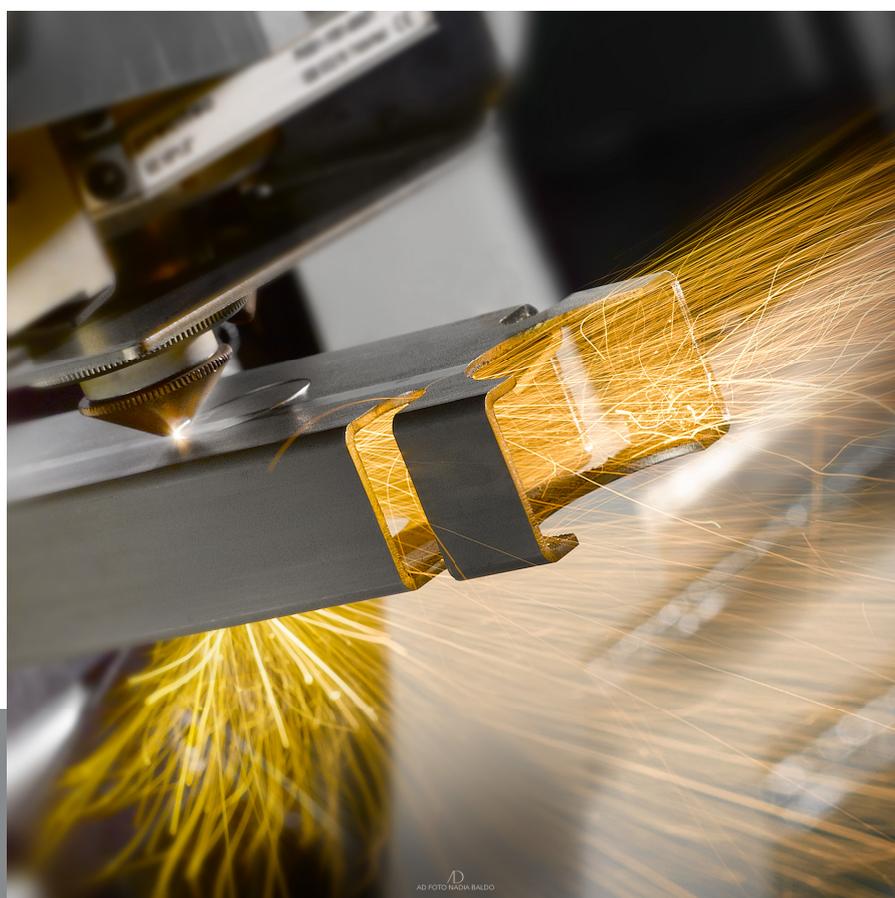


# ABSTRACT

PRESENTATION OF THE 2016 RESULTS



**MEDIOCREDITO  
INVESTITIONSBANK**  
TRENTINO ALTO ADIGE SÜDTIROL



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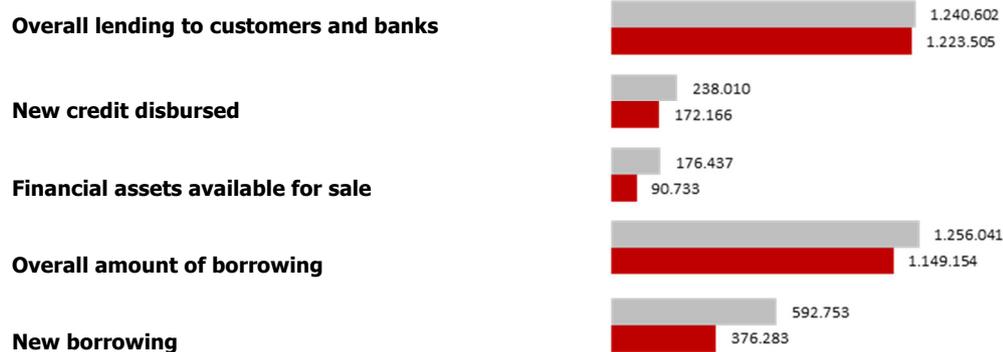
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# 1. KEY RATIOS

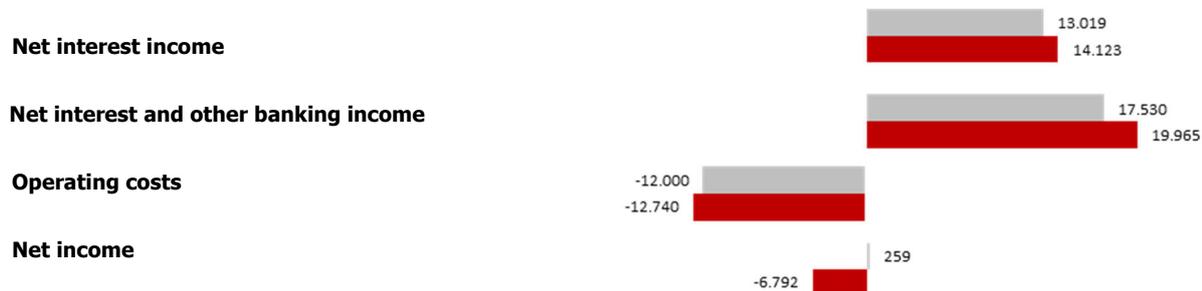
(Amounts are in thousands of Euros)

2016
2015

## Data sheet and flow data



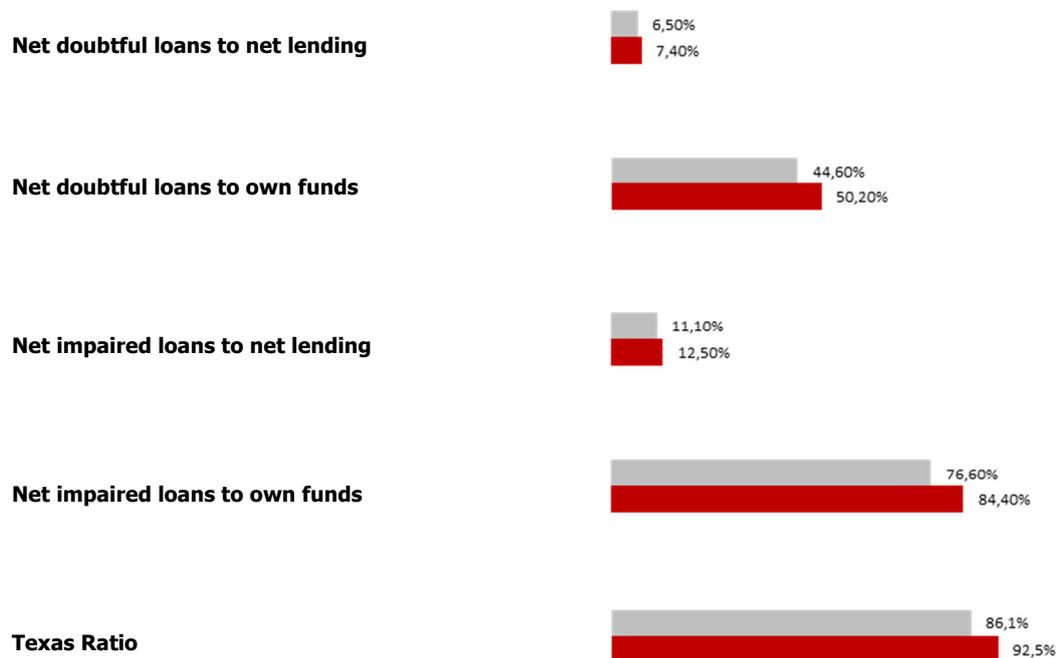
## Financial data



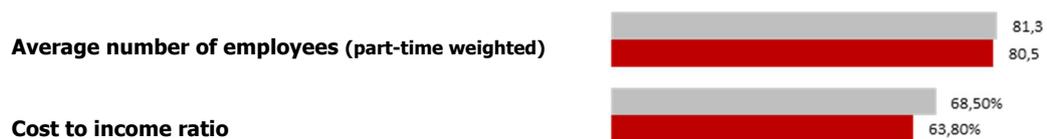
## Capital and capital ratios



## Risk ratios



## Other ratios

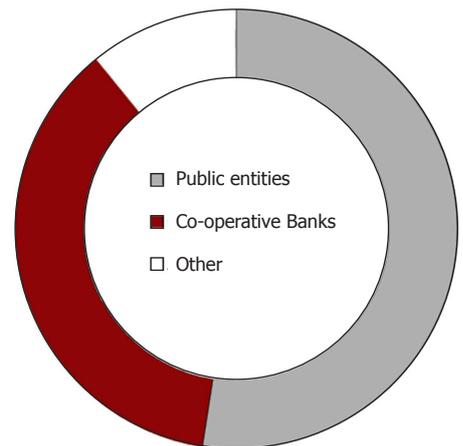


## Rating

MOODY'S INVESTOR SERVICE	2016	2015
- Bank Deposits	Ba1	Ba1
- Outlook	Baa3 / P-3 Stable	Baa3 / P-3 Stable

## 2. SHAREHOLDERS

Public entities		Co-operative Banks		Other	
17.489%	AUTONOMOUS REGION OF TRENTINO SOUTH TYROL	35.207%	CASSE RURALI - RAIFFEISEN FINANZIARIA also referred to as CRR-FIN S.p.A.	7.802%	CASSA DI RISPARMIO DI BOLZANO SPA
17.489%	AUTONOMOUS PROVINCE OF TRENTO	0.213%	BCC DI ROMA -SOCIETA' COOPERATIVA	2.895%	BANCA POPOLARE DELL'ALTO ADIGE SPA
17.489%	AUTONOMOUS PROVINCE OF BOLZANO	0.192%	BCC DI VENEZIA, PADOVA E ROVIGO - BANCA ANNIA	0.196%	ITAS
<b>52,466%</b>		0.178%	BANCA SVILUPPO S.p.A.	0.085%	VENETO BANCA S.p.A.
		0.146%	CENTROMARCA BANCA-CREDITO COOPERATIVO DI TREVISO SOC.COOP.P.A.	<b>10,978%</b>	
		0.107%	BANCA ALTO VICENTINO CREDITO COOPERATIVO DI SCHIO, PEDEMONTA E ROANA		
		0.085%	BANCA SANTO STEFANO-CREDITO COOPERATIVO MARTELLAGO-VENEZIA		
		0.078%	ROVIGOBANCA CREDITO COOPERATIVO SOC.COOP.		
		0.071%	BCC DI MARCON VENEZIA		
		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 DELL'ALTO ADIGE SPA		
		<b>36,556%</b>			



## 3. REPORT ON OPERATIONS

### 3.1 MEDIOCREDITO IN 2016

In a scenario of weak economic recovery, in 2016 Mediocredito, thanks to the positive performance of the investments, further increased its operations volume after the turnaround in new disbursements taking place already in 2014 compared to the lows of 2013. This allowed the Typical performing loans portfolio to record a growth of €13m, equalling 1.4% and nearly reaching a billion Euro, as predicted.

Credit granted rose from €183m in 2015 to €267m of this year (+46%), with a concurrent growth of operations granted (292 against 224 of last year), thus also confirming the usual risk spreading policy adopted.

With reference to the lending risk, the trend for the stocks of impaired loans started to show the signs of an inversion.

The reduction in the flow of new impaired loans deriving from performing loans is significant, equalling about €12.6m compared to €21.2m recorded last year. The coverage of the impaired portfolio is essentially steady, passing from 34.6% to 34.0%.

Financing activities were mostly concentrated on refinancing operations for €299m – largely arranged by the Cooperative Credit Bank system – and on the participation in refinancing operations at the ECB (TLTRO II) for €230m.

From an economic point of view, the persistently very low levels of the reference rate parameters and the concurrent compression of market spreads have caused the net interest income to drop further.

Significant opportunities regarding the handling of the owned security portfolio and the disposal of equity investments of the merchant bank portfolio allowed the drop in the net interest and other banking income to be limited significantly.

Typical operating costs are following a path of general rationalisation and highlight a reduction in administrative costs of 1.4%, though weighed down by the contributions to the single resolution fund for €1.8m, of which €1.2m of an extraordinary nature.

Net adjustments to assets are, as forecast, down heavily (-69.2%) and allow the profit/loss for the period to remain positive.

On the strategic front instead, the procedure was concluded in the middle of the year for the approval by the Board of Directors of the business plan 2016-2018, which sets out a sustainable growth path, with a recovery of volumes and of the loans portfolio, a favourable re-pricing to the current cost levels of the liability.

This policy will allow a notable recovery of the net interest income already starting from 2017. When added to the gradual easing of the incidence of the value adjustments, this should lead to constantly positive results for the Bank.

## 3.2 BUSINESS REVIEW

### 3.2.1 LENDING OPERATIONS

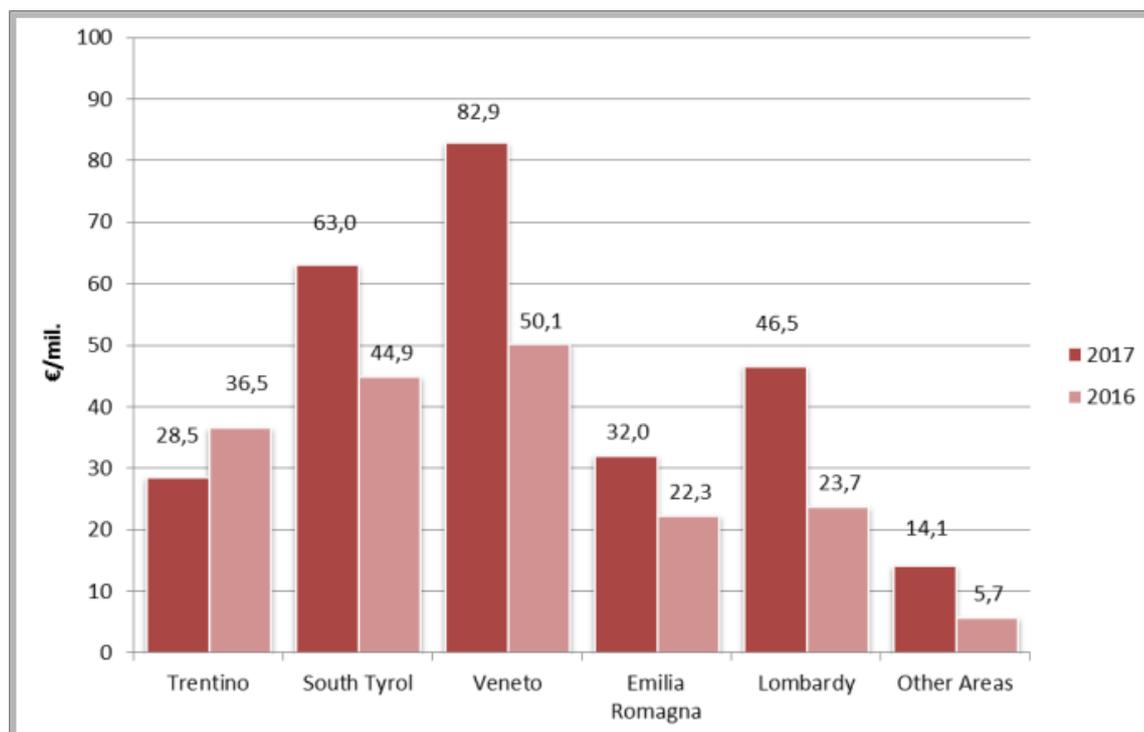
Outline of lending operations (thousands of Euros)

Surveyed activities		2016	2015	Chg. %
<b>Credit granted</b>	number	292	224	+30.4
	amount	267,095	183,180	+45.8
<b>disbursements</b>	amount	238,010	172,136	+38.3
		31 Dec 2016	31 Dec 2015	Chg. %
<b>Total lending</b>		1,240,602	1,223,505	+1.4
	- loans to banks	77,527	61,484	+26.1
	- loans to customers	1,163,075	1,162,021	+0.1
	impaired	137,616	152,493	-9.8
	not impaired	1,025,458	1,009,528	+1.6

#### 3.2.1.1 Credit granted

The credit granted during 2016 stood at €267.1m – 46% higher than the figure in 2015, which stopped at €183.2m. In 2016, Trentino-South Tyrol attracted 34% of the lending; followed by the companies in Veneto receiving about 31% of loans, the companies in Lombardy 17%, in Emilia Romagna 12% and in Other Areas 5%. As part of the loans to non-financial corporations, worth mentioning in particular are the increases in disbursements in favour of the mining/manufacturing sector (+€55m, +95%) and the energy segment (+€18m, +153%).

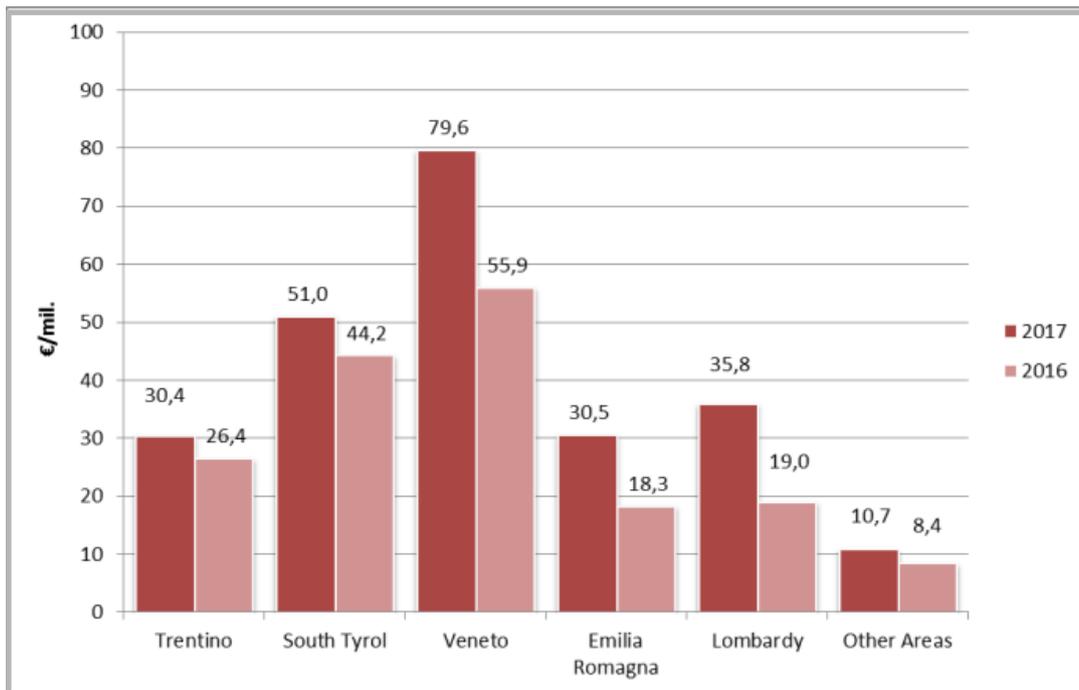
Breakdown of credit granted by area



#### 3.2.1.2 Credit disbursed

In 2016, credit disbursed increased considerably (+€65.9m, +38.3%) compared to the previous year. Alongside the growth in the Region, equal to about €11m (+15%), also the increases recorded in the areas of Veneto (+€24m) and Lombardy (+€17m) are significant, as well as in Emilia Romagna (+€12m).

Breakdown of credit disbursed by area



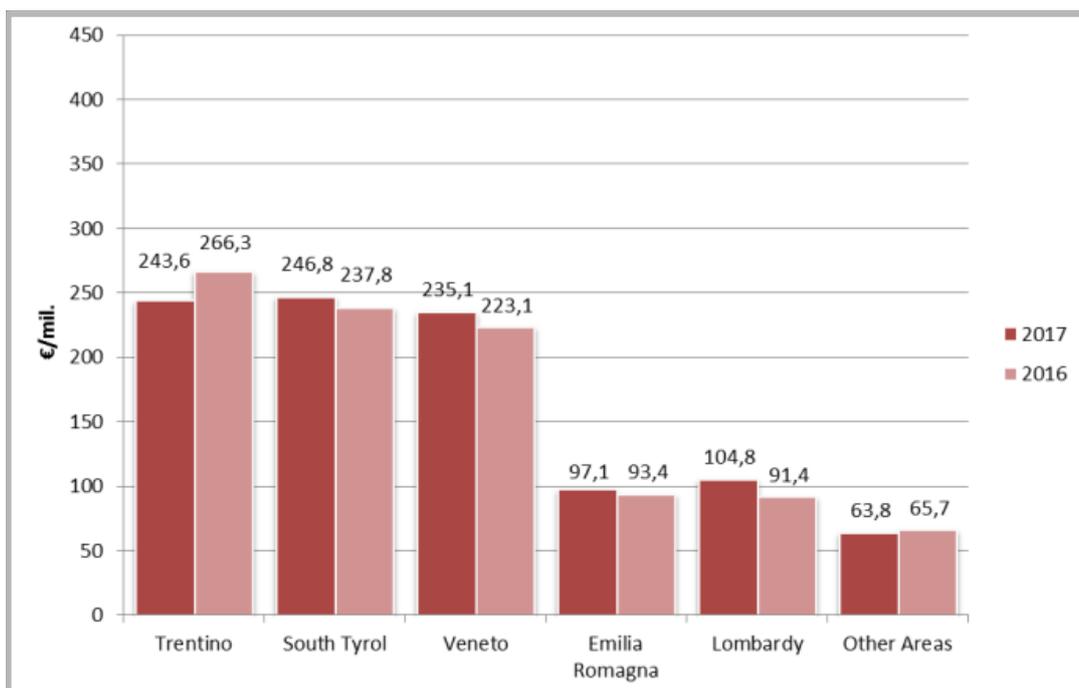
Concerning the distribution of the disbursements by counterparty and economic sector, the mining/manufacturing sector (+€46.7m, +91.8%) and the energy segment (+€19.2m, +197.4%) stand out among the increases.

Operations in synergy with the cooperative system were notably up: the percentage of disbursements was 26.4% of the total, compared to the 21.0% of the end of 2015.

### 3.2.1.3 Not impaired loans

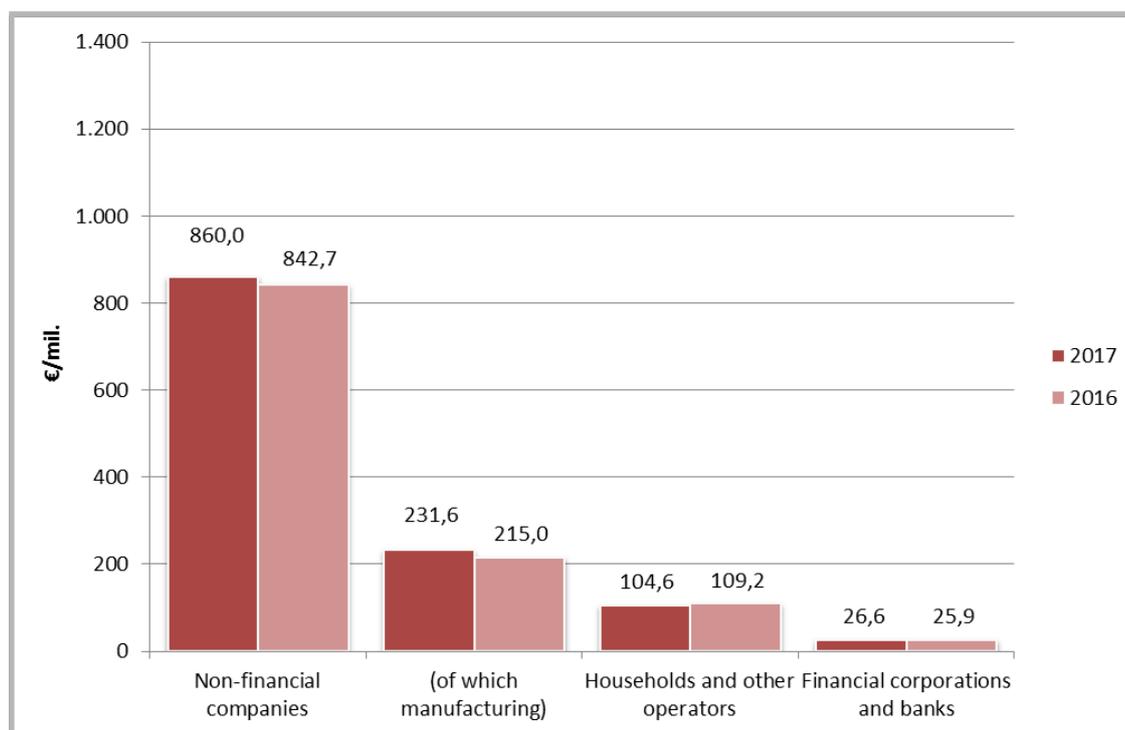
Typical performing loans (customers and banks) show a positive trend (+1.4%) compared to the end of 2015; the comparison with the trend of total lending confirms the phase of containment of the impaired portfolio.

Breakdown of typical gross performing loans and advances by area



Loans to non-financial corporations amounted to €860m against €843m at the end of 2015: this progress is mostly attributable to the recovery of the stocks of loans in the manufacturing (+€17m) and energy sectors (+€17m).

*Typical performing loans by counterparty and economic sector*



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, rose from 1.2% to 1.3%;
- overall exposure to the top 20 borrowers also rose slightly (from 13.3% to 13.4%), while the exposure to the top 100 borrowers declined to some degree (35.9% compared to 36.0%).
- overall exposure to the top 100 groups came to 40.0% (39.8% at the end of 2015).

*Gross typical not impaired loans: top groups of borrowers (thousands of Euro)*

	Dec 2016	%	Dec 2015	%
top group of borrowers	13,025	1.3	11,952	1.2
top 20 groups of borrowers	148,251	15.0	146,152	14.9
top 100 groups of borrowers	396,469	40.0	389,206	39.8

### 3.2.1.4 High exposures

With regard to «high exposures», in accordance with current legislation we can report the following situation as at 31 December 2016:

Counterpart	Dec 2016		Dec 2015	
	Nominal	Weighted	Nominal	Weighted
Governments	112,789	-	76,575	-
Banks	90,593	90,593	53,488	53,488
Ordinary customers	-	-	-	-
<b>Total</b>	<b>203,382</b>	<b>90,593</b>	<b>130,063</b>	<b>53,488</b>

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

### 3.2.1.5 Impaired loans

For the first time after many years of growth, the amount of gross impaired loans showed a considerable turnaround (-10.6%, equal to €24.8m) also found at doubtful loan level (-12.3%, -€19.1m).

The drop in impaired loans and the overall stability of total gross loans to customers and banks (+0.6%) lead to a decrease in the incidence of impaired loans in the total loan portfolio from 17.8% (18.7% customers only) in December 2015 to the current 15.8% (16.8% customers only).

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

Dec 2016	Gross exposure	Overall adjustments	Net exposure	% gross loans	% gross loans to customers	% net loans	% net loans to customers	% coverage
<b>Impaired loans and country risk</b>	<b>208,506</b>	<b>70,890</b>	<b>137,616</b>	<b>15.8</b>	<b>16.8</b>	<b>11.1</b>	<b>11.8</b>	<b>34.0</b>
- doubtful	136,334	56,150	80,184	10.3	11.0	6.5	6.9	41.2
- unlikely to pay	62,633	14,539	48,094	4.8	5.0	3.9	4.1	23.2
- past due	9,540	201	9,339	0.7	0.8	0.8	0.8	2.1
- country risk	-	-	-	-	-	-	-	-
<b>Not impaired loans</b>	<b>1,109,455</b>	<b>6,470</b>	<b>1,102,985</b>	<b>84.2</b>	<b>83.2</b>	<b>88.9</b>	<b>88.2</b>	<b>0.6</b>
<b>Total loans</b>	<b>1,317,961</b>	<b>77,360</b>	<b>1,240,602</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>5.9</b>

Dec 2015	Gross exposure	Overall adjustments	Net exposure	% gross loans	% gross loans to customers	% net loans	% net loans to customers	% coverage
<b>Impaired loans and country risk</b>	<b>233,346</b>	<b>80,854</b>	<b>152,493</b>	<b>17.8</b>	<b>18.7</b>	<b>12.5</b>	<b>13.1</b>	<b>34.6</b>
- doubtful	155,475	64,780	90,695	11.9	12.4	7.4	7.8	41.7
- unlikely to pay	70,217	15,802	54,415	5.4	5.6	4.4	4.7	22.5
- past due	7,617	234	7,383	0.6	0.6	0.6	0.6	3.1
- country risk	38	38	-	-	-	-	-	100.0
<b>Not impaired loans</b>	<b>1,077,322</b>	<b>6,310</b>	<b>1,071,012</b>	<b>82.2</b>	<b>81.3</b>	<b>87.5</b>	<b>86.9</b>	<b>0.6</b>
<b>Total loans</b>	<b>1,310,668</b>	<b>87,164</b>	<b>1,223,505</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6.7</b>

Change % 2016/2015	Gross exposure	Overall adjustments	Net exposure
<b>Impaired loans and country risk</b>	<b>-10.6</b>	<b>-12.3</b>	<b>-9.8</b>
- doubtful	-12.3	-13.3	-11.6
- unlikely to pay	-10.8	-8.0	-11.6
- past due	+25.2	-14.3	+26.5
<b>Not impaired loans</b>	<b>+3.0</b>	<b>+2.5</b>	<b>+3.0</b>
<b>Total loans</b>	<b>+0.6</b>	<b>-11.2</b>	<b>+1.4</b>

Instead the figure net of overall adjustments dropped from 12.5% (13.1% customers only) to 11.1% (11.8% customers only), below the levels in 2012.

The coverage of the total portfolio declined slightly (from 34.6% to 34.0%), just like the doubtful portfolio coverage (from 41.7% to 41.2%) and the past due portfolio coverage (from 3.1% to 2.1%). In contrast the coverage of the unlikely to pay portfolio rose from 22.5% to 23.2%.

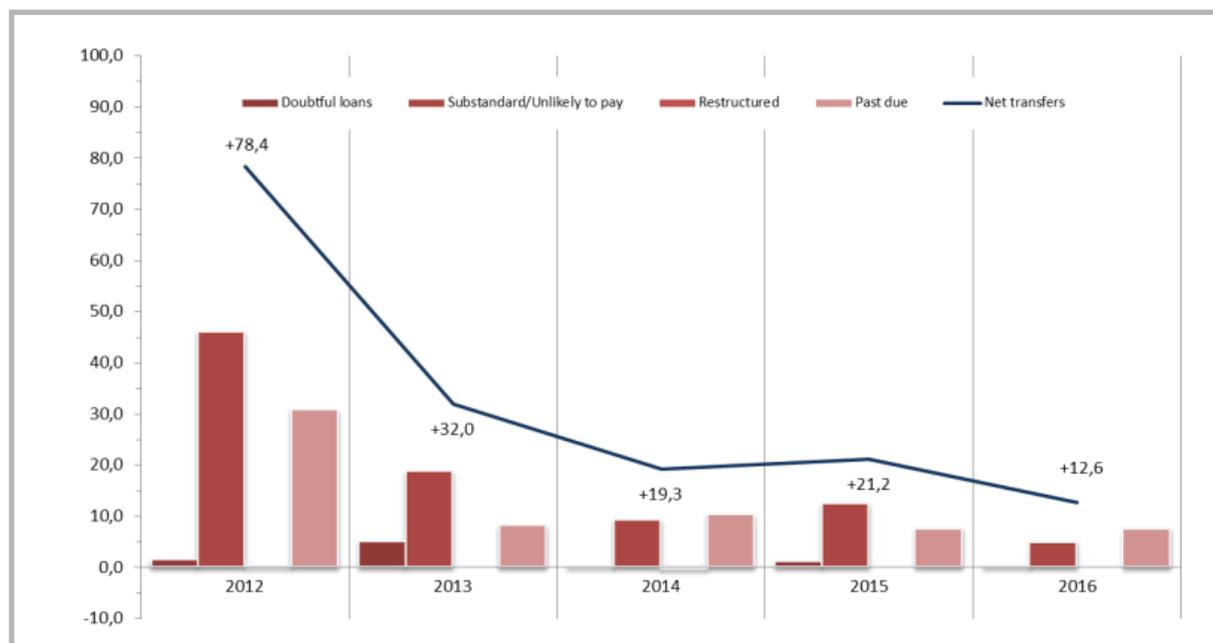
The phenomenon of credit deterioration is concentrated mostly outside the region: in Trentino impaired loans account for 15.4% of the loans and in South Tyrol 7.4%.

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

	Doubtful loans	Unlikely to pay	Past due	Total
<b>Trentino</b>	8.6	5.6	1.1	15.4
<b>South Tyrol</b>	3.2	3.8	0.4	7.4
<b>Veneto</b>	16.4	0.7	0.8	17.9
<b>Emilia Romagna</b>	10.9	11.4	0.2	22.5
<b>Lombardy</b>	18.4	6.8	0.5	25.8
<b>Other Areas</b>	17.8	11.2	2.0	31.0

The flow of new impaired loans (transfers in net of transfers out/to "not impaired"), continues to decrease constantly after the significant worsening in 2012, which has brought it back to the average levels of previous years.

*The net flow of new impaired loans coming from not impaired loans (millions of Euro)*



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

Sources/Categories	Doubtful loans	Unlikely to pay	Past due exposures
<b>A. Opening balance</b>	<b>155,475</b>	<b>70,217</b>	<b>7,617</b>
- of which: exposures sold and not de-recognised	-	-	-
<b>B. Increases</b>	<b>15,431</b>	<b>11,233</b>	<b>7,989</b>
B.1 transfers from performing loans	281	5,902	7,740
B.2 transfers from other categories of impaired loans	13,375	4,055	-
B.3 other increases <sup>1</sup>	1,775	1,276	249
<b>C. Decreases</b>	<b>34,572</b>	<b>18,817</b>	<b>6,066</b>
C.1 transfers to performing loans	12	992	279
C.2 derecognitions	8,645	70	-
C.3 collections <sup>1</sup>	11,889	4,355	1,704
C.4 sale proceeds	7,633	-	-
C.5 loss from disposal	6,393	-	-
C.6 transfers to other categories of impaired exposures	-	13,375	4,055
C.7 other decreases	-	25	28
<b>D. Closing balance</b>	<b>136,334</b>	<b>62,633</b>	<b>9,540</b>
- of which: exposures sold and not de-recognised	-	-	-

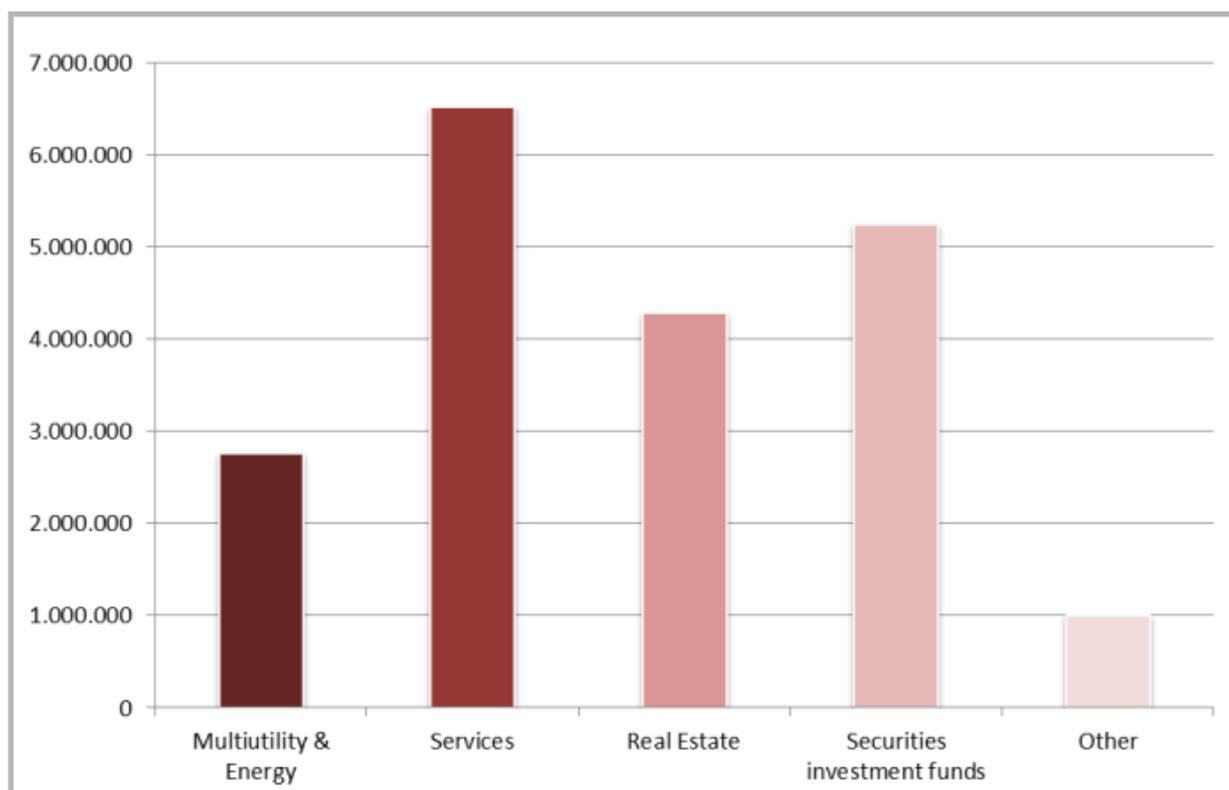
## 3.2.2 EQUITY INVESTMENT ACTIVITIES

### 3.2.2.1 Equity Investment

Equity investment activities, both direct and through participation in the closed-end securities investment funds "MC<sup>2</sup> Impresa" and "APE III", showed overall amounts of approximately €19.8m, up against December 2015 (+€6.4m), due to the merchant banking investments in GPI S.p.A for €1m and in Dedagroup Stealth S.p.A. for €2.5m.

Two investments of great value from a relational viewpoint were also made with financial companies in Trentino (2 operations for €1.8m overall) while the investment in Alto Garda Servizi Spa was disposed of.

*Equity investment by economic sector*



*Equity Investment (thousands of Euro)*

	Dec 2016			Dec 2015		
	Afs	Equity inv.	Total	Afs	Equity inv.	Total
<b>Merchant banking investments</b>	8,117	56	8,173	6,742	64	6,806
<b>Investments in UCITS</b>	9,390	-	9,390	6,085	-	6,085
<b>Other investments</b>	2,133	124	2,257	396	143	539
<b>Total</b>	<b>19,640</b>	<b>180</b>	<b>19,820</b>	<b>13,223</b>	<b>207</b>	<b>13,429</b>

### 3.3 BORROWING OPERATIONS AND TREASURY MANAGEMENT

Borrowing flows for 2016 mostly consist of deposits and loans with a maturity between 1 and 4 years for €279m, largely obtained from the Cooperative Credit Banks; furthermore new withdrawals from Cassa Depositi e Prestiti for €28m and the European Central Bank for €230m (TLTRO-II) were made.

The overall amounts of funds increased by 9.3%, reaching €1.256m.

TYPE	OVERALL AMOUNTS				
	Dec 16	%	Dec 15	%	chg. %
BONDS	423,772	33.6	600,071	52.2	-29.4
FUNDS FROM BANKS AND CDP	725,776	57.6	429,684	37.4	+68.0
FUNDS FROM CUSTOMERS	110,346	8.8	119,399	10.4	-7.6
<b>TOTAL</b>	<b>1,259,894</b>	<b>100.0</b>	<b>1,149,154</b>	<b>100.0</b>	<b>+9.6</b>

### 3.4 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 2016		Dec 2015	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Governments	105,000	112,789	75,000	76,575
Other banks	41,970	44,008	900	936
<b>Total</b>	<b>146,970</b>	<b>156,797</b>	<b>75,900</b>	<b>77,510</b>

The bonds issued by banks have an average life of 2.9 years while government securities (Italian State bonds for €105m) have an average life of 4.3 years.

## 3.5 OPERATIONAL STRUCTURE

As at 31 December 2016 no changes were recorded in employees compared to 31 December 2015. There were 85 employees, 5 of whom with a temporary contract: 67 contracts are full-time and 18 part-time.

### Breakdown by age

	Men	Women	Total
< 30 years	4	1	5
> 30 years < 45 years	14	9	27
> 45 years	34	23	53
<b>Total</b>	<b>52</b>	<b>33</b>	<b>85</b>

### Breakdown by length of service

	Men	Women	Total
< 5 years	7	1	8
> 5 years < 10 years	6	7	13
> 10 years < 20 years	21	11	32
> 20 years	18	14	32
<b>Total</b>	<b>52</b>	<b>33</b>	<b>85</b>

### Breakdown by area



**III** MEDIOCREDITO  
INVESTITIONSBANK  
TRENTINO ALTO ADIGE SOCIETÀ PER AZIONI

Managerial staff: 41  
Other staff: 44

## 4. PRINCIPAL TRENDS IN THE FINANCIAL STATEMENTS AND STATE OF AFFAIRS

### 4.1 RECLASSIFIED STATEMENT OF FINANCIAL POSITION (ABRIDGED)

(in thousands Euro)

<b>Assets</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Chg</b>	<b>Chg %</b>
CASH AND CASH EQUIVALENTS	2	3	-0	-6.0
FINANCIAL ASSETS HELD FOR TRADING	231	478	-247	-51.6
FINANCIAL ASSETS AVAILABLE FOR SALE	176,437	90,733	+85,705	+94.5
LOANS AND ADVANCES TO BANKS	77,527	61,484	+16,044	+26.1
LOANS AND ADVANCES TO CUSTOMERS	1,163,075	1,162,021	+1,053	+0.1
EQUITY INVESTMENTS	180	207	-27	-12.9
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	9,676	10,271	-595	-5.8
TAX ASSETS	15,965	16,871	-906	-5.4
OTHER ASSETS	11,546	1,815	+9,730	+536.0
<b>TOTAL ASSETS</b>	<b>1,454,639</b>	<b>1,343,883</b>	<b>+110,757</b>	<b>+8.2</b>

<b>Equity and liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Chg</b>	<b>Chg %</b>
DUE TO BANKS	675,298	392,317	+282,982	+72.1
DUE TO CUSTOMERS	160,824	156,767	+4,057	+2.6
DEBT SECURITIES IN ISSUE	423,773	600,071	-176,299	-29.4
FINANCIAL LIABILITIES HELD FOR TRADING	187	463	-276	-59.6
TAX LIABILITIES	6,556	6,571	-14	-0.2
OTHER LIABILITIES	6,932	6,408	+524	+8.2
VALUATION RESERVES	4,485	4,961	-476	-9.6
CAPITAL AND RESERVES	176,325	183,117	-6,792	-7.2
PROFIT/LOSS FOR THE PERIOD	259	(6,792)	+7,051	-103.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,454,639</b>	<b>1,343,883</b>	<b>+110,757</b>	<b>+8.2</b>

### 4.2 RECLASSIFIED INCOME STATEMENT (ABRIDGED)

(in thousands Euro)

<b>Items</b>	<b>2016</b>	<b>2015</b>	<b>Chg</b>	<b>Chg %</b>
<b>NET INTEREST INCOME</b>	<b>13,019</b>	<b>14,123</b>	<b>-1,105</b>	<b>-7.8</b>
Net fee and commission income	1,553	1,481	+72	+4.9
Dividends	218	230	-12	-5.2
Income from trading	2,741	4,131	-1,390	-33.7
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>17,530</b>	<b>19,965</b>	<b>-2,435</b>	<b>-12.2</b>
OPERATING COSTS	(12,000)	(12,740)	+740	-5.8
<b>GROSS OPERATING INCOME</b>	<b>5,530</b>	<b>7,225</b>	<b>-1,694</b>	<b>-23.5</b>
NET IMPAIRMENT ADJUSTMENTS	(5,363)	(17,406)	+12,043	-69.2
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>167</b>	<b>(10,182)</b>	<b>+10,349</b>	<b>-101.6</b>
INCOME TAXES	92	3,390	-3,298	-97.3
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>259</b>	<b>(6,792)</b>	<b>+7,051</b>	<b>-103.8</b>

## 4.3 INCOME STATEMENT DYNAMICS

### 4.3.1 Net interest income

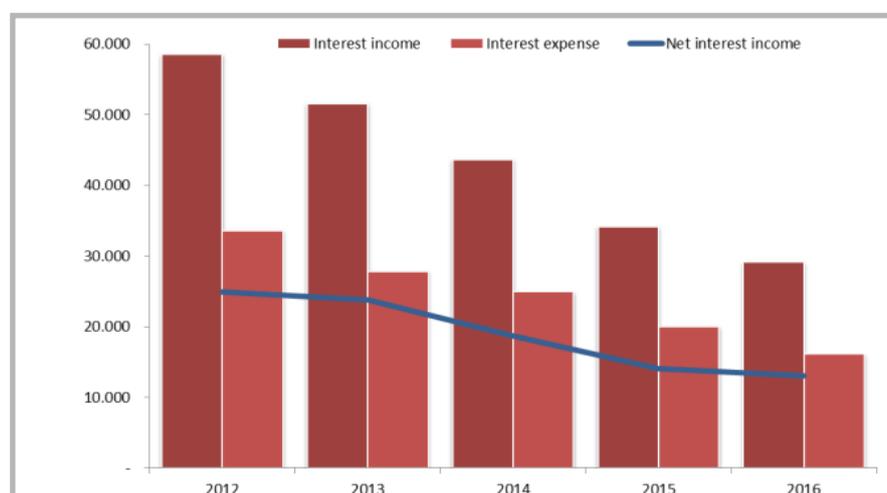
Breakdown of the net interest income (thousands of Euros)

Items	2016	2015	Chg	Chg %
INTEREST INCOME AND SIMILAR REVENUES	29,117	34,154	-5,036	-14.7
INTEREST EXPENSE AND SIMILAR CHARGES	(16,098)	(20,030)	+3,932	-19.6
<b>NET INTEREST INCOME</b>	<b>13,019</b>	<b>14,123</b>	<b>-1,105</b>	<b>-7.8</b>

Net interest income records a limited reduction to about €1.1m in absolute terms, characterised by a negative trend that is significantly slowing down (the reduction in income in June was about €1.4m, €1.7m in September). During the year, the notable drop in profitable amount, mostly in the securities sector, was partly offset by the gradual end of tranches of borrowing at a more costly rate.

The average yield of assets fell to 2.35% compared to 2.47% in 2015 while the average cost of liabilities dropped to 1.35% compared to 1.53% in 2015 and, as a consequence, the spread of money management improved to 1.01% from the 0.94% recorded by the Bank last year.

Trend of net interest income (thousands of Euro)



### 4.3.2 Net revenues from services and net interest and other banking income

Net commission and fee income, equal to €1.553m, is up 4.9% (+€72 thousand).

Net revenue from services (thousands of Euro)

Items	2016	2015	Chg	Chg %
<b>FEE AND COMMISSION INCOME</b>	<b>1,950</b>	<b>1,740</b>	<b>+210</b>	<b>+12.1</b>
- survey and investigation	812	567	+245	+43.2
- corporate finance	626	617	+9	+1.5
- expense refunds in relation to administrative deeds	89	76	+13	+17.0
- prepayment penalties	381	457	-76	-16.7
- others	41	22	+19	+84.8
<b>FEE AND COMMISSION EXPENSE</b>	<b>(397)</b>	<b>(259)</b>	<b>-138</b>	<b>+53.2</b>
- collection of applications	(136)	(59)	-78	+132.0
- others	(260)	(200)	-60	+30.0
<b>NET COMMISSIONS</b>	<b>1,553</b>	<b>1,481</b>	<b>+72</b>	<b>+4.9</b>

In 2016, the Bank cashed dividends valuing €218 thousand (€230 thousand in 2015) while the management of the securities portfolio generated a gain of €1.1m (compared to €2.6m in 2015). The sales of equity securities resulted in gains of €1.6m (€1.4m in 2015).

The above-mentioned results, when added to net fees and commissions, bring net interest and other banking income to €17.530m, down by 12.2% (-€2.4m) against the result for last year.

### 4.3.3 Operating costs

Operating costs are down against the comparison period (-€740 thousand), mostly as a consequence of the lower provisions to cover the risks related to legal disputes (-€588 thousand).

Please remember that in 2016 and 2015 there is the contributions to the single resolution for €1.8m, of which €1.2m of an extraordinary nature in 2016 and €1.4m in 2015.

Payroll cost increased by 1.4% (+€88 thousand) compared to 2015, mainly due to the rise in the average number of employees from 80.5 to 81.3 units.

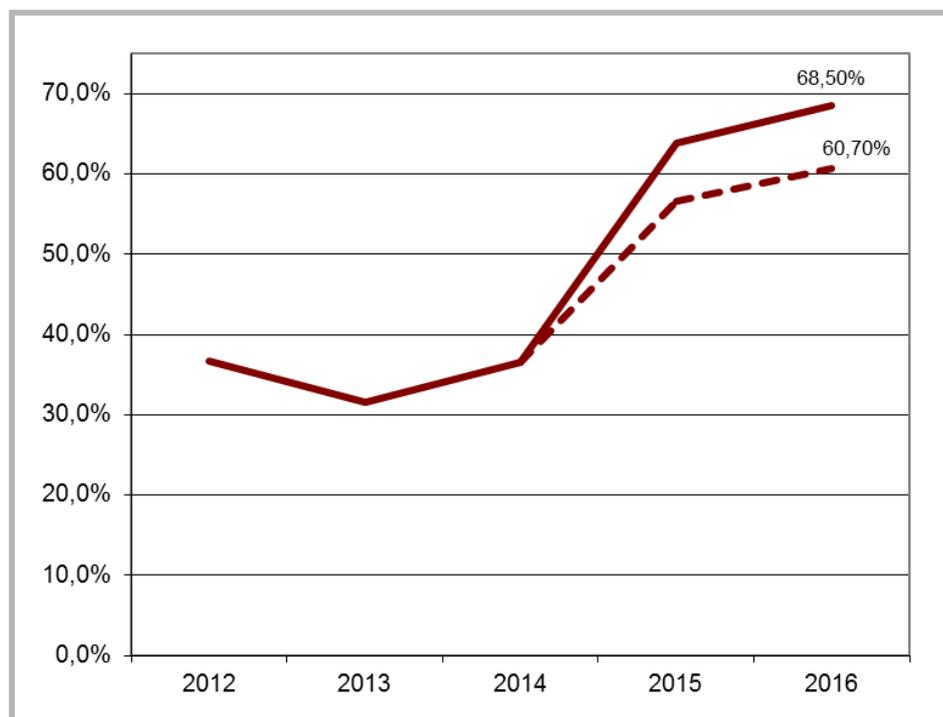
*Operating costs (thousands of Euro)*

Voci	31.12.2016	31.12.2015	Var.	Var. %
SPESE AMMINISTRATIVE:	(11.098)	(11.256)	+158	-1,4
a) spese per il personale:	(6.823)	(6.767)	-57	+0,8
- spese per il personale dipendente	(6.355)	(6.267)	-88	+1,4
- compensi degli amministratori e sindaci	(468)	(499)	+31	-6,2
b) altre spese amministrative	(2.451)	(2.638)	+187	-7,1
c) contributo al fondo risoluzione crisi bancarie	(1.824)	(1.852)	+28	-1,5
ACCANTONAMENTI AI FONDI PER RISCHI E ONERI	(164)	(698)	+534	-76,5
RETTIFICHE/RIPRESE SU ATTIVITÀ MATERIALI E IMM. LI	(680)	(738)	+59	-7,9
ALTRI ONERI/PROVENTI DI GESTIONE	(58)	(48)	-10	+21,5
<b>COSTI OPERATIVI</b>	<b>(12.000)</b>	<b>(12.740)</b>	<b>+740</b>	<b>-5,8</b>

Amortisation and depreciation for the period totalled €680 thousand, down by €59 thousand compared to December 2015.

The cost to income ratio came to 68.5%, compared to 63.8% in 2015; net of the extraordinary component the indicator reached 60.7% from 56.6% in 2015.

*Trend of cost to income ratio*



Net of the operating costs the Operating Income stood at €5.530m, a decrease of €1.694m (-23.5%) compared to the result of the past year.

### 4.3.4 Value adjustments

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

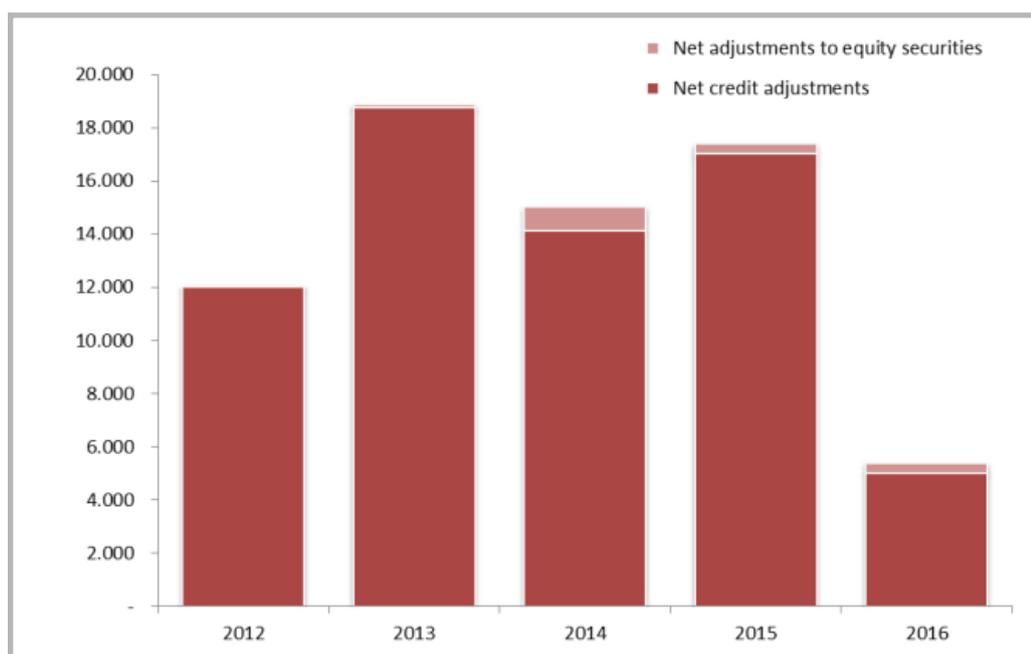
(thousands of Euro)

Items	31.12.2016	31.12.2015	Chg	Chg %
NET IMPAIRMENT ADJUSTMENTS ON:	(5,312)	(17,277)	+11,965	-69.3
a) loans and advances	(5,264)	(17,013)	+11,749	-69.1
b) financial assets available for sale	(53)	(250)	+196	-78.6
c) financial assets held to maturity	-	-	-	-
d) other financial transactions	6	(14)	+20	-139.7
NET GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF	226	-	+226	
a) loans and advances	226	-	+226	
NET PROFIT (LOSS) FROM EQUITY INVESTMENTS	(277)	(129)	-147	+114.0
<b>TOTAL NET ADJUSTMENTS ON FINANCIAL ASSETS</b>	<b>(5,363)</b>	<b>(17,406)</b>	<b>+12,043</b>	<b>-69.2</b>

The analytical valuation (for which the valuation of impaired loans was carried out by discounting the anticipated inflows) produced value adjustments of €12.519m and write-backs of €7.617m of which €276 thousand came from collections. The collective valuation process of the portfolio resulted in total net write-backs of €99 thousand.

The total net adjustments on financial assets reached €5.363m, compared to €17.406m in the previous period (-69.2%).

Trend of adjustments to loans and advances (thousands of Euro)



### 4.3.5 Profit (loss) for the year

The profit/loss of current operations gross of taxes is positive for €167 thousand (it was negative for €10.182m in 2015).

The net profit/loss for the period is positive for €259 thousand, after calculating the tax burden for -€92 thousand.

## 5. EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

### 5.1 EQUITY

Reserves decreased by €6.792m due to coverage of the loss for 2015, while valuation reserves decreased by €476 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 profit/loss for the period, equity amounted to €181.069m, down by €217 thousand.

(in thousands Euro)

	Items	Dec 2016	Dec 2015	Chg
130.	Valuation reserves	4,485	4,961	-476
160.	Reserves	87,999	94,791	-6,792
170.	Additional paid-in capital	29,841	29,841	-
180.	Capital stock	58,485	58,485	-
200.	Income for the period	259	(6,792)	+7,051
	<b>Total equity</b>	<b>181,069</b>	<b>181,286</b>	<b>-217</b>

### 5.2 OWN FUNDS REQUIREMENTS

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 regulatory framework.

Own funds amounted to €179.6m; net of the minimum regulatory requirements, their residual value was as follows:

- €109.3m with respect to the 6.9% threshold set for CET1, reduced to €108.3m to take into account the additional conservation buffer;
- €85.9m with respect to the 9.2% threshold set for total tier 1 capital and
- €54.4m with respect to the 12.3% 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.

(in thousands Euro)

	Items	Dec 2016	Dec 2015
	Common Equity Tier 1 (CET1)	179,511	180,420
	Additional Tier 1 (AT1)	-	-
	<b>Total Tier 1 capital</b>	<b>179,511</b>	<b>180,420</b>
	Tier 2 capital (T2)	74	267
	<b>Own funds</b>	<b>179,584</b>	<b>180,686</b>
	CET1 ratio	17.64	17.84
	T1 ratio	17.64	17.84
	Total capital ratio	17.65	17.86

## 6. EXPECTED BUSINESS TREND

The Bank's operations and management performance in 2017 will continue to be affected by the complicated status of the credit market linked to the economic framework that still does not show signs of a stable recovery.

Against the generalised drop in lending rates, the margins for the banking system – always having to manage a considerable stock of impaired loans - will be put under pressure as a consequence.

For Mediocredito, the introduction in the European Union of the "*Bank Recovery and Resolution Directive (BRRD)*" and the consequent lowering in rating terms suggests a continuation of the difficulties faced to access the bond market, unless a high cost is paid, while the relationship with the cooperative system remains virtuously active, especially in terms of procurement.

The new business plan 2016-2018 states targets in terms of disbursing new loans and of performance of the stocks that are based on the substantial recovery of the performing volumes and on a gradual reduction in impaired loans both in absolute terms and, as a consequence, in relative terms compared to the total loan portfolio. In particular, lower decay rates are expected compared to those recorded in the past and such to allow a faster absorption of the stock of impaired loans. 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. Outside of the region they can strengthen relations with Cooperative Credit by integrating the offers of the individual BCCs on credit to businesses and extraordinary finance in addition to directly developing target primary customers.

As regards the trend of the 2017 income statement, net interest and other banking income will recover significantly due to the gradual reduction in the net interest income, linked to the growing brokered volumes and the downward re-pricing of significant tranches of costly borrowing, as well as in the contribution of possible revenues from the sale of securities in the portfolio, while maintaining the operating costs to the recent historical levels and an ongoing high cost of risk, though essentially stabilised compared to the previous year: these various factors will allow a positive performance in terms of profits in 2017.

The financial requirements, with the related liquidity risk, will be moderate, also following the constant implementation of policies to maintain the medium-term funding, supported by the cooperative credit sector, though with important maturities already at the beginning of 2018. These operations will represent also an important tool to leverage the time frame 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 also continues to retain and strengthen the channel for the collateralisation of credit assets eligible for refinancing with the Central Bank.

The disposal of the property in Bolzano, via Museo 44, is scheduled for 2017, which hosts the bank's secondary headquarters, with establishment in a new location in the city, in parallel.

Strategically speaking, negotiations have started between the Public shareholders and the shareholders of the cooperative credit with the intention, which has already been declared and shared for some time, of transforming, through corporate reorganisation, Mediocredito Trentino – Alto Adige into the Corporate Bank of the national Cooperative Banking Group, which is currently being established and scheduled to be founded during 2018, which will report to the Parent Company Cassa Centrale Banca di Trento, with participation expected from 100 BCCs scattered across the country.

This new strategic placement will guarantee to Mediocredito the necessary funds and a company size that is suitable to better support the production companies in the regional territory and in the territories of the participating BCCs, with advantages also in terms of efficiency and profitability.

## 7. PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

<b>Income for the year</b>	€	<b>259,238.54</b>
- non-distributable under article 6, paragraph 2 of Legislative Decree no. 38/2005 freed during the year	€	-
- allocation to non-distributable reserves under article 6, paragraph 2 of Legislative Decree no. 38/2005	€	-
<b>Distributable amount</b>	€	<b>259,238.54</b>
- at the disposal of the Board of Directors for undertakings as per Article 21 of the By-laws	€	12,500.00
- dividend to distribute to shareholders	€	-
- allocation to the extraordinary reserve	€	246,738.54

Following the aforementioned distribution, the equity as at 31.12.2016 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	€	47,561,673.68
- valuation reserves	€	4,484,892.07
- 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	€	-
<b>Total</b>	€	<b>181,056,495.31</b>



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