for the period [1]	-	181	181
B.2 Changes over time	-	0	0
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other changes [2]	-	60	60
C. Decreases	-	**221**	**221**
C.1 Use during the period [3]	-	171	171
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other changes [4]	**-**	50	50
D. Closing balance	**-**	**1,128**	**1,128**

1 This amount is made up entirely of provisions for the personnel incentive scheme for €150 thousand and for legal disputes under way for €31 thousand.
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 By-laws.
3 The entire amount refers to the for donations as per Article 21 of the By-laws.
4 This amount refers to the recovery of value from provisions for personnel charges following the non disbursement of incentive scheme.

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" e "Treasury shares": breakdown

The fully paid up capital stock is set at €58,484,608.00 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 in issue: opening balance	**112,470,400**	**-**
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- business mergers	-	-
- conversion of bonds	-	-
- exercise of warrant	-	-
- others	-	-
- on a free basis:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- others	-	-
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: closing balance	**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 Profit 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 79 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
Profit reserves:	**94,713**		**94,654**
- Legal reserve [2]	19,021	A-B-C	19,021
- Extraordinary reserve	54,042	A-B-C	54,042
- Reserve under Legislative Decree no. 38/2005	2,655	A-B	2,655
- Unavailable reserve under article 6 Legislative Decree no. 38/2005 [3]	59		-
- Other reserves	18,936	A-B-C	18,936
Valuation reserves:	**5,739**		**5,739**
- 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	1,887		1,887
- Valuation reserve under Leg. Decree 38/2005: cash flow hedges	(466)		(466)
Total	**130,293**		**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	2014	2013
1) Financial guarantees given to	**1,051**	**1,049**
a) Banks [1]	1,051	1,049
b) Customers	-	-
2) Commercial guarantees given to	**1,054**	**818**
a) Banks	-	-
b) Customers	1,054	818
3) Irrevocable commitments to disburse funds	**12,926**	**7,161**
a) Banks	-	-
i) certain usage	-	-
ii) uncertain usage	-	-
b) Customers	12,926	7,161
i) certain usage	2,610	-
ii) uncertain usage	10,316	7,161
4) Commitments underlying credit derivatives: sales of protection	-	-
5) Assets pledged as collateral for third-party debts	-	-
6) Other commitments	**-**	**-**
Total	**15,031**	**9,028**

1 The item also includes €18 thousand in 2014 (€13 thousand in 2013) 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	2014	2013
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	248,390	154,641
4. Financial assets held to maturity	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	354,012	182,334
7. Property, plant and equipment	-	-

Eurosystem credit operations

Own liabilities guaranteed by securities not reported in the statement of financial position

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 balance sheet assets pledged as a guarantee" and " Disclosure on off-balance sheet own assets pledged as a guarantee"(Part E, Sec. 3, tables 2 and 3).

4. Management and brokerage on behalf of third parties

Type of services	2014	2013
1. Trading of financial instruments on behalf of customers	**-**	**-**
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	**632,306**	**829,948**
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): other	46,341	41,045
1. securities issued by the Bank preparing the accounts	27,907	27,972
2. other securities	18,434	13,073
c) third-party securities on deposit with third parties	11,434	7,073
d) own securities on deposit with third parties [1]	585,965	788,903
4. Other assets	**1,640**	**1,991**
of which Transactions on behalf of the Autonomous Provinces	*1,274*	*1,625*
Risk funds set up by various entities	*262*	*262*
Management of state contributions under Law no. 488/92	*104*	*104*

[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 €158,789 thousands in 2014 and €190,511 thousand in 2013.

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]	Loans[2]	Other assets	Total 2014	Total 2013
1	Financial assets held for trading	-	-	-	-	-
2	Financial assets available for sale	4,438	-	-	4,438	11,102
3	Financial assets held to maturity	-	-	-	-	-
4	Loans and advances to banks	-	2,054	-	2,054	978
5	Loans and advances to customers	9	37,150	-	37,159	39,485
6	Financial assets held at fair value	-	-	-	-	-
7	Hedging derivatives			-	-	-
8	Other activities			-	-	-
	Total	**4,447**	**39,204**	**-**	**43,651**	**51,565**

Changes in connection with interest income – against the comparison accounting period (2013) – 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 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 on impaired positions, calculated with reference to the interest accrued over the entire year on positions held by customers classified as at 31st December 2014 as impaired loans (doubtful, substandard, past due and restructured loans) amounted to €2.568m (€2.468m in 2013).

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in currency

	2014	2013
Interest income from financial assets denominated in currency	23	25

1.3.2 Interest income on finance lease transactions

	2014	2013
Deferred financial income	9,914	11,674
Potential rent recorded as revenues for the period	(600)	(736)

1.4 Interest expense and similar charges: breakdown

Items/Technical Forms		Debits	Securities[1]	Other Operations	Total 2014	Total 2013
1.	Amounts due to central bank	738		-	738	2,188
2.	Due to banks	5,638		-	5,638	5,605
3.	Due to customers	2,965		-	2,965	3,129
4.	Debt securities in issue		14,575	-	14,575	15,024
5.	Financial liabilities held for trading	-	-	-	-	-
6.	Financial liabilities valued at fair value	-	-	-	-	69
7.	Other liabilities			-	-	-
8.	Hedging derivatives			-	-	423
	Total	**9,341**	**14,575**	**-**	**23,916**	**26,438**

Changes in connection with interest expense against the accounting period 2013 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 expense 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 expense has been calculated – in relation to items recognised at amortised cost – using the effective interest rate method.

1.5 Interest expense and similar charges: differentials on hedging transactions

Items/amounts	2014	2013
A. Positive differentials on hedging transactions:	-	-
B. Negative differentials on hedging transactions:	-	423
C. Balance (A-B)	**-**	**(423)**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in currency

	2014	2013
Interest expense on liabilities denominated in currency	4	4

Section 2 - Fees & commissions – Items 40 & 50

2.1 Fee and commission income: breakdown

Type of service/Amount	2014	2013
a) guarantees issued	10	27
b) credit derivatives		
c) management, brokerage and consultancy services:	25	39
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	25	39
8.1 investments		
8.2 structured finance	25	39
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	1
e) securitisation servicing		
f) services for factoring transactions		
g) tax collection services		
h management of multilateral trading facilities		
i) management of current accounts	0	
j) other services [1]	1,338	1,334
Total	**1,374**	**1,401**

Changes of single items against the data for the accounting period 2013 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 €705 thousands and of commissions for corporate finance activities for €626 thousands.

2.3 Fee and commission expense: breakdown

Services/Amounts	2014	2013
a) guarantees received[1]	1,037	1,394
b) credit derivatives		
c) management and brokerage services:	25	42
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	25	42
5. placement of financial instruments		
6. door-to-door distribution of financial instruments, products and services		
d) collection and payment services	2	3
e) other services[2]	192	176
Total	**1,256**	**1,615**

Changes of single items against the data for the accounting period 2013 are adequately 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 €1.015m in 2014 and €1.388m in 2013.

2 Of which €84 thousand is for the processing of funding applications.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

Items/Income	2014		2013	
	Dividends	Income from investments in UCITS	Dividends	Income from investments in UCITS
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	228	-	113	-
C. Financial assets held at fair value	-	-	-	-
D. Equity investment	-		-	
Total	**228**	**-**	**113**	**-**

The amount of €228 thousand consists mainly of dividends received from Enercoop S.r.l. (€102 thousand), Green Hunter Group S.p.A. (€80 thousand) and Alto Garda Servizi S.p.A. (€38 thousand). The makeup of the residual amount and the changes with respect to the comparison accounting period 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:

Transactions / Income items	Capital Gains (A) [1]	Trading profits (B) [2]	Capital Losses (C) [3]	Trading losses (D) [4]	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					-
1.2 Equity securities					-
1.3 Investments in UCITS					-
1.4 Loans					-
1.5 Others					-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities					-
2.2 Amounts due					-
2.3 Others					
3. Other financial assets and liabilities: exchange differences					**0**
4. Derivatives	**782**	**359**	**763**	**301**	**78**
4.1 Financial derivatives:	782	359	763	301	78
- On debt securities and interest rates	782	359	763	301	78
- On equity securities and share indices					
- On currencies and gold					
- Other					
4.2 Credit derivatives					
Total	**782**	**359**	**763**	**301**	**78**

1 The item "Capital gains" includes positive fair value changes at 31/12/2014, accrued on IRS classified as "held for trading" for €19 thousand and on Cap options sold to customers for €763 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 €281 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 €20 thousand.

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

6.1 Gains (losses) from disposal or repurchase: breakdown

Items/Income items	2014			2013		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers [1]	137	-	137	497	(1,539)	(1,042)
3. Financial assets available for sale	7,435	-	7,435	5,573	-	5,573
3.1 Debt securities [2]	6,837	-	6,837	5,169	-	5,169
3.2 Equity securities[3]	598	-	598	404	-	404
3.3 Investments in UCITS	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**7,572**	**-**	**7,572**	**6,070**	**(1,539)**	**(4,531)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue [4]	-	-	-	153	-	153
Total liabilities	**-**	**-**	**-**	**153**	**-**	**153**

1 The amounts recorded under item 2. of the financial assets relate to the gain resulting from the sale 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 debt securities.
3 The amounts recorded under item 3.2. of the financial assets relate to the gain resulting from the sale of the equity investments in Valsugana Energia S.p.A. and Alto Garda Servizi Teleriscaldamento S.p.A..
4 The amounts recorded under item 3. of the financial liabilities relate to the repurchase of debt securities issued by us in 2013.

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS – ITEM 130

8.1 Net value adjustments for impairment of loans: breakdown

Transactions/Income items	Write-downs (1)			Write-backs (2)				Total 2014	Total 2013
	Specific		Portfolio	Specific[3]		Portfolio			
	Write-offs[1]	Other[2]		A	B	A	B[4]		
A. Loans and advances to banks			(7)					(7)	-
- loans			(7)					(7)	-
- debt securities			-					-	-
B. Loans and advances to customers	(72)	(24,334)	-	2,920	6,721		666	(14,099)	(17,731)
Purchased impaired loans									
- loans									
- debt securities									
Other loans	(72)	(24,334)	-	2,920	6,721		666	(14,099)	(17,731)
- loans	(72)	(24,334)	-	2,920	6,721		666	(14,099)	(17,731)
- debt securities								-	-
C. Total	**(72)**	**(24,334)**	**(7)**	**2,920**	**6,721**		**666**	**(14,106)**	**(17,731)**

Legend

A= from interests

B= other write-backs

1 The item "write-downs – specific - write-offs" (€72 thousand) coincides with the "loan losses" item in the table "Item 130. Net impairment adjustments" shown in the report on operations.

2 The item "write-downs – specific - write-offs" (€24,334) differs from the sum of the value shown in the Report on Operations in the section devoted to the dynamics of the income statement, table "Details for Item 130. Net impairment adjustments", in the item "Analytical valuation - adjustments" (€24.290m) and "initial FV of loans granted at an interest rate lower than the market rate" (€10 thousand). The amount of €34 thousand refers to net portfolio adjustments on restructured loans and past due, impaired loans which were included under "Specific adjustments - Other" in compliance with the provisions of the Bank of Italy's Circular no. 262/2005.

3 The total value of specific write-backs equals €9.641 thousand and differs from the sum of the value shown in the Report on Operations in the paragraph devoted to the dynamics of the income statement, table "Details of item 130. Write-downs and write-backs" under item "Analytical valuation - write-backs" (€5.479m) and "Collections from transactions concluded in prior periods" (€322 thousand). The amount of €3.840m refers to the net portfolio write-backs on substandard loans which were included under "Specific write-backs - Other" in compliance with the provisions of the Bank of Italy's Circular no. 262/2005.

4 The total amount shown under item "Loans and advances to customers – loans – portfolio write backs" (€666 thousand) differs from what was shown in the Report on operations in the section devoted to the dynamics of the income statement, Table "Details of item 130. "Write-downs and write-backs" - portfolio - net effect (€4.473m 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) for the amount of €3.840m described under note 3 and for -€34 thousand described under note 2.

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

Transactions/Income items	Write-downs (1)		Write-backs (2)		Total 2014 (3)=(1)-(2)	Total 2013 (3)=(1)-(2)
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities						-
B. Equity securities		(578)			(578)	(63)
C. Investments in UCITS		(183)			(183)	
D. Loans and advances to banks						
E. Loans and advances to customers						
F. Total		**(761)**			**(761)**	**(63)**

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 2014 (3)=(1)-(2)	Total 2013 (3)=(1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs[1]	Other		A	B	A	B		
A. Guarantees issued	(1)	-	(2)	-	-	-	-	(3)	9
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other assets	-	-	-	-	-	-	-	-	-
E. Total	**(1)**	**-**	**(2)**	**-**	**-**	**-**	**-**	**(3)**	**9**

Legend

A= from interests

B= other write-backs

1 The item "write-downs - specific - write-offs" (€575.58) refers to the provisions in favour of the national guarantee fund for interventions already resolved.

SECTION 9 – ADMINISTRATIVE COSTS – ITEMS 150

9.1 Payroll: breakdown

Type of expenses/Amounts	Total 2014	Total 2013
1) Employees	**6,170**	**6,230**
a) wages and salaries	4,307	4,350
b) social insurance	1,153	1,143
c) severance indemnities [1]	236	241
d) social security contributions	-	-
e) provision for severance indemnities	8	9
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g)) payments to external supplementary pension funds:	148	148
- defined contribution [2]	148	148
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	318	339
2) Other personnel currently employed	-	-
3) Directors and Auditors	457	457
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	**6,628**	**6,687**

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 This amount includes contributions to the supplementary pension schemes.

9.2 Average number of employees by category[1]

	2014	2013
Employees:	**74**	**75**
a) executives	3	3
b) total managers	36	36
- of which: 3rd and 4th level	19	20
c) remaining employees	35	37
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.

	2014	2013
Employees:	**78.6**	**79.9**
a) executives	3.0	3.0
b) total managers	36.4	36.5
- of which: 3rd and 4th level	19.2	19.6
c) remaining employees	39.2	40.4
Other personnel	-	-

9.4 Other employees benefits

	2014	2013
Insurance policies	134	122
Lunch vouchers	68	69
Training courses and travel expenses	46	47
Benefits in kind	20	22
Other short term benefits	50	79
Total	**318**	**339**

9.5 Other administrative expenses: breakdown

	2014	2013
1. IT costs	**631**	**601**
- outsourcing costs	414	407
- Other EDP (Electronic Data Processing) costs	217	194
2. Property related expenses	**437**	**439**
a) rental expenses	121	130
- property rental expenses	*121*	*130*
b) other expenses	316	309
- office cleaning	*88*	*83*
- building service charges	*37*	*29*
- maintenance and repair costs	*45*	*29*
- electricity, heating, water	*72*	*89*
- motor vehicles maintenance	*74*	*79*
3. Purchase of non-professional goods and services	**309**	**320**
- books, magazines, subscriptions	35	36
- information and cadastral services	73	76
- stationery, printing supplies, storage mediums	11	11
- surveillance	89	86
- databases and value-added networks	62	62
- post and telephones	39	49
4. Purchase of professional services	**975**	**1071**
- legal and procedural costs	563	614
- professional fees	412	457
5. Insurance premiums	**36**	**36**
- other insurance policies	36	36
6. Advertising expenses	**202**	**231**
- advertising and sponsorships	179	203
- entertainment and gifts	23	28
7. Indirect taxes and duties	**142**	**137**
- substitute tax	20	54
- registration tax and dues	20	10
- local tax on real estate	58	47
- other taxes and duties (advertising, occupation of public property)	44	26
8. Other	**345**	**315**
- subscriptions and memberships [1]	228	217
- other expenses	117	98
Total	**3,077**	**3,150**

1 It is mainly due to the subscription to ABI (Italian Bank Association), 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 2014	Total 2013
Provision for employee incentive system	(100)	(50)
Net provisions for legal disputes underlay	(31)	537
Total	**(131)**	**487**

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	(690)			(690)
A.1 Owned	(690)			(690)
- For operational use	(690)			(690)
- For investments				
A.2 Purchased under finance lease				
- For operational use				
- For investments				
Total	**(690)**			**(690)**

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	(76)			(76)
A.1 Owned	(76)			(76)
- Generated internally by the company				
- Others	(76)			(76)
A.2 Purchased under finance lease				
Total	**(76)**			**(76)**

SECTION 13 – OTHER OPERATING CHARGES/INCOME – ITEM 190

13.1 Other operating charges: breakdown

	Total 2014	Total 2013
Securitisation costs refunded to the SPV company	(429)	(524)
SPV on-going operating expenses	(83)	(97)
Depreciation of leasehold improvement	(4)	(5)
Sundry operating expenses	(11)	(28)
Total	**(527)**	**(654)**

13.2 Other operating income: breakdown

	Total 2014	Total 2013
Servicer commission income in relation to securitisation	429	524
Recovery of procedural expenses	492	628
Tax refund/recovery	82	87
Sundry operating income	50	57
Total	**1,053**	**1,296**

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

14.1 Profit (loss) from equity investments: breakdown

Income items/amounts	2014	2013
A. Income	**-**	**4**
1. Revaluations	-	-
2. Profit on disposal	-	-
3. Write-backs	-	4
4. Other income	-	-
B. Charges	**(148)**	**(24)**
1. Write-downs[1]	(72)	(24)
2. Adjustments due to impairment [2]	(76)	-
3. Loss from disposal	-	-
4. Other charges	-	-
Net result	**(148)**	**(20)**

1 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 Srl.

2 The charges from the write-downs due to impairment of equity investments in the portfolio refer to the affiliated company Essedi Strategie d'impresa.

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

17.1 Gains (losses) on disposal of investments: breakdown

Income items/Amounts	2014	2013
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other activities	(4)	(1)
- Gains on disposal [1]	0	1
- Losses on disposal [2]	(4)	(2)
Net result	**(4)**	**(1)**

1 This item relates to the sale of property, plant and equipment completely depreciated and of limited value for €855 in 2014 and €768 in 2013.

2 This item consists mostly of a loss arising from the disposal of property, plant and equipment partially amortised and of limited value for €3.5 thousand in 2014 and €1.9 thousand in 2013.

SECTION 18 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 260

18.1 Income taxes on current operations: breakdown

	Items/Amounts	Total 2014	Total 2013
1.	Current taxes (-)	(3,530)	(5,629)
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]	+2,145	+4,382
5.	Change in deferred tax liabilities (+/-)	+137	+287
6.	**Income taxes for the period (-) (-1+/-2+3+3*bis*+/-4+/-5)**	**(1,248)**	**(960)**

[1] The amount shown under "change in deferred tax assets" (€2.145m) differs from what was shown in table 13.3 "Change in deferred tax assets (with contra-entry to the income statement)" as balance of items "2. Increases" (€3.785m) and "3. Decreases" (€1.679m) amounting to €39 thousand. This amount, represented in item "3.3 Other decreases" in the same table, refers to the transfer of deferred tax assets - recognised in 2010 generated by impairment on a security available for sale as contra-entry to deferred tax liabilities recognised on that occasion as contra-entry to the AFS valuation reserve - following the write-back to equity recorded on that security in 2012. This change is represented in table 13.6 "Change in deferred tax liabilities (as contra-entry to equity)" in item "3.3 Other decreases".

18.2 Reconciliation between theoretical tax charge and actual tax charge

Items/Amounts		Tax	*of which*	Rates
Current profit before taxes (item 250 IS)		**2,634**		
Corporate income tax (IRES) – theoretical values:		**(724)**		**27.50%**
IRES variation due to decreases in the taxable income		1,715		27.50%
1/18 depreciation of previous periods			*244*	
1/5 write-downs on loans and advances for 2013			*978*	
95% dividends and transfer/revaluation of PEX equity investments			*216*	
personnel cost not deducted in previous years			*14*	
Use of allocations from previous years			*-*	
IRAP personnel cost deduction			*77*	
Other decreases			*186*	
IRES variation due to increases in the taxable income		(3,730)		27.50%
non-deductible interest expense			*(263)*	
write-downs on 2014 loans and advances exceeding 1/5			*(3,103)*	
write-downs on equity investments and AFS securities			*(250)*	
other increases			*(114)*	
A. Actual tax charge – current corporate income tax (IRES)		**(2,739)**		
Decreases in deferred tax assets		3,224		27.50%
Increases in deferred tax assets		(1,447)		27.50%
Decreases in deferred tax liabilities		-		
Increases in deferred tax liabilities		137		27.50%
B. Total effect of deferred corporate income tax (IRES)		**1,914**		
C. Total actual IRES charge (A+B)		**(825)**		**31.32%**
Regional tax on industrial activities IRAP – theoretical tax rate (difference between net interest and other banking income and expenses allowed as a deduction)		**(1,123)**		**4.65%**
IRAP variation due to a decrease in production value		410		4.65%
Detraction of personnel expenses (disables)			*113*	
deduction for impairment/losses on credits			*296*	
Other decreases			*1*	
IRAP variation due to an increase in production value		(78)		4.65%
4% non-deductible interests			*(44)*	
other increases			*(34)*	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)		**(791)**		
Decreases in deferred tax assets		561		4.65%
Increases in deferred tax assets		(193)		4.65%
Decreases in deferred tax liabilities		-		4.65%
Increases in deferred tax liabilities		-		4.65%
E. Total effect of deferred regional tax on industrial activities (IRAP)		**368**		
F. Total actual IRAP charge	**(D+E)**	**(423)**		**16.06%**
Total current taxes IRES/IRAP (item 260 IS)	**(A+D)**	**(3,530)**		
Total actual tax charges IRES/IRAP (item 260 IS)	**(C+F)**	**(1,248)**		**47.38%**

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 Supervisory Authority, is the parent company of "Gruppo Bancario Mediocredito Trentino–Alto Adige S.p.A.", duly registered with the Banking Group Register. The real estate company Paradisidue S.r.l., 100% controlled, is also part of the Group.
The Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (assets as at 31/12/2014 of €8.2m) is not deemed significant to the improvement of the disclosures provided (IAS 8 and paragraphs 26, 29, 30 and 44 of the "Framework for the Preparation and Presentation of Financial Statements" or "Framework"). The subsidiary owns two buildings the appraised value of which is aligned with market values and the equity investment is booked to equity in the Statement of Financial Position of the Bank.
Additionally, since the volume of business of its subsidiary is below the set threshold Mediocredito is not required to submit to the Bank of Italy consolidated disclosures under the existing supervisory regulations.

SECTION 21 – EARNINGS PER SHARE

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

During the business period 2014 there was no dilution of Mediocredito's capital stock as neither the number of its shares nor their nominal value changed.
The earnings per share amounted to €0.0123 and are entirely distributable.

EARNINGS PER SHARE

	2014	2013
Earnings per share	0.0123	0.0115
Diluted earnings per share	0.0123	0.0115

PART D

COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Tax	Net amount
10.	PROFIT (LOSS) FOR THE YEAR			**1,386**
Other income components				
40.	DEFINED BENEFITS PLANS	**180**	**51**	**(134)**
Other income with reversal to income statement				
100.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**(236)**	**176**	**(60)**
	a) fair value changes	608	(62)	546
	b) reversal to income statement	(844)	238	(606)
	- adjustments due to impairment	87	(28)	59
	- capital gains/losses	(931)	266	(665)
	c) other changes	-	-	-
130.	TOTAL OTHER INCOME COMPONENTS	**(421)**	**227**	**(194)**
140.	TOTAL COMPREHENSIVE INCOME (Item 10+130)			**1,192**

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.
In 2014, the Bank updated its system of controls, planning and management of risks to comply with the innovations included in the 15th update of the Bank of Italy's Circular no. 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 (Collateralised 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 - Monitoring and Restructuring Office. The body, dedicated to a constant check of credit quality, reports every two months to the Credit Risk Management Committee and manages the restructuring of impaired loans.
- 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, forecast business plan and guarantees.
The credit portfolio is monitored by the Monitoring and Restructuring Department and the most problematic loans in the portfolio by the Legal Department. The 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 Monitoring and Restructuring 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;
– Past due 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 Monitoring and Restructuring 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 entities 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 €83.5m in 2014 (€67.9m in 2013). At 31st December 2014 the ratio of the operations to loans due to expire came to 29.3% (25.6% at the end of 2013), a ratio lower than the limit set for the year (26.0%). However, we stress that of the total loans at full risk (€334m), approximately €55m are guaranteed by the Central Guarantee Fund (50) or by SACE (5) for a percentage of or higher than 60%. If we consider the latter as collateralised loans, the percentage of transactions at full risk goes down to 25.1%.
Operations within the construction sector remained very low. In 2014 disbursement came to just €1m (€4m in 2013, €2.6m in 2012 and €5.7m in 2011) and overall amounts equalled 6.8% of the total at 31st December 2013 (down from 7.5% at 31st December 2013, 9.3% in December 2012 and 10.7% in December 2011 - excluding doubtful loans) and below the set limits for the financial year 2014 (8%).
A breakdown by geographical area of the interventions shows that the concentration profile of the activities in the target areas remains substantially unchanged (the loan portfolio is concentrated for 46.1% in Trentino-South Tyrol, 23.7% in Veneto, 10.3% in Emilia Romagna, 11.3% in Lombardy and 8.6% in other areas).
In relation to "significant risk", at 31.12.2014 we highlight just two loans: one exposure to central governments (Italian government securities), and the other to a supervised local mediator.

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 past due 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. A specific policy was adopted in 2014 for the classification, measurement and management of impaired exposures. According to this policy, in particular, the recovery forecast must be formally determined for each position, analysed so that it is possible to track and reconstruct the valuation and calculation process.
The correct monitoring of the individual exposures and the assessment of the consistency of the classifications, the congruence of the provisions and the adequacy of the recovery process is carried out by the risk control function which, verifies, among the other tasks, the operations of the operating units and credit recovery ensuring the correct classification of the impaired exposures and the adequacy of the related degree of unrecoverability.
Regarding risk indicators of the portfolio developed by the Bank of Italy[35], it is reported that when analysing the historical performance of the most significant aggregate for our operations (non-financial companies in North-eastern Italy), the Bank's average value is below the result of the System. In the last five years, characterised as well known by a strong economic crisis, the average is slightly below that of the system, with a figure clearly improving during 2010-2012 and essentially in line in 2013-2014.

[35] The data is up-to-date as at 30th September 2014.

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 securities 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 loans	Substandard loans	Restructured exposures	Impaired past due exposures	Exposures past due but not impaired[1]	Other activities	Total
1. Financial assets held for trading						696	**696**
2. Financial assets available for sale						359,548	**359,548**
3. Financial assets held to maturity							
4. Loans and advances to banks					-	147,933	**147,933**
5. Loans and advances to customers	82,469	56,702	12,201	10,749	31,277	1,009,207	**1,202,605**
6. Financial assets at fair value							
7. Financial assets to be sold							
8. Hedging derivatives							
Total 2014	**82,469**	**56,702**	**12,201**	**10,749**	**31,277**	**1,517,384**	**1,710,782**
Total 2013	**84,407**	**64,144**	**10,353**	**8,341**	**33,368**	**1,599,666**	**1,800,279**

[1] The unpaid amount under "Exposures past due but not impaired" amounted to €0.993m, 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)

	Impaired assets			Performing			
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	General portfolio adjustments	Net exposure	Total (net exposure)
1. Financial assets held for trading						696	**696**
2. Financial assets available for sale				359,548		359,548	**359,548**
3. Financial assets held to maturity							
4. Loans and advances to banks				147,972	38	147,933	**147,933**
5. Loans and advances to customers	228,703	66,582	162,121	1,046,400	5,916	1,040,484	**1,202,605**
6. Financial assets at fair value							
7. Financial assets to be sold							
8. Hedging derivatives							
Total 2014	**228,703**	**66,582**	**162,121**	**1,553,920**	**5,954**	**1,548,661**	**1,710,782**
Total 2013	**221,147**	**53,902**	**167,245**	**1,638,746**	**6,614**	**1,633,034**	**1,800,279**

Detailed information on performing loans

Gross exposure for past due 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	147,934	-	-	-	38
5. Loans and advances to customers	1,014,805	20,172	7,898	409	3,116
of which					
Subject to renegotiation under collective agreements [1]	-	-	-	-	-
Other exposures	*1,014,805*	*20,172*	*7,898*	*409*	*3,116*

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	147,972	-	-	-	38
5. Loans and advances to customers	1,046,400	923	54	14	2
of which					
Subject to renegotiation under collective agreements [1]	-	-	-	-	-
Other exposures	*1,046,400*	*923*	*54*	*14*	*2*

[1] The Bank no longer holds exposures that benefit from renegotiations granted under the following agreements between ABI and the 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 2011;
- "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 amounts

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) Past due exposures				
e) Other assets	150,983		38	150,945
of which Financial assets available for sale[1]	*3,012*		*-*	*3,012*
Loans and advances to banks	*147,971*		*38*	*147,933*
TOTAL A	**150,983**	**-**	**38**	**150,945**
B.OFF-BALANCE SHEET EXPOSURES				
a) Impaired				
b) Other	1,747		-	1,747
Of which derivatives	*696*	*-*	*-*	*696*
Guarantees issued[2]	*1,051*	*-*	*-*	*1,051*
TOTAL B	**1,747**	**-**	**-**	**1,747**

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

2 The item also includes €18 thousand paid to the Interbank Deposit Protection Fund for estimated interventions not yet approved; this amount is represented amongst loans and advances to banks in compliance with the provisions of the Bank of Italy Circular no. 262/2005 § 2.7.25.

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

Type of exposure/Amounts	Gross exposure	Specific adjustments	General portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURES				
a) Doubtful loans	133,563	51,094		**82,469**
b) Substandard loans	68,863	12,160		**56,702**
c) Restructured exposures	15,424	3,223		**12,201**
d) Past due exposures	10,854	105		**10,749**
e) Other assets	1,402,936		5,916	**1,397,020**
Of which loans to customers	*1,046,400*		*5,916*	***1,040,484***
Financial assets available for sale[1]	*356,536*		*-*	***356,536***
TOTAL A	**1,631,640**	**66,583**	**5,916**	**1,559,141**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired	156	-		**156**
b) Other	11,217		4	**11,213**
of which Guarantees issued	*1,058*		*4*	***1,054***
Commitments	*10,159*		*-*	***10,159***
TOTAL B	**11,373**	**-**	**4**	**11,369**

1 These are securities issued by the Italian Government eligible for ECB refinancing and by the French Government purchased to guarantee the securitisation operation started in 2009. For details please refer to the report on operations chapter "The securities portfolio".

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

Sources/Categories		Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A.	**Opening balance**	**127,106**	**74,028**	**11,606**	**8,408**
	- of which: exposures sold and not de-recognised	-	-	-	-
B.	**Increases**	**18,063**	**23,837**	**9,656**	**12,226**
B.1	transfers from performing loans	3	11,211	-	11,718
B.2	transfers from other categories of impaired loans	16,837	10,713	9,151	-
B.3	other increases [1]	1,223	1,913	505	508
C.	**Decreases**	**11,606**	**29,002**	**5,838**	**9,780**
C.1	transfers to performing loans	-	1,987	357	1,321
C.2	write-offs	1,125	355	45	-
C.3	collections [1]	6,426	2,160	815	1,883
C.4	sale proceeds	2,100	105	-	-
C.4.*bis*	losses on disposal	445	292	-	-
C.5	transfers to other categories of impaired loans	1,492	24,034	4,621	6,554
C.6	other decreases	18	69	-	22
D.	**Closing balance**	**133,563**	**68,863**	**15,424**	**10,854**
	- of which: exposures sold and not de-recognised	-	-	-	-

1 The column doubtful loans also includes €322 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).

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

Sources/Categories		Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Performing loans	
A.	**Opening balance**	**42,698**	**9,884**	**1,253**	**67**	**6,584**	
	- of which: exposures sold and not de-recognised	-	-	-	-	-	
B.	**Increases**	**14,098**	**9,583**	**3,055**	**38**	**-**	
B.1	value adjustments	12,657	9,557	2,145	38	-	
B.1 bis	losses on disposal	-	-	-	-	-	
B.2	transfers from other categories of impaired loans	1,119	26	910	-	-	
B.3	other increases [1]	322	-	-	-	-	
C.	**Decreases**	**5,702**	**7,307**	**1,085**	**-**	**667**	
C.1	write-backs from valuations	3,457	4,923	722	-	667	
C.2	write-backs from collection [1]	539	0	-	-	-	
C.2bis	gains on disposal	137	-	-	-	-	
C.3	write-offs	1,125	355	45	-	-	
C.4	transfers to other categories of impaired loans	-	2,029	26	-	-	
C.5	other decreases	444	-	292	-	-	
D.	**Closing balance**	**51,094**	**12,160**	**3,223**	**105**	**5,916**	
	- of which: exposures sold and not de-recognised	-	-	-	-	**-**	
Losses due to below market rates		-	10	-	-	0	
Total net credit adjustments		**8,661**	**4,645**	**1,423**	**37**	**(667)**	**14,099** [2]
Revenues from sales		**(137)**	**-**	**-**	**-**	**-**	**(137)** [3]

1 The column doubtful loans also includes €322 thousand related to cashing in of doubtful loans expired in the previous year as directed by the Bank of Italy (Letter "Budget and Supervision reports" - February 2012).

2 The amount corresponds to the amount in table 8.1 part C.

3 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-	Lower than B-	No rating	Total
A. Balance sheet exposures	**10,783**	**-**	**348,236**	**-**	**529**	**-**	**1,350,538**	**1,710,086**
B. Derivatives	**-**	**-**	**696**	**-**	**-**	**-**	**-**	**696**
B.1 Financial derivatives	-	-	696	-	-	-	-	696
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**2,104**	**2,104**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**10,316**	**10,316**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,783**	**-**	**348,932**	**-**	**529**	**-**	**1,362,958**	**1,723,202**

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 regards to financial derivatives, the overall notional amount is €31.9m and is distributed as follows: counterparts rated Baa2 for €31.5m and rated Baa3 for €0.4m.

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

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

A.3 Breakdown of secured exposures by type of guarantee

A.3.2 Secured balance-sheet credit exposures to customers

		Collaterals (1)				Personal guarantees (2)									
						Credit derivatives					Engagements				
							Other derivatives								
	Net exposure	Properties	Financial leasing	Securities	Other assets	Credit link notes	Government & central banks	Other public entities	Banks	Others	Government & central banks	Other public entities	Banks	Others	Total (1)+(2)
1. Secured balance sheet credit exposures															
1.1 fully secured	754,589	647,004	50,938	4,974	1,899							5,337	18,102	131,253	859,507
- of which impaired	137,420	169,976	3,585	27	-							28	452	16,558	190,627
1.2 partially secured	181,210	41,629	-	3,920	3,895							3,766	40,825	22,413	116,448
- of which impaired	19,777	20,269	-	250	-							3,402	1,035	11,623	36,580
1. Secured off-balance sheet credit exposures															
1.1 fully secured	1,470	750		720											1,470
- of which impaired															
1.2 partially secured	2,657	1,244			288									100	1,632
- of which impaired															

B. Distribution and concentration of credit exposures

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

Exposures/Counterparties	Governments			Other public entities			Financial corporations			Insurers			Non-financial corporations			Others		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposures	Specific adjustments	Portfolio adjustments	Net exposures	Specific adjustments	Portfolio adjustments	Net exposures	Specific adjustments	Portfolio adjustments	Net exposures	Specific adjustments	Portfolio adjustments	Net exposures	Specific adjustments	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Doubtful loans							1,502	2,413					79,086	48,148		1,881	533	
A.2 Substandard loans							-	-					56,330	12,100		372	61	
A.3 Restructured exposures							562	545					11,557	2,678		82	0	
A.4 Past due exposures							-	-					10,663	105		86	0	
A.5 Other exposures	356,536			89,913		135	40,371		53				877,628		5,688	32,573		41
Total A	**356,536**			**89,913**		**135**	**42,434**	**2,958**	**53**				**1,035,264**	**63,031**	**5,688**	**34,994**	**594**	**41**
B. Off-balance sheet exposures																		
B.1 Doubtful loans																		
B.2 Substandard loans																		
B.3 Other impaired assets													156					
B.4 Other exposures													11,213		4			
Total B													**11,369**		**4**		**-**	
Total (A+B) (2014)	**356,536**			**89,913**		**135**	**42,434**	**2,958**	**53**				**1,046,633**	**63,031**	**5,692**	**34,994**	**594**	**41**
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**

B.2 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by area (book value) [36]

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 loans	82,469	51,094	*51,926*	*32,383*	*30,543*	*18,710*				
A.2 Substandard loans	56,702	12,160	*43,636*	*10,417*	*13,067*	*1,743*	2,071	230		
A.3 Restructured exposures	10,129	2,993	*4,531*	*1,046*	*5,599*	*1,947*				
A.4 Past due exposures	10,749	105	*6,397*	*51*	*4,352*	*54*				
A.5 Other exposures	1,383,533	5,912	*895,934*	*4,944*	*487,599*	*968*	13,487	4		
Total A	**1,543,582**	**72,264**	***1,002,423***	***48,841***	***541,159***	***23,423***	**15,558**	**234**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Doubtful loans										
B.2 Substandard loans										
B.3 Other impaired assets	156				*156*					
B.4 Other exposures	11,213	4	*9,795*	*2*	*1,418*	*2*				
Total B	**11,369**	**4**	***9,795***	***2***	***1,574***	***2***	**-**	**-**	**-**	**-**
Total (A+B) 2014	**1,554,951**	**72,268**	***1,012,218***	***48,843***	***542,734***	***23,425***	**15,558**	**234**	**-**	**-**
Total (A+B) 2013	**1,556,181**	**60,143**	***1,073,989***	***38,328***	***482,192***	***21,815***	**13,148**	**345**	**14**	**0**

[36] 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 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	147,933								-	38
Total A	**147,933**								**-**	**38**
B. Off-balance sheet exposures										
B.1 Doubtful										
B.2 Substandard										
B.3 Other impaired assets										
B.4 Other exposures	1,747									
Total B	**1,747**									
Total (A+B) 2014	**149,680**								**-**	**38**
Total (A+B) 2013	**239,955**								**8**	**30**

B.4 High exposures

	2014	2013
a) Amount (book value)	466,771	507,020
b) Amount (weighted value)	121,018	132,108
c) Number	2	7

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

QUALITATIVE INFORMATION

In order to increase the liquidity of its assets, 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.
Both transactions involved the repurchase by the Bank of all the senior and junior securities issued by the SPV. As a result, they are considered "self-securitisations" and, in compliance with the Bank of Italy's regulations, such transactions cannot be recorded in the tables of the Notes to the Accounts of part E, section C "securitisation transactions and sales of assets".
A description of this transaction is provided in the section dealing with liquidity risk.

SECTION 2 – MARKET RISK

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

The Bank owns very few assets classified in the regulatory trading portfolio with regard to both numbers and amounts. They consist of two derivatives (IRS) which have been included in the trading portfolio even though they are linked with loans to customers and 34 interest rate cap options, of which 17 are with ordinary customers and 17 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 (Collateralised 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 (loans and securities) 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 did not carry out any fair value hedging activities. Hedging management techniques were not used to mitigate interest rate risk in connection with the adoption of the fair value option.

C. Cash flow hedging

In 2014 the Bank did not initiate interest any cash flow hedging transaction.

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. 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 table shows the effects (calculated with the maturity gap model) on the interest margin and on the net income.

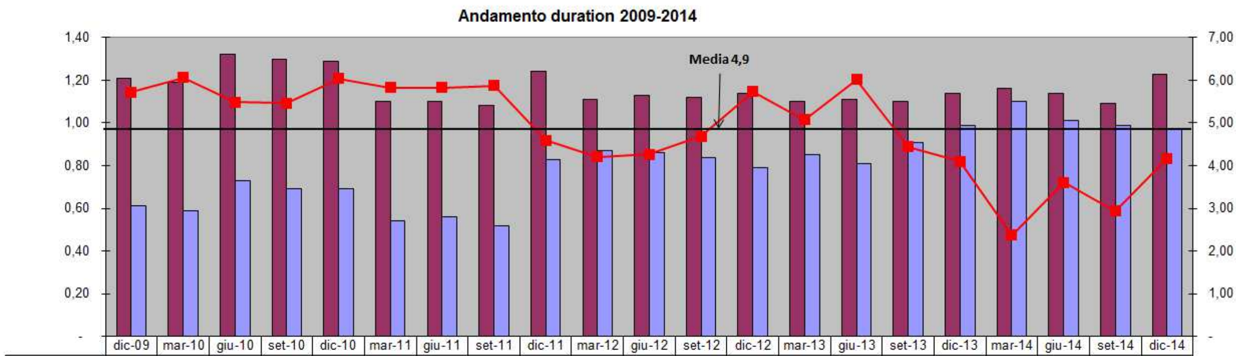
Volatility of the net interest income and of net income calculated using the Gap model (thousands of Euro)

Instantaneous and parallel shift in the interest rate yield curve	+100 bp	-100 bp
Net interest income change	-298	+298
Net income change	-141	+141

The analysis of the effect of the interest margin shows less volatility than the previous year and still influenced by the LTRO and TLTRO refinancing 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 2009 – 2014:



	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	mar-14	giu-14	set-14	dic-14
Attivo	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	1,16	1,14	1,09	1,23
Passivo	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	1,10	1,01	0,99	0,97
Portafoglio	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	2,38	3,60	2,93	4,17

The ratio is in line with the data as at 31.12.2013 (4.10) and below the average for the period under review (4.9), settling below the limits set by the 2014 risk profiles. The €200m bond loan at fixed rate and medium term concluded in January 2015 will contribute to reduce significantly this ratio.

The stress test of +/-100 bp shows an increase in the effect on the equity, which goes from -/+3.6 in December 2013 to -/+ 5.7 in December 2014.

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	- 5,717	+5,717

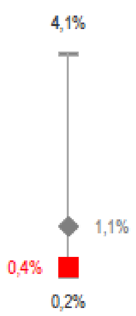
Price risk – Banking portfolio

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 Supervisory Authority.
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. The Bank 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.

The 10-day parametric VaR analysis carried out on the debt securities portfolio revealed the following amounts:

	Value at risk (million Euros)
Actual data as at 31/12/2014	1.431
Minimum (20/02/2014)	0.674
Maximum (10/06/2014)	3.604
Average	1.890

Both the actual data at year end and the average show a limited risk presented by the securities portfolio. Regarding the trend of the ratio over the 12 months under review, a significant variance with the average occurred only on two occasions (particularly that of 10th June, shown in the table). In both cases, these peaks were due to the contemporary nature of the negotiations involving the portfolio and, particularly the strong increases in volatility of the Italian government securities at system level. Confirmation of the limited risk presented by the Bank's securities portfolio is provided by the fact that the VaR as percentage of the value of the portfolio remained lower than the average for the banking system (0.4% as at 30.01.2015 versus 1.1% of the system).



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 related to a very limited number of exposures in relation to the main currencies: only Swiss francs for 2014.

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					**1,009**	
A.1 Debit securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers					1,009	
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities					**1,022**	
C.1 Amounts due to banks					1,022	
C.2 Amounts due to customers						
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
Total assets					**1,009**	
Total liabilities					**1,022**	
Difference (+/-)					**-13**	

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	2014		2013	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	63,327		37,877	-
a) Options[1]	62,946		37,132	
b) Swap[2]	381		745	
c) Forward				
d) Futures				
e) Others				
2. Equity securities 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	**63,327**		**37,877**	**-**
Average values	**45,160**		**30,352**	

1 It is cap options sold to customers and their hedging corresponding option purchased from bank counterparties.
2 These are interest rate swaps related to lending operations but classified as held for trading.

A.2 Banking portfolio: notional values at the end of period and average

A.2.1 Hedging derivatives

Derivative instrument types/Underlyings	2014		2013	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	-	-	-	-
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
2. Equity securities and stock indexes	-	-		-
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Currencies and gold	-	-		-
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**-**	**-**	**-**	**-**
Average amounts[1]	**-**	**-**	**33,562**	**-**

1 In 2013 these are 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.3 Financial derivatives: positive fair value – breakdown by product

Derivative instrument types/Underlyings	Negative Fair value			
	2014		2013	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	696		902	-
a) Options [1]	696		902	
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	**696**	**-**	**902**	**-**

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			
	2014		2013	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	709		938	-
a) Options [1]	696		902	
b) Interest rate swap [2]	13		36	
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	**709**		**938**	**-**

1 These are cap options sold to customers.
2 These are interest rate swaps related to lending operations but classified as held for trading.

A.5 OTC financial derivatives- regulatory trading portfolio: notional values, positive and negative fair value by counterparty - contracts not included in netting agreements

Contracts not included in netting agreements	Government and central banks	Other public entities	Banks	Financial corporations	Insurers	Non-financial corporations	Others
1) Debt securities and interest rates							
- notional values			31,854			31,473	
- positive fair value			696			-	
- negative fair value			12			696	
- future exposure			472			472	
2) Equity securities and stock indexes							
- notional values							
- positive fair value							
- negative fair value							
- future exposure							
3) Currencies and gold							
- notional values							
- 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	**4,078**	**16,958**	**42,291**	**63,327**
A.1 Financial derivative contracts on debt securities and interest rates	4,078	16,958	42,291	63,327
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 2014	**4,078**	**16,958**	**42,291**	**63,327**
Total 2013	**2,150**	**8,960**	**26,767**	**37,877**

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. 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.

The liquidity risk management policy includes, essentially:
- 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 2015 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.

2014 was characterised by an improvement in the trend of the spread on bank bond issues. The ECB played once again an important role by reducing the refinancing rate from 0.25% in the early 2014 to 0.05% at the of the year, introducing the new form of medium-term refinancing form called TLTRO and confirming the full allotment until 31.12.2016. The ECB contributed also in the reduction of the funding cost for banks by stepping in directly and buying the newly-issued ABS. With regards to government securities, in the last few days of 2014 the ECB announced the QE plan (Quantitative Easing) which gave a further boost to the reduction in the cost of debt, with immediate effects on the market in general.

At 31.12.2014, the Bank had a negative net exposure on the short-term market (within 1 year) for €65m. In accordance with the regulations included in the "Governance and Liquidity Management Model" the Bank's exposure on the short-term market (maximum negative exposure equal to own funds) is well within the operational limit.

With regards to 2014 funding, fixed-rate bonds were issued for €80m with an average duration of approximately 3.8 years and 21 at variable rate with a 5-year duration totalling €101m.

In addition, withdrawals were made on EIB medium-term lines for €21m and from CDP (nuova Sabatini) for €23m. Interbank deposits were opened with expiry beyond one year for €55m. The Bank took part in the TLTRO transaction put in place by the ECB receiving €67m and, at the same time, reduced the exposure of the LTRO transaction expiring in February 2015 by €50m.

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 not only maintained substantial reserves of eligible securities but, in the last part of the year, it activated, alongside the traditional procedure for credit allocation called one-to-one ABACO (*Attivi Bancari Collateralizzati*, collateralised banking assets) the pool procedure which helped to double the net collateral available from the Bank's credit portfolio, which went from approximately €75m to €155m (figure as at 31.12.2014).

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 €635m (net of ECB haircut), of which €444m is already utilised and €191 is still unutilised. The first of the two securities guaranteed by the Italian Government was extinguished in August 2014, before its expiry for a nominal €125m; the second was extinguished in January 2015 for €60m.
- an award by the EIB of €50m of which €36 have been used;
- the programme of issues on the European market renewed in July 2014 and used in January 2015 for issues amounting to €200m.

Securitisation transactions

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 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 €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 €93.3m were issued (€56.8m 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	Change

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 Insertion Sheet of the Official Gazette no. 144 of 15th August 2009;
- in relation to the privacy law, the Bank has provided to inform the individual assigned debtors with a specific notification.

The following subjects were involved in their respective roles:
- Arranger: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa.
- Vehicle company: Cassa Centrale Finance 3 srl, a limited liability company incorporated under Law no. 130/99, with its registered office in Rome - Largo Chigi 5; the company is registered with the Business Register of Rome (registration number 05652970962) and enrolled in the register pursuant to Article 106 of the Consolidated Banking Law (no. 39334, ABI code 33370). We confirm that the Bank does not hold any interest nor do its employees hold any corporate position in SPV Cassa Centrale Finance 3 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 Milan
- Corporate Servicer Provider: FIS Spa, Rome
- Rating Agencies: Moody's Investors Service and DBRS Rating
- Legal Advisor: Orrick, Herrington & Sutcliffe – Rome
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- SPV's Auditors: Deloitte and Touche Spa

BCC SME Finance 1

The transaction was finalised in August 2012 and implied handing over to a Special Purpose Vehicle of a portfolio of performing loans secured by a mortgage of first degree.
The Special Purpose Vehicle in its turn issued listed and rated Senior notes and Junior notes. Both types of notes were purchased pro rata by the Bank that will use the class Senior notes as guarantee in refinancing operations with the ECB.
The Bank acts as a servicer in this operation collecting payments due on the underlying assets.
According to IAS 39 § 15-23 and AG 34-52, this operation is not of a "non-recourse" nature (so-called no derecognition) because the Bank maintains all risks and benefits of the securitised portfolio. The securitised loans therefore remain in the Statement of Financial Position of the Bank and until this condition is met, all corresponding capital and income between the Bank and the SPV cancel each other out from an accounting point of view, including derivative contracts signed between the Bank and the SPV.
As the Bank repurchased all the Senior and Junior notes issued by the SPV, the operation takes the form of "self-securitisation".
The overall gross nominal value of the assigned loans are equal to €2,189.7m out of which €150.3 refer to the Bank; in correspondence with such loans, Senior notes in the amount of €1,533.0m and Junior notes in the amount of €105.2m were issued (€656.7m and €45.1m 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	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	Change

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 – Announcement Sheet no. 93 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: BCC SME Finance 1 Srl, a limited liability company incorporated under Law no. 130/99, with its registered office in Rome - Largo Chigi 5; the company is registered with the Business Register of Rome (registration number 06646750965) and 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 Agencies: Moody's Investors Service and DBRS Rating
- Legal Advisor: Orrick, Herrington & Sutcliffe – Rome
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- SPV's Auditors: Crowe Horwath AS S.r.l.

Quantitative information

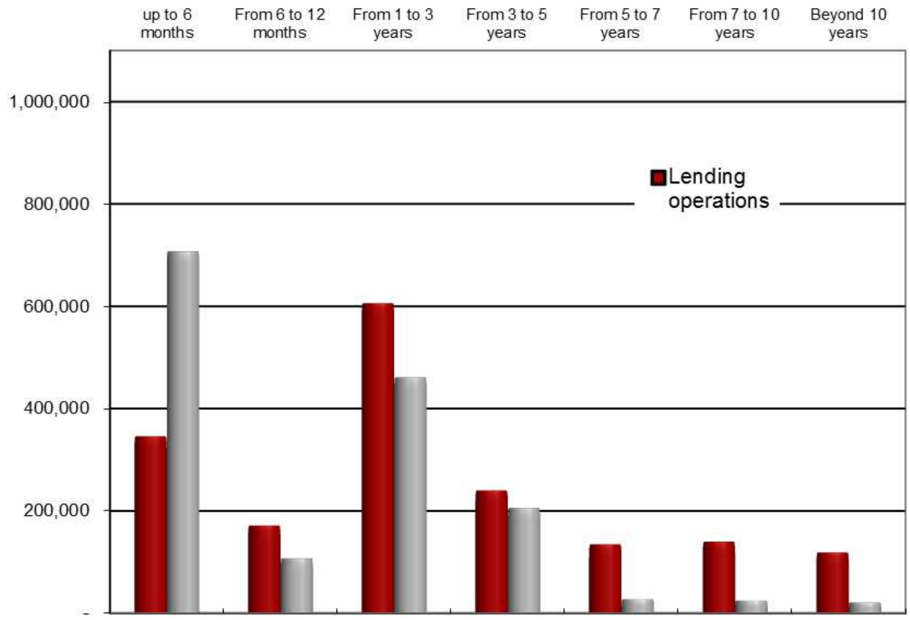
1. Breakdown of financial assets and liabilities by residual contractual maturity (foreign currency denominated items are shown separately)

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	Beyond 5 years	Undetermined duration
Financial assets	**88,108**	**334**	**15,973**	**3,570**	**114,393**	**123,687**	**171,778**	**846,791**	**394,351**	**214**
A.1 Government securities	-	-	10,763	-	713	33,125	33,387	275,000	-	-
A.2 Other debt securities	-	-	-	2,088	-	38	39	1,830	101	-
A.3 Investments in UCITS	5,311	-	-	-	-	-	-	-	-	-
A.4 Loans	82,797	334	5,210	1,482	113,680	90,524	138,352	569,961	394,250	214
- banks	51,336	-	-	-	76,580	-	15,000	5,000	-	214
- customers	31,461	334	5,210	1,482	37,100	90,524	123,352	564,961	394,250	-
of which Swiss francs	*146*	-	-	-	-	*85*	*84*	*585*	*352*	-
Financial liabilities	**46,101**	**121,527**	**10,026**	**-**	**506,834**	**23,227**	**107,664**	**667,908**	**74,347**	**-**
B.1 Deposits and current accounts	45,887	121,527	-	-	11,215	6,091	-	40,444	9,645	-
- banks	17,060	120,000	-	-	11,215	1,022	-	-	-	-
of which Swiss francs	-	-	-	-	-	*1,022*	-	-	-	-
- customers	28,827	1,527	-	-	-	5,069	-	40,444	9,645	-
B.2 Debt securities	57	-	-	-	194,504	1,857	18,010	387,004	-	-
B.3 Other liabilities	157	-	10,026	-	301,115	15,279	89,654	240,460	64,702	-
Off-balance sheet transactions	**11,361**	**350**	**-**	**-**	**0**	**301**	**169**	**3,996**	**5,117**	**-**
C.1 Physically settled financial derivatives										
- long positions										
- short positions										
C.2 Cash settled credit derivatives	12	-	-	-	0	1	36	234	826	-
- long positions	-	-	-	-	0	0	18	117	413	-
- short positions	12	-	-	-	0	0	18	117	413	-
C.3 Deposit to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds	10,316	350	-	-	-	300	133	3,762	4,291	-
- long positions	-	350	-	-	-	300	133	3,762	4,291	-
- short positions	10,316	-	-	-	-	-	-	-	-	-
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:

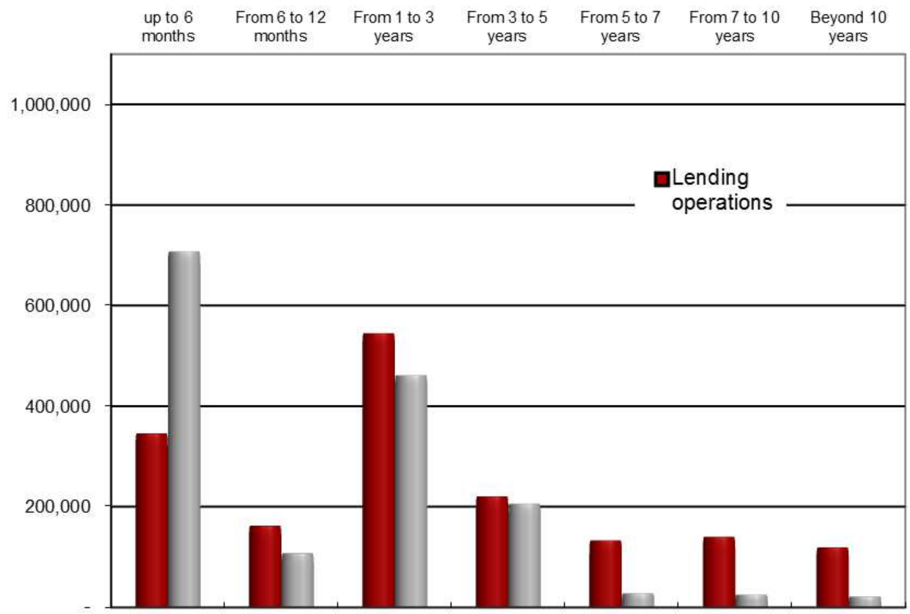
- a negative cap of €362m in the short-term band (up to 6 months) characterised by the expiring of the financing by the ECB for €370m;
- a positive gap of about €64m in the "up to 1 year" band (€55m net of estimated flows on doubtful loans);
- a positive gap in the "1 to 3 years" band of €145m (€84m net of doubtful loans);
- a positive gap in the "3 to 5 year" band of about €34m (€14m net of doubtful loans);

- the other bands show positive gaps even when net of doubtful loans, due to the scarcity of maturities for long-term funding.



	up to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 7 years	From 7 to 10 years	Beyond 10 years
Lending operations	346,063	171,778	606,381	240,410	135,024	140,163	119,163
Borrowing operations	707,714	107,664	461,588	206,319	27,801	25,257	21,289

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



	up to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 7 years	From 7 to 10 years	Beyond 10 years
Lending operations	345,696	162,299	545,235	220,776	133,315	140,163	119,163
Borrowing operations	707,714	107,664	461,588	206,319	27,801	25,257	21,289

2. Disclosure on balance sheet assets pledged as a guarantee

Technical form	Pledged		Not Pledged		Total 2014	Total 2013
	Book value	Fair value	Book value	Fair value		
1. Cash and cash equivalents	-		6		6	2
2. Debt securities	248,390	248,390	112,201	112,305	360,591	398,632
3. Equity securities	-	-	9,523	9,523	9,523	11,122
4. Loans [1]	492,928		856,567		1,349,495	1,400,745
5. Financial assets	-		6,008		6,008	5,793
6. Non-financial assets	-		10,878		10,878	11,542
Total 2014	**741,318**	**248,390**	**995,183**	**121,828**	**1,736,501**	
Total 2013	**509,852**	**154,641**	**1,317,984**	**255,107**		**1,827,836**

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 €138.9m (€172.9m in 2013).

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

Technical form	Pledged	Not Pledged	Total 2014	Total 2013
1. Financial assets	150,393	-	150,393	307,115
- Securities	150,393	-	150,393	307,115
- Others	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 2014	**150,393**	**-**	**150,393**	
Total 2013	**307,115**	**-**		**307,115**

Eurosystem credit operations

The Bank has entered into three liability-funding operations with ECB for a total face value of €437.2m, guaranteed by securities classified as financial assets available for sale (Item 2. Table 2.), in addition to other securities not reported in the statement of financial position, of which:

- €250.0m for a transaction concluded on 01/03/2012 (expiry 26/02/2015);
- €67.1m for a transaction concluded on 17/12/2014 (minimum and maximum expiry 29/09/2016 and 26/09/2018 respectively[37]);
- €120.0m for a transaction concluded on 30/12/2014 (expiry 06/01/2015).

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

a) With the above mentioned 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.

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[37] This transaction is one of the so-called targeted refinancing operations (TLTRO) which includes the obligation for the borrower of a partial or total early repayment when specific conditions no longer apply.

Own liabilities guaranteed by securities not reported in the statement of financial position

At the year's end, the Bank has €90.4m in securities that are not reported in the statement of financial position filed with the Bank of Italy. Such securities serve in part as a guarantee for the €437.2m financing (see paragraph "Eurosystem credit operations" for details).

The Bank issued and subscribed its own securities with a State guarantee for €60m: such securities filed with the Bank of Italy, which are not reported in the statement of financial position also partially serve as a guarantee for the €437.2m financing (see paragraph "Eurosystem credit operations" for details).

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, €376.8m in a loan portfolio, such loans serve in part as a guarantee for the €437.2.m financing (see paragraph "Eurosystem credit operations" for details).

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 €16.9m in relation to the contract signed on 28 November 2005 and to €18.2m 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 credit disposal amounts to at least 110% 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.
    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 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 November 2012, the Bank obtained a new placement of €50m by the EIB, against which a first contract for €16m has been signed and fully utilised. 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 €12.6m;
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 €20m. The surety from the Autonomous Region of Trentino - South Tyrol is counter-secured by the sale without recourse of the 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 €16.4m;
b. through the aforesaid guarantee contract the Bank sold without recourse to the Autonomous Region Trentino - South Tyrol the amounts of any nature, including reimbursement or repayment, owned by the final beneficiaries on the basis of the loan agreement that benefits from the EIB resources and of the related guarantee by the Region.
   In accordance with the agreement, the effectiveness of the assignation of the loan is dependent on the actual disbursement by the Region of a payment in favour of EIB.

In March 2013, the Bank signed an agreement with Cassa Depositi e Prestiti for the granting of one or several loans on a ceiling amount to be used for granting loans to SMEs. Loans for a residual amount of €23.2m had been granted as at 31st December 2014.
These loans will be guaranteed by the sale without recourse 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 €10.4m;
b. by signing the above mentioned contract, the Bank transferred without recourse to Cassa Depositi e Prestiti its future credit rights, of any nature, and any other advantageous legal position in relation to these credit rights towards Assigned Debtors and Guarantors regarding these credits.

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 CDP has also granted the Bank a revocable 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.

SECTION 4 – OPERATIONAL RISKS

Qualitative information

A. General aspects, management processes and methods of measuring operational risk

The current capital accord (Basel III) adds operational risks amongst the Pillar I risks – risks for which one is under the obligation to set aside a part of own funds. 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 Authority) but excludes strategic and reputation 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 property, plant and equipment, 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 only after the business model has significantly evolved and diversified.
The Bank, in the sphere of internal systems of control, developed and continues to develop 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 by the responsible department (reports, opinions, etc.) 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;
- the review of the composition and activity of the Control Committee: the members of the Committee include, in addition to the corporate control functions, also the General Manager and the manager responsible for preparing the financial documents of the Bank. The Committee assiduously monitors sensitive phenomena with respect to the system of internal control assessing their overall effectiveness in relation to the objectives and limits included in the RAF, coordinates the programmes of activity of the risk control functions and reviews the annual ICAAP report;
- the focus on the administrative responsibility of the company (Legislative Decree no. 231/2001), whose monitoring is entrusted to the Board of Auditors in cooperation with the internal structures;

- creating the anti-money laundering functions dedicated to overseeing regulations under Legislative Decree 231/07;
- continuing the traditional assessment of the risk profiles, also on the themes of organisation and IT technologies, as part of the preparation and implementation of the Risk Appetite Framework;
- outsourcing of IT auditing to the "Federazione Trentina della Cooperazione" which has the specific tools and skills for the task which are regularly updated;
- the ongoing updating, in accordance with the "New regulations for the prudential supervision of banks" (Bank of Italy's Circular no. 263 of 27th December 2006 and subsequent amendments), of a Regulation for the Flow of Information, in order to promote structured forms of communication and exchange of complete, timely and accurate information 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;
- the separation of the internal control (compliance, risk management and internal audit) from the operational structures of the Bank, reporting directly to the Board of Directors (the body with strategic and management supervisory functions) 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 maintaining 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 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 judgement, 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 updating of the amount at risk led to a write-down in the income statement (item 160.) of €255 due to the passing of time.
- 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 Supervisory Authority.

B. QUANTITATIVE INFORMATION

B.1 Shareholders' equity: breakdown

Items/amounts	2014	2013
1. Share capital	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	94,712	94,605
- profits	94,712	94,605
a) legal	19,021	18,956
b) statutory	54,100	54,058
c) treasury shares	-	-
d) other	21,591	21,591
- others	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	5,740	5,934
- Financial assets available for sale	1,887	1,947
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets classified as held for sale	-	-
- Actuarial gains (losses) on defined benefits plans	(466)	(332)
- Valuation reserves from investments accounted for	-	-
using the equity method	-	-
- Special revaluation laws	4,318	4,318
7. Profit (loss) for the year	1,386	1,292
Total	**190,164**	**190,157**

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

Items/Amount	2014		2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	441	38	884	6
2. Equity securities	1,564	192	1,000	-
3. Investments in UCITS	211	99	129	60
4. Loans	-	-	-	-
Total	**2,216**	**329**	**2,013**	**66**

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

	Debt securities	Equity securities	Investments in UCITS	Loans
1. Opening balance	**878**	**1.000**	**69**	**-**
2. Positive changes	**441**	**677**	**142**	**-**
2.1 Fair value increases	441	677	83	-
2.2 Reclassification through profit or loss of negative reserves	-	-	59	-
- due to impairment	-	-	59	-
- following disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**916**	**305**	**99**	**-**
3.1 Fair value decreases	364	192	99	-
3.2 Adjustments due to impairment	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves:		-	-	-
following disposal	552	113	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**403**	**1.372**	**112**	**-**

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

	2014	2013
A. Opening balance	**(332)**	**(381)**
B. Increases	**-**	**-**
B.1 Actuarial losses	-	-
C. Decreases	**134**	**49**
C.1 Actuarial gains	134	49
D. Closing balance	**(466)**	**(332)**

SECTION 2 - OWN FUNDS AND CAPITAL RATIOS

The regulatory framework on Regulatory Capital (so-called Basel II) were scrapped in 2014 and replaced by the new regulations on Own Funds in application of the changes introduced by Directive no. 2013/36/UE related to prudential regulation for the banks (CRD - so-called Basel III). The new regulations guarantee significant advantages in terms of weighting of the assets with counterparties from the retail and SME sectors.
Own funds as well as the capital ratios were calculated on the data taken from the financial statements prepared in application of the international accounting standards IAS/IFRS and the new regulatory framework.
The data for 2013 was recalculated for comparison purposes in accordance with the new regulations.

2.1 OWN FUNDS

A. Qualitative information

1. Common Equity Tier 1 (CET1)

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 €99.0m and reinvested profits (€79 thousand).
It includes also the valuation reserves related to the equity securities, the investments in UCITS and just the debt securities issued by banking counterparties classified as available for sale amounting to €1.504m (positive) and the actuarial gains/losses on defined benefits plans amounting to €466 thousand (negative).
The capital amount is adjusted to take into consideration the negative elements due to intangible assets (€174 thousand), value adjustments due to the requirements for prudent valuation (approximately €1 thousand) and the impact of the rules expected for the transitional period 2014-2017 (€1.504m). The latter item refers entirely to the full deduction of the valuation reserves related to equity securities, investments in UCITS and just the debt securities issued by banking counterparties classified as available for sale.

2. Additional Tier 1 capital (AT1)

The financial structure of the Bank does not reveal elements that need to be included in the Additional Tier 1 capital.

3. Tier 2 capital (T2)

Tier 2 capital amounts to €601 thousand and entirely corresponds to the effects of the rules expected for the transitional period. More specifically, the amount refers to 80% of the valuation reserves of equity securities, investments in UCITS and just the debt securities issued by banking counterparties classified as available for sale and admissible in the Tier 2 capital in accordance with the regulations previously in force[38].

B. Quantitative information [39]

	2014	2013
A1. CET 1 before the application of prudential filters	**188,473**	**188,972**
of which CET1 instruments subject to transitional provisions	1,504	1,947
B. Prudential filters of the CET1 (+/-)	-1	-2
C. CET1 gross of the elements to be deducted and of the effects of the transitional regime (A+/- B)	**188,472**	**188,970**
D. Elements to be deducted from CET1	**+174**	**+199**
E. Transitional regime – Impact on CET1 (+/-)	**-1,504**	**-1,947**
F. Total CET 1 (C-D+/-E)	**186,794**	**186,824**
G. AT1 gross of the elements to be deducted and of the effects of the transitional regime	-	-
of which AT1 instruments subject to transitional provisions	-	
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime - impact on AT1 (+/-)	**-**	
L. Total AT1 (G-H+/-I)	**-**	**-**
M. T2 gross of the elements to be deducted and of the effects of the transitional regime	-	-
of which T2 instruments subject to transitional provisions	-	
N. Elements to be deducted from T2	**-**	
O. Transitional regime - Impact on T2 (+/-)	**+601**	**+779**
P. Total T2 (M-N+/-O)	**+601**	**+779**
Q. Total own funds (F+L+P)	**187,396**	**187,603**

The net profit for the period (€1.386m) is included in the calculation of the Own Funds to the amount of €79 thousand after deducting dividends to the amount of €1.237m and €70 thousand that is kept at the disposal of the board of directors for initiatives under article 21 of the By-laws.

2.2 OWN FUNDS REQUIREMENTS

A. Qualitative information

The Own Funds are 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.

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[38] According to regulations previously in force, valuation reserves of assets included in the available for sale portfolio were accounted for in the Tier 2 capital following the asymmetrical approach which provided for the inclusion of 50% of the capital gains.

[39] The data for 2013 was recalculated for comparison purposes in accordance with the new Supervisory Regulations.

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 ratios", applying the standard methods, as for rules dictated by Basel III;
In details:

- CET1 ratio: CET1 data / risk-weighted assets;
- T1 ratio: Tier 1 capital data / risk-weighted assets;
- Own funds ratio: Own funds data / risk-weighted assets.

At 31st December 2014 these ratios (respectively equal to 16.34%, 16.34% and 16.40%) were more than adequate in relation to the solvency limits set forth by the Supervisory Authority 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 2014, the Bank prepared and published the disclosure document in accordance with the requirements of Basel 2 Pillar 3, i.e. public disclosure as at 31st December 2013. 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 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 [40]

Category/amounts	Non-weighted amounts		Weighted amounts	
	2014	2013	2014	2013
A. RISK-WEIGHTED ASSETS				
A.1 Credit risk and counterparty risk				
1. Standardised approach	1,810,189	1,826,782	1,095,934	1,166,225
2. Internal ratings-based approach				
2.1 Basic				
2.2 Advanced				
3. Securitisation framework				
B. OWN FUNDS REQUIREMENTS				
B.1 Credit risk and counterparty risk			87,675	93,298
B.2 Credit valuation adjustment risk				
B.3 Settlement risk				
B.2 Market risk				
1. Standardised approach				
2. Internal models				
3. Concentration risk				
B.5 Operational risk				
1. Basic approach			3,760	4,244
2. Standard approach				
3. Advanced approach				
B.6 Other calculation elements				
B.7 Total capital requirements			**91,434**	**97,542**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,142,931	1,219,271
C.2 CET1/Risk-weighted assets (CET1 capital ratio)			16.34	15.32
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			16.34	15.32
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			16.40	15.39

[40] The data for 2013 was recalculated for comparison purposes in accordance with the new Supervisory regulations.

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 2014, 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	284,853	-	-
General manager and managers with strategic responsibilities	577,892	9,823	47,779
Statutory Auditors	128,910		

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 activities	Due to banks	Due to customers	Debt securities in issue	Derivatives (notional)	Debts
Entities that have joint control and significant influence over the Company	0	112,257	11,474	4,661	1,022	86,908	70,470	833	28
Subsidiary companies			7,472	0					
Affiliated companies									
Joint venture									
Managers with strategic responsibilities			18						
Other related parties									
Total	**0**	**112,257**	**18,964**	**4,661**	**1,022**	**86,908**	**70,470**	**833**	**28**

Loans and advances to banks

It is made up for €30.7m of cash on current accounts and for €81.4m of deposits with Cassa Centrale Banca SpA 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.

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, Tax Code 01856850225), for the functional acquisition and renovation of properties in the context of a bankruptcy proceeding. The loan was granted for €9.0m with a revoked maturity at Euribor 1M.

Other activities

It is mostly related to illiquid assets in a bank account with Cassa Centrale Banca for €4.7m.

Due to banks

It is made up of currency deposits.

Due to customers

Consists of €40.2m of deposits from a company functional to the Autonomous Province of Trento and for €46.7m 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 Centrali 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 €12 thousand and a cap contract with positive fair value of €9 thousand.

Costs and revenues

Related parties	Interest income	Fee and commission income	Dividends/ other revenues	Interest expense	Fee and commission expense	Trading expenses	Other costs
Entities that have joint control and significant influence over the Company	2,513	8	3	4,995	43	-	24
Subsidiary companies	37						
Affiliated companies							2
Joint venture							
Managers with strategic responsibilities	0						
Other related parties							
Total	**2,550**	**8**	**3**	**4,995**	**43**	**-**	**26**

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 in the Bank's interest in favour of EIB to the amount of €3.534m; 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 €20.0m; 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 net 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 Management, 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 are provided, prepared on the basis of internal reports and applying the above-mentioned criteria, show a balanced distribution of margins among the main territorial units.

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 Trentino and Veneto have, 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 presence of significant gains on the securities portfolio from trading activities, the low risk of operations managed by the head office and to a lesser extent, to the maturity transformation enacted by the treasury management team.

PRIMARY SEGMENT REPORTING BASIS

A.1 Distribution by geographical area of activity: economic data as at 2014

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall Net
Net interest income	**4,292**	**3,116**	**3,321**	**1,795**	**1,274**	**4,921**	**18,719**
Net commissions	227	134	102	121	(17)	566	**1,134**
Dividends and other trading and hedging gains						7,741	***7,741***
Net interest and other banking income	**4,519**	**3,251**	**3,422**	**1,916**	**1,258**	**13,228**	**27,593**
Adjustments/write backs	(4,116)	(673)	(4,005)	(2,956)	(2,016)	(1,117)	**(14,881)**
Net income from financial activities	**403**	**2,578**	**(583)**	**(1,040)**	**(758)**	**12,111**	**12,712**
Total operating costs	(1,153)	(859)	(1,363)	(685)	(466)	(5,570)	**(10,079)**
Profit before income taxes	**(732)**	**1,719**	**(1,946)**	**(1,725)**	**(1,223)**	**6,541**	**2,634**

A.1 Distribution by geographical area of activity: economic data as at 2013

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall Net
Net interest income	**4,602**	**3,456**	**3,591**	**2,070**	**1,355**	**8,665**	**23,739**
Net commissions	287	122	135	128	114	386	**1,173**
Dividends and other trading and hedging gains						5,993	***5,993***
Net interest and other banking income	**4,889**	**3,578**	**3,726**	**2,199**	**1,469**	**15,044**	**30,905**
Adjustments/write backs	(2,607)	(1,920)	(4,703)	(7,020)	(2,409)	(186)	**(18,846)**
Net income from financial activities	**2,281**	**1,658**	**(977)**	**(4,822)**	**(940)**	**14,858**	**12,059**
Total operating costs	(1,000)	(838)	(1,492)	(829)	(535)	(5,113)	**(9,807)**
Profit before income taxes	**1,281**	**820**	**(2,469)**	**(5,650)**	**(1,475)**	**9,745**	**2,252**

A.2 Distribution by geographical area of activity: equity data as at Dec. 2014

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Lending operations	340,966	292,760	242,275	158,886	91,521	670,927	**1,797,334**
Borrowing operations						1,547,411	**1,547,411**

A.2 Distribution by geographical area of activity: equity data as at Dec. 2013

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amounts
Lending operations	385,835	297,287	263,816	179,998	91,761	657,210	**1,875,906**
Borrowing operations						1,633,604	**1,633,604**

SECONDARY SEGMENT REPORTING BASIS

B.1 Distribution by activity sector: economic data as at 2014

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Net interest income	**11,401**	**1,500**	**602**	**2,083**	**3,134**	**18,719**
Net commissions	*1,001*	*22*	*14*	*29*	*68*	***1,134***
Dividends and similar income					7,741	**7,741**
Net interest and other banking income	**12,402**	**1,521**	**616**	**2,112**	**10,943**	**27,593**
Adjustments/write backs	(10,273)	(4,080)	321	62	(912)	**(14,881)**
Net income from financial activities	**2,219**	**(2,558)**	**937**	**2,174**	**10,031**	**12,712**

B.1 Distribution by activity sector: economic data as at 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 income					5,993	**5,993**
Net interest and other banking 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.2 Distribution by activity sector: equity data as at Dec. 2014

	Investment credit	Building	Credit leasing	Agricultural credit and facilitated credit	Other activities	Total
Lending operations	856,711	103,504	60,156	222,144	554,819	**1,797,334**
Borrowing operations						**1,547,411**

B.2 Distribution by activity sector: equity data as at 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**

ANNEXES

ANNEX 1

COUNTRY BY COUNTRY REPORTING

(in accordance with art. 89 Directive 2013/36/UE ("CRD IV")

Reference data for the information	31 December 2014
Country of establishment	Italy
Companies	Mediocredito Trentino-Alto Adige S.p.A.
Nature of activity	Financial services to businesses Trading and sales Commercial banking services Retail banking services
Turnover (net interest and other banking income)	€27,730,486
Number of employees (full-time equivalent)	78.6
Profit before taxes	2,633,867
Taxes on profit	1,247,843
Public contributions received	//

ANNEX 2

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

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

PARADISIDUE

Single-member private limited liability company
Registered office at Via Paradisi, 1 – Trento
Fully paid-up capital € 10,000.00
Registered with the Trento Register of Companies under no. 01856850225
Member company of "Gruppo Bancario Mediocredito Trentino – Alto Adige"
Under the first paragraph of Article 2497-bis of the Civil Code 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 Trento Register of companies no. 00108470220 – Bank register no. 4764

- ASSETS
- LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION (IN EURO UNITS)

ASSETS	31/12/2014	31/12/2013
A. SUBSCRIBED UNPAID CAPITAL	**-**	**-**
B. FIXED ASSETS	**-**	**-**
I. Intangible assets	**2,667**	**-**
a) cost	*4,000*	-
b) amortisation fund	*-1,333*	-
II. Property, plant and equipment	**884**	**-**
a) cost	1,004	**-**
b) depreciation fund	-120	**-**
III. Financial assets	**-**	**-**
C. CURRENT ASSETS	**8,148,013**	**4,963,153**
I. Stocks	7,328,695	4,586,511
- immovable leftovers	5,538,783	4,260,183
- immovable for commercial use/ leftovers	1,733,522	288,706
- advance payments to suppliers	56,390	37,622
II. Receivables with maturity within one year	818,047	375,425
- tax credit for advance withholding tax on interest	-	0
- VAT credit and tax prepayment	817,478	375,425
- caution money	569	-
III. Investments	-	-
IV. Cash and cash equivalents	1,271	1,217
- Unicredit Bank c/c 40066549	1,271	1,217
D. ACCRUED INCOME AND PREPAYMENTS	**3,900**	-
TOTAL ASSETS	**8,155,464**	**4,963,153**

STATEMENT OF FINANCIAL POSITION (IN EURO UNITS)

EQUITY AND LIABILITIES	31/12/2014	31/12/2013
A. CAPITAL AND RESERVES	**54,858**	**5,887**
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 treasury shares	-	-
VI. Statutory reserves	-	-
VII. Other reserves	111,237	11,237
VIII. Losses brought forward	-	-
IX. Income (Loss) for the year	(67,926)	(16,897)
B. PROVISION FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. CREDITORS	**8,100,606**	**4,957,266**
Amounts becoming due and payable within one year		
- prepayments received	-	-
- other creditors	-	3,536
- suppliers and incoming invoices	622,719	331,599
- amounts due to Parent Company	7,471,698	4,616,440
- tax debt to be paid over the next financial period	5,089	4,691
- INPS debt to be paid over the next financial period	1,100	1,000
E. ACCRUED LIABILITIES AND DEFERRED INCOME	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**8,155,464**	**4,963,153**

GUARANTEES AND COMMITMENTS (IN EURO UNITS)

GUARANTEES AND COMMITMENTS	31/12/2014	31/12/2013
Personal guarantees given/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

INCOME STATEMENT (IN EURO UNITS)

INCOME STATEMENT		31/12/2014	31/12/2013
A.	**PRODUCTION VALUE**	**2,723,415**	**1,865,163**
	1) Revenues from sales and services	-	-
	2) Variation in stocks of finished goods and in work in progress	2,723,415	1,865,163
	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	-	-
B.	**PRODUCTION COSTS**	**2,754,025**	**1,861,706**
	6) Raw materials, subsidiary materials, consumable stores and goods	2,652,192	1,828,531
	7) Services	90,557	24,791
	8) Use of third parties' assets		
	9) Staff costs		
	10) Amortisation, depreciation and write-down		
	a) amortisation of intangible fixed assets	*1,333*	
	b) depreciation of property, plant and equipment	*120*	
	c) write-down of receivables included under current assets and cash and cash equivalents		
	11) Variation in stocks of raw materials, subsidiary materials, consumable stores and goods		
	12) Provision for risks		
	13) Other provisions		
	14) Other operating charges	9,823	8,384
	DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	*(30,610)*	*3,457*
C.	**FINANCIAL INCOME AND CHARGES**	**(37,316)**	**(20,073)**
	15) Income from participating interests		
	16) Other financial income	-	0
	17) Other interest receivable and similar income	37,316	20,073
D.	**VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS**		
	18) Revaluations		
	19) Write-downs		
E.	**EXTRAORDINARY INCOME AND CHARGES**		
	20) Extraordinary income		
	21) Extraordinary charges		
	BEFORE TAX RESULT	*(67,926)*	*(16,616)*
INCOME TAXES		-	281
	NET INCOME (LOSS) FOR THE YEAR	**(67,926)**	**(16,897)**

ANNEX 3

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" (€10.079m) corresponds to the amount shown in item 200. of the Income statement (€10.075m). The net losses on sale of investments for €4 thousand were added to the operating costs (see item 240. of the income statement)
The amount of net interest and other banking income (€27.593m), equal to the value reported in the State of Financial Position (€27.730m) net of losses on disposal (€137 thousand).

TOTAL CAPITAL RATIO

$$\frac{\textit{own funds}}{\textit{risk weighted assets}}$$

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 "Own Funds – Quantitative information" (€187.395m) and 2.2.B "Capital adequacy – Quantitative information" (€1,142.931m) 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 €133.563m and €1,423.074m respectively.

NET DOUBTFUL LOANS TO NET LENDING

$$\frac{\textit{net doubtful loans}}{\textit{net lending}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans and country risk" and come to €82.469m and €1,350.538m respectively.

GROSS DOUBTFUL LOANS TO REGULATORY CAPITAL

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

The amount of gross doubtful loans used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €133.563m.
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 "Own Funds – Quantitative information" and comes to €187.395m.

NET DOUBTFUL LOANS TO REGULATORY CAPITAL

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

The amount of gross doubtful loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €82.469m.
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 €187.395m.

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, under section "Impaired loans and country risk" and come to €228.741m and €1,423.074m 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, under section "Impaired loans and country risk" and come to €162.121m and €1,350.538 respectively.

GROSS IMPAIRED LOANS TO REGULATORY CAPITAL

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

The amount of gross impaired loans used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €228.741m.
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 €187.395m.

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 Operations in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €162.121m.
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 €187.395m.

PAY OUT RATIO

$$\frac{\textit{dividends}}{\textit{net income}}$$

The amounts that were used in the calculation of the ratio are shown in the Report on Operations in the chapter on the Proposal for the allocation of the net profit and come to €1.237m and €1.386m respectively.

PAYROLL TO NET INTEREST AND OTHER BANKING INCOME

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

The amounts of payroll (€6.628m) 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.
The amount of net interest and other banking income (€27.593m), equal to the value reported in the State of Financial Position (€27.730m) net of losses on disposal (€137 thousand).

AVERAGE EMPLOYEE COST

$$\frac{\textit{payroll}}{\textit{average number of employees}}$$

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 €6.170m 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 (78.6) 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.

NET INTEREST AND OTHER BANKING INCOME TO NUMBER OF EMPLOYEES

$$\frac{\textit{Net interest and other banking income}}{\textit{average number of employees}}$$

The amount of net interest and other banking income (€27.593m), equal to the value reported in the State of Financial Position (€27.730m) net of losses on disposal (€137 thousand).

The average number of employees (78.6) 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 Operations in section "Income statement dynamics" comes to €1,750.977m, as shown in the financial statements.

The average number of employees (78.6) 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 €1.386m, as shown in item 290. of the Income Statement.

Equity (before dividends) is equal to €188.778m 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, 112,126,400 shares out of 112,470,400 that make up the capital of the Company, on 20 April 2015,

the Shareholders unanimously approved

- the Report on Operations relative to the business year closed on 31 December 2014;
- the Statement of Financial Position as at 31 December 2014 (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