2015 ANNUAL REPORT

62ND FINANCIAL YEAR

MEDIOCREDITO
INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

ANNUAL REPORT AND ACCOUNTS AS AT 31 DECEMBER 2015

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

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Fax 0461/888515

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

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KEY RATIOS[1] [2]

(Amounts are in thousands of Euros)

Rating

MOODY'S INVESTOR SERVICE	2015	2014
- Issuer Rating	Ba1	Baa3
- Bank Deposits	Baa3 / P-3	Baa3 / P-3
- Outlook	Stable	Negative

FITCH RATINGS	2015	2014
- Issuer Rating	//[3]	BBB+
- Bank Deposits		BBB+ / F2
- Outlook		Negative

Data sheet and flow data

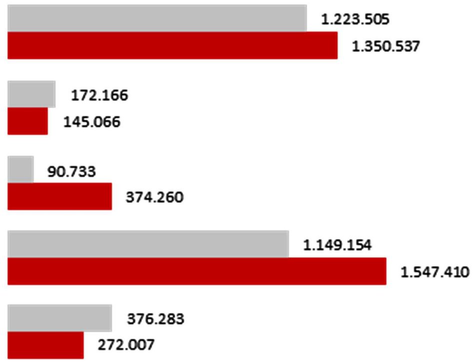
Overall lending to customers and banks

New credit disbursed

Financial assets available for sale

Overall amount of borrowing

New borrowing



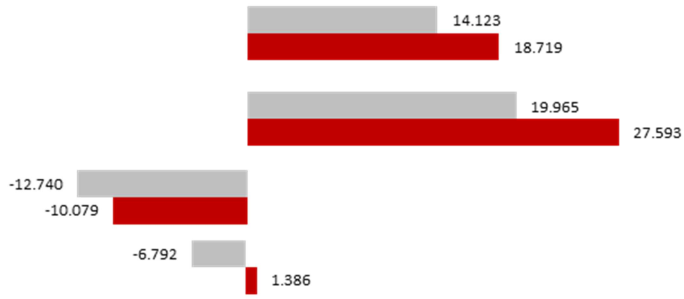
Financial data

Net interest income

Net interest and other banking income

Operating costs

Net income

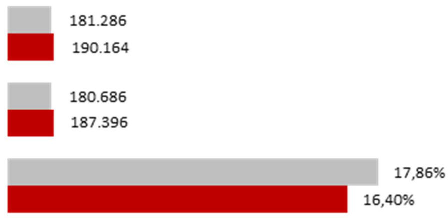


Capital and capital ratios

Equity (before dividends)

Own funds

Total capital ratio



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1 <All the ratios in the table are explained clearly in appendix 2 "Glossary of ratios".
2 Data represented in grey refer to 2015; those in red to 2014.
3 The Fitch rating was withdrawn during the year (see "Equity and the state of affairs of the Company", "Rating" paragraph)

Risk ratios

Gross doubtful loans to gross loans

Net doubtful loans to net loans

Gross doubtful loans to own funds

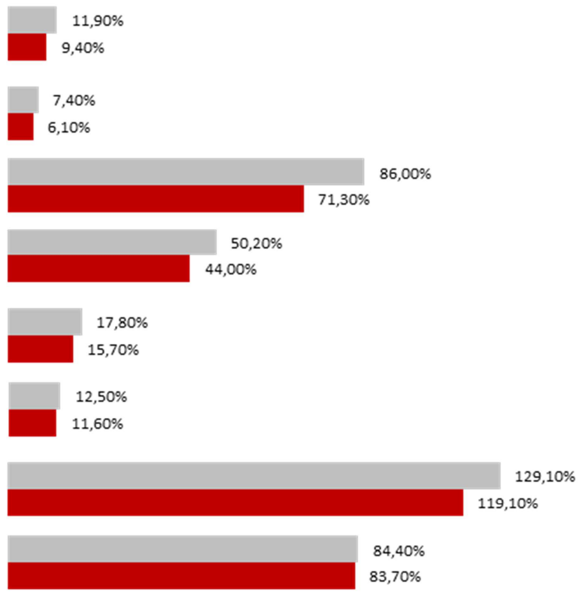
Net doubtful loans to own funds

Gross impaired loans to gross loans

Net impaired loans to net loans

Gross impaired loans to own funds

Net impaired loans to own funds

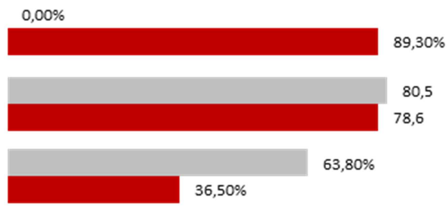


Other ratios

Pay-out ratio

Average number of employees (part-time weighted)

Cost to income ratio



SHAREHOLDERS

Public entities

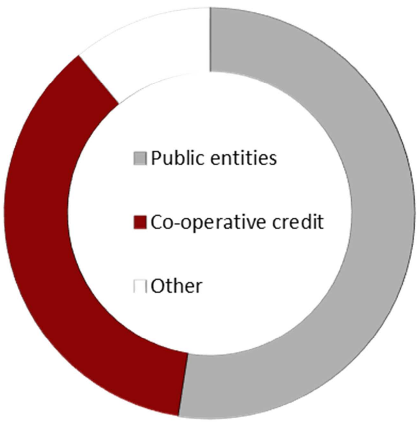
17.489%	AUTONOMOUS REGION OF TRENTINO SOUTH TYROL
17.489%	AUTONOMOUS PROVINCE OF TRENTO
17.489%	AUTONOMOUS PROVINCE OF BOLZANO
52.466%	

Co-operative banks

35.207%	CASSE RURALI - RAIFFEISEN FINANZIARIA also referred to as CRR-FIN
0.213%	BCC DI ROMA -SOCIETA' COOPERATIVA
0.192%	BCC DEL VENEZIANO SOC.COOP.
0.146%	CENTROMARCA BANCA-CREDITO COOPERATIVO DI TREVISO
0.107%	BANCA ALTO VICENTINO CREDITO COOPERATIVO DI SCHIO E PEDEMONTE
0.107%	CREDITO COOPERATIVO INTERPROVINCIALE VENETO
0.085%	BANCA SANTO STEFANO-CREDITO COOPERATIVO MARTELLAGO-VENEZIA
0.078%	ROVIGOBANCA CREDITO COOPERATIVO SOC.COOP.
0.071%	BCC DI MARCON VENEZIA
0.071%	BANCA SVILUPPO SPA
0.064%	CASSA PADANA BCC – SOCIETÀ COOPERATIVA
0.043%	BANCA VERONESE CREDITO COOPERATIVO DI CONCAMARISE
0.043%	BCC DELLE PREALPI
0.043%	CASSA RURALE ED ARTIGIANA DI VESTENANOVA CREDITO
0.043%	FEDERAZIONE TRENTINA DELLA COOPERAZIONE
0.043%	FEDERAZIONE VENETA BANCHE DI CREDITO COOP.
0.001%	CASSA CENTRALE BANCA SPA
0.001%	CASSA CENTRALE RAIFFEISEN DELL’ALTO ADIGE SPA
36.556%	

Other

7.802%	CASSA DI RISPARMIO DI BOLZANO SPA
2.895%	BANCA POPOLARE DELL'ALTO ADIGE
0.196%	ITAS
0.085%	VENETO BANCA
10.978%	



STATUTORY BOARDS

BOARD OF DIRECTORS

CHAIRMAN
Franco Senesi [4]

DEPUTY CHAIRMAN
Michael Grüner **Errore. Il segnalibro non è definito.**

DIRECTORS
Hansjörg Bergmeister
Rita Dallabona
Giovanni Dies **Errore. Il segnalibro non è definito.**
Zenone Giacomuzzi **Errore. Il segnalibro non è definito.**
Lorenzo Liviero
Giorgio Marchiodi **Errore. Il segnalibro non è definito.**
Stefano Mengoni **Errore. Il segnalibro non è definito.**
Giorgio Pasolini
Doris Salzburger [5]
Filippo Sartori
Mario Sartori **Errore. Il segnalibro non è definito.**

BOARD OF STATUTORY AUDITORS

CHAIRMAN
Astrid Marinelli

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 RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

Leo Nicolussi Paolaz

AUDITING COMPANY

PricewaterhouseCoopers S.p.A.

4 Members of the Executive Committee.
5 Resigned as of 18.01.2016

SHAREHOLDERS' ORDINARY GENERAL MEETING

The Shareholders are requested to attend the Ordinary General Meeting on the 14 April 2016 at 8am for the first meeting date and if necessary on the 22 April 2016 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 2015; report on operations by the Board of Directors and Independent Auditors report; report by the Board of Statutory Auditors; inherent and consequent resolutions;
2) Appointment of one Director;
3) General information in relation to remuneration and incentive policies and procedures.

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 16.03.16 in compliance with article 7 of the By-laws)

REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

Italian and international economic situation

The growth in global GDP in 2015, following a phase of stabilisation in the previous two-year period, is estimated to have fallen to 3.1%, compared to 3.4% in 2014, due to the reduction in the rate of growth of emerging economies to 4%, offset by the recovery of advanced economies in 2015, whose growth was estimated at 1.9%. In particular, against the modest growth in the Eurozone (+1.5%) and in Japan (+0.6%), it is expected that the USA will increase by 2.5% and the UK by 2.2%.
Three key factors continue to influence global prospects: the gradual slowdown of economic activity in China and its rebalancing from investments and production towards consumption and services, lower prices of energy and other raw materials, and the start of a gradual tightening of monetary policy in the United States[6].
In 2015, the economic situation in the Eurozone showed contrasting trends: GDP in the Eurozone in 2015 recovered to 1.5% on an annual basis (after 0.9% in 2014), but the industrial production index recorded a drop of 1.3% on an annual basis (-0.2% in December 214).
Inflation in the Eurozone confirmed the downward trend, with demand being permanently weak: in 2015, consumption prices in the Eurozone recorded an average annual change of 0.0% (+0.4% in 2014), while Italy showed an increase of +0.1%, a slight reduction over 2014, when it stood at +0.2%[7].
In 2015, economic activity in Italy started a path of gradual recovery, despite the weakening in the impetus of exports that, after having sustained activities over the last four years, were slowed by the fall in demand from non-European countries. Exports are gradually being replaced by domestic demand, in particular consumption and the replenishment of stocks. Economic activity was consolidated in all the main segments, except construction, which saw, however, a break in the prolonged phase of recession.
In fact, the country’s GDP in 2015 bucked the decreasing trend recorded uninterruptedly from the third quarter of 2011, bringing the rate of growth on an annual basis to a positive 0.8% (it was -0.3% in 2014).
Industrial activity, which fell almost continuously from the summer of 2011, recovered a growth trend in 2015: on average, over the whole of 2015, production grew by 1% compared to the same period in the previous year, against a drop of 1% in 2014, due to the increases in the energy segment (+2.3%) and operating assets (+3.5%), and essential stability in the consumer goods segment and a decrease in the intermediate goods segment (-1.1%).
Also the indexes of entrepreneurs’ confidence confirm the growing trend that started in the first half of 2013: in December 2015, the composite Italian business confidence index, despite falling over November, rose to 105.8 (2010 basis=100). The overall index reflects the increased business confidence in virtually all the main economic sectors; in particular, on average in the fourth quarter, the business confidence index of construction firms was among the highest levels since the onset of the financial crisis of 2008/09.
Also on the employment front, 2015 bucked the trend registered in the previous few years: unemployment fell sharply (-8.1% on an annual basis, equal to -254 thousand jobseekers), inactivity also fell slightly (-0.1%, equal to -15 thousand people inactive), while employment grew (+0.5%, equal to +109 thousand people employed). Hence, the rate of unemployment stood at 11.4% in December, down 0.9% in twelve months.
The degree of capacity utilisation recorded by ISTAT in the fourth quarter of 2015 stood at 76.9%, up over the corresponding figure in 2014, which stood at 72.9%, but the margins of spare capacity remain high and this has prevented a significant recovery in investments. The growth in the volume of gross fixed investments (+0.8% in 2015) nonetheless signalled a reversal in the trend in previous years (-3.4% in 2014), with increases in investments in transport vehicles and in machinery and equipment, respectively, of

6 International Monetary Fund, World Economic Outlook Update, January 2016.

7 Eurostat, preliminary data.

19.7% and 1.1%, while the construction (-0.5%) and intellectual property product (-0.4%) components recorded decreases. Based on the recent Bank of Italy-*Il Sole 24 Ore* survey, in the first half of 2016, investment spending was due to increase.
In 2015, foreign trade maintained the positive trend recorded in the last few years: on average, in 2015, exports recorded growth (+3.7% in value, +1.9 in volume) but imports also started to grow again (+3.3% in value, +7.7% net of energy). The expansion in exports is distributed equally over the EU (+3.8%) and non-EU countries (+3.6%) countries, driven by the US market and the automobile industry in particular. The trade surplus reached 45.2 billion (42.9 in 2014) and 78.7 billion net of energy.

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

Also in the regions in which the Bank operates and, with particular reference to the manufacturing companies, the trend already recorded nationally was confirmed: a recovery in production driven by growth in domestic orders, and to a lesser extent than in previous years, by exports.
In Trentino, the production and turnover indexes of the manufacturing industry rose by just over 1% in the first three quarters of the year. Therefore, the economic situation paints a picture of an extremely contained recovery, one that, unlike previous years, is due to the strong performance of domestic demand, both local and national, while exports recorded a more stagnant trend.
In South Tyrol, year-end provincial GDP estimates for 2015 show an increase of 1.1%, significantly higher than the Italian average, also due to the performance of exports, still growing: in the third quarter, South Tyrol exported more than one billion in commodities and products, marking an increase of 7.8% compared to the same quarter in the previous year, driven by particularly high growth in the agricultural product segment (+19.7%). Tourism also recorded a significant increase in the year (+3.6% growth in overnight stays in provincial properties).
The Veneto recorded positive performance data in 2015: industrial production in the fourth quarter recorded a trend-based increase of +2.3% (annual average +1.8%) and total turnover saw a rise of +2.6%, thanks to the positive trend in both sales abroad (+3.2%) and domestic demand (+2.4%). Among the various sectors, substantial growth was recorded by the wood and furniture segments, paper and printing, rubber and plastic, marble, glass and ceramics; textiles, clothing and footwear recorded negative performances.
A recovery appears to have started in Emilia Romagna, but discounts a slight slowdown in the third quarter of 2015: in September, industrial production rose by a meagre 0.6% compared to the same period in 2014, a slowdown with respect to +2.3% recorded in the previous quarter. Similarly, turnover rose by 0.7% compared to the same quarter in 2014, while the foreign component went up by 1.4%. With the exception of the food sector and the aggregate of the mechanical, electrical and transport vehicle industries which recorded staying power, the general trend for the sector remained negative, with a decrease in the fashion system and metal industry, while the wood and furniture sector, despite remaining negative, recorded a positive trend in orders.
Lombardy closed 2015 with generally positive signs, registering a sharp increase in the fourth quarter, with the exception of foreign demand. On average, in the past year, production actually rose by 1.5% for industry, with a peak of +1.9% in the final quarter, and turnover also rose considerably (+3.3%). From a sector point of view, production recorded a trend-based recovery in the rubber-plastic, steel, transport, food, mechanical and chemical sectors. Domestic orders recorded positive trends (+1.0%), while foreign orders, although staying positive (+2.8%), recorded an annual drop of 0.3%.

Lending in Italy

As for the main banking indicators, private sector loans were essentially stable in 2015, with a minimum decrease of 0.3% on an annual basis (it was 1.6% in December 2014) the improvement in loans to non-

8 The data was obtained from the last economic reports from the Chambers of Commerce.

financial corporations was more marked, which fell by 0.7% in December 2015 compared to December 2014 (2.3% reduction in December 2014 on an annual basis)[9]. This reduction, with reference to non-financial corporations, was larger in the areas of Bank operations outside Trentino South Tyrol (-1.6% in Lombardy, -1.9% in Emilia-Romagna and -3.6% in Veneto), while growth was 2.4% in our region.

Based on the Bank of Italy surveys on credit demand and supply at regional level (Regional Bank Lending Survey), the recovery in the demand for business loans was to continue in 2015, predominantly in support of working capital; however, for the first time since the end of 2008, the demand for credit for productive investments is expected to have increased in all areas of the country, although in the construction sector, demand for credit appears to have weakened further. In terms of supply, the loosening of conditions for accessing credit is expected to have been ramped up with respect to the previous year, where the manufacturing sector stood to benefit more extensively from the gradual easing of supply policies, while a prudent approach to construction firms was to be retained. The improvement concerned both the costs applied to average loans and the quantities disbursed.

Based on the guidelines provided in September, the recovery in the demand for business loans and the easing of supply conditions was also expected to continue into the second part of 2015[10].

The gradually falling trend in the interest rates applied by banks to loans was also confirmed in 2015: the average rate applied to new transactions other than current accounts to non-financial corporations in the last month of 2015 was 2.72% for transactions of less than €1m and 1.26% for those above this amount (against 3.39% and 1.98 % in January, respectively)[4].

By contrast, with regards to the bank funding activity, the annual growth rate in customer funding continued to be negative and went to -0.55% on an annual basis in December (-1.22 % in December 2014): considering the different trend in the major funding components there has been an increase in deposits from customers of 3.81% and a decrease in bonds of 12.97%. The average rate on bank deposits from customers (households and non-financial corporations) was down further to 1.19% in December 2015 (it was 1.50% in December 2013). The cost of the bond component also decreased to 2.94% in December (3.16% in December 2014)[11].

During the year, the quality of bank assets continued to deteriorate albeit at a considerably slower rate: gross doubtful loans (200.9 billion in December 2015 compared to 183.6 billion in December 2014) actually increased by 9.4%, showing a considerable reduction in the rate of growth compared to 2014 (+17.8%).

Gross doubtful loans to lending rose to 10.4% in November 2015 (9.5% one year earlier), a figure that reached 17.3% for small businesses (16% in November 2014), 17.8% for companies (15.9% one year earlier) and 7.2% for consumers (6.9% in November 2014).

The incidence of total non-performing loans on the banks' portfolios continued to grow: in the North-East regions, the ratio of NPLs reached 22.3% on 30 June 2015[12].

The weak trend in margins, adversely impacted, furthermore, by the persistently low interest rates, is destined to have a more marked impact on the profitability of the Italian banking system which, nonetheless, with reference to the main listed companies, seems to have returned to positive territory, also due to the reduction in the cost of risk. The improvement in the real economy should finally start to be reflected in banks' income statements, even if bank profitability will continue to be unsatisfactory in the next three-year period, with a return on equity forecast at 2.7% in 2017, a figure still below that of 2008[13] and some way off levels of satisfaction owing to the burdensome legacy left by the biggest crisis since the post-war period.

9 Bank of Italy, Main items of the bank financial statements, February 2015.

10 Bank of Italy, the economy of Italian regions. Credit demand and supply at regional level, December 2015.

11 ABI Monthly Outlook, Deposits and bonds from Italian bank customers, February 2016.

12 Bank of Italy, Regional Economies, December 2015.

13 ABI Financial Outlook. Forecast Report 2015-2017 December 2015.

Extraordinary finance

In 2015, the development of issues of bonds loans and promissory notes by smaller non-listed companies continued: as at 31 December 2015, 179 issues were placed, of which 152 for an amount of lower than 50 million, for a total of €1,362m.
Geographically speaking, almost 80% of companies that issued mini-bonds at 31 December 2015 were located north of the Apennines: there was significant circulation of these instruments in the Trentino-South Tyrol region, second in Italy in terms of number with 19 issuers, level with Veneto and after Lombardy (38 issuers), thanks to the transactions of the two specialised regional funds (the Trentino-South Tyrol Strategic Fund had invested €51.5m as at 31 December 2015 in 9 issues and the Euregio Mini-Bond Fund €54.7m in 10 issues). The sample prepared by the Mini-bond Observatory of the Milan Polytechnic shows that banks, theoretically in competition with the mini-bond market, are nonetheless among the most important subscribers (Italian banks 14.9% and foreign banks 15.3%), after Private Debt (35.8%)[14].
In 2015, the Italian M&A[15] market also confirmed the phase of recovery launched in 2013, with a total value of €50bn (+0.5% over 2014). Volumes were also essentially stable, with around 506 transactions concluded (-7%).
The contribution of foreign investors grew, with 179 transactions for a total of €28bn, equal to more than 55% of the total (it was around 40% of the total in 2014).
Borsa Italiana also recorded a positive balance, seeing 32 admissions in 2015, a record figure since 2007, of which 27 IPOs, compared to 16 delistings: a total of 22 new listings were made on the AIM Italia market dedicated to small and medium businesses[16].
Based on the data reported by AIFI (Italian Private Equity and Venture Capital Association), in the first half of 2015, 168 new transactions were registered in the Italian private equity and venture capital market, up 21% compared to the 1st half of the previous year, for a total amount of €1,787m, corresponding to a decrease of 6% compared to the same period of the past year. Most of the resources invested were allocated to buy-outs, followed by replacements.
With regard to the geographical distribution of investments, a slight decrease in the value of the transactions carried out in Northern Italy should be noted with regard to the areas of interest to the Bank (86% compared to 91% in the first half of 2014) and the absence of operations in our region.
As at 30 June 2015, the overall portfolio of operators monitored by AIFI in Italy was composed of 1,379 companies, for a total value of investments held, valued at purchase cost, of €22.6bn.
The initial figures on the performance for the whole of 2015 confirm the increase in the number of transactions: In the middle of November, the Private Equity Monitor (Pem) Observatory of the Cattaneo University in Castellanza had catalogued some 80 acquisitions from funds, compared to 68 transactions at the same date in 2014. Half of the deals were performed by international operators, a sign of interest in our economy's potential.
As regards the project financing sector, and in particular the renewable energy segment, at global level, 2015 saw a record level of investments in China, Africa, the United States, Latin America and India, hitting a record amount of USD 329bn, up 4% over 2014.
This development continues to be driven by non-European countries (China, Africa, United States, Latin America and India) while Europe recorded a drop of 18% in investments compared to 2014, touching the lowest level since 2006, caused by the reduction in public incentives in various countries, including Italy in particular, plus Germany, Denmark and, more recently, the United Kingdom[17.]

14 Mini-Bond Observatory, School of Management of the Milan Polytechnic, February 2016.
15 KPMG Corporate Finance Report, December 2015.
16 Borsa Italiana, 30 December 2015.
17 Bloomberg New Energy Finance, Global trends in clean energy investment, January 2016.

MEDIOCREDITO IN 2015

In a context in which economic activity started out on a path of gradual recovery, microcredit also in 2015, despite the ongoing weakness of the investment credit market, saw an increase in the volumes of transactions: the credit disbursed (€172.2m) increased significantly compared to 2014 (+18.7%) but due to the rise in early repayments of existing mortgages, this managed only to curtail the decrease in the loan portfolio, which went down by 3.2%. By contrast, revenues from commissions rose, strengthened by the penalties against the aforementioned extraordinary early repayments, while the revenue component relating to trading activities, although down significantly in terms of the component relating to trading in Government bonds, saw a considerable capital gain from the sale of an equity investment as part of private equity business.

As regards liabilities, borrowing operations saw the bank focused on covering the need generated by the significant tranches of bond loans expiring in the first half of the year through the issue of new medium-term bonds, placed almost entirely on the co-operative credit banking network. Mediocredito also participated in the third TLTRO auction provided by the ECB which made funding policies even easier thanks to a large availability of reserves to choose from.

Following the introduction of the "Bank Recovery and Resolution Directive (BRRD)", during the first half of the year rating agencies reduced or cancelled the public shareholders support component, which took Mediocredito out of the investment grade area in terms of its financial fundamentals. These shares did not, however, concern funding costs in the year to a large degree, thanks to the synergies with the co-operative credit system.

In order to cover liquidity risk, the Bank regularly maintains large reserves of securities eligible as collateral and adequate volumes of collateralised credit assets.

With reference to the lending risk, the trend for the stock of impaired loans continues to show limited growth rates and has done so since 2013, even though there was a significant, yet foreseeable flow within this aggregate towards doubtful loans: in this regard, it should be noted that performing loans which became impaired in 2015 were essentially stable at 2014 levels, after the peaks of 2012 and, to a lesser extent, 2013.

From an economic standpoint, the reduction in the reference parameters to historic lows, the compression of market spreads, together with the tapering off of the return on Government bonds which sustained margins in previous years, in the presence of a gradual reduction in credit assets, determined a significant drop in revenues.

From a cost point of view, the year also felt the effects of significant non-recurring items relating to the important and unexpected extraordinary payment to the banking crisis resolution fund and an allocation to cover the unfavourable ruling in a dispute; in addition to this, the classification as doubtful loans of positions first classified as 'unlikely to pay' and the deterioration in the value of assets used to guarantee non-performing loans, prompted strengthening in provisions for risks.

Hence, net interest and other banking income proved to be insufficient to cover ordinary and extraordinary costs, and resulted in the posting of a loss for the year.

By contrast, the bank's capital ratios were reinforced, with a CET1 which rose from 16.34% in 2014 to the current 17.84%, confirming the traditional solidity of the Bank's capital structure.

BUSINESS REVIEW

LENDING OPERATIONS

Outline of lending operations (thousands of Euros)

Surveyed activities		2015	2014	Chg. %
Credit granted	number	224	233	-3.9
	amount	183,180	186,318	-1.7
Credit disbursed	amount	172,166	145,066	+18.7
		31 Dec 2015	**31 Dec 2014**	**Chg. %**
Total lending		1,223,505	1,350,537	-9.4
- loans and advances to banks		61,484	147,933	-58.4
- loans and advances to customers		1,162,021	1,202,604	-3.4

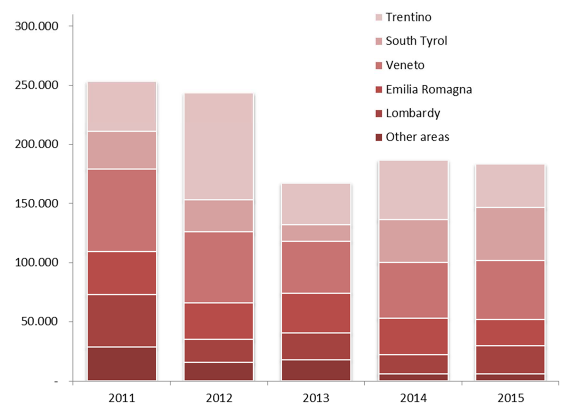
Credit granted

In 2015, the amount of credit granted by Mediocredito reached €183.2m: this amount is in line with the results of the previous year, also in terms of the average amount approved (€0.8 million in both years). In 2015, Trentino-South Tyrol attracted 44.4% of the lending compared to 46.1% in 2014. This result was supported by the increase in the province of Bolzano (+€9.2m) which partially offset the reduction in loans granted in the Trento area (-€13.7m). Significant increases were also registered in Lombardy (+€7.6m, +47.2%).
Volumes were consolidated in Veneto, with an increase of 5.3%, while credit approvals to companies in Emilia Romagna fell (-€8.4 million, -27.4%). The other areas were stable.

Breakdown of credit granted by area (thousands of Euros)

	2015	%	2014	%	Change	Chg. %
Trentino	36,508	19.9	50,168	26.9	-13,659	-27.2
South Tyrol	44,865	24.5	35,684	19.2	+9,181	+25.7
Veneto	50,133	27.4	47,597	25.5	+2,536	+5.3
Emilia Romagna	22,268	12.2	30,686	16.5	-8,419	-27.4
Lombardy	23,730	13.0	16,123	8.7	+7,607	+47.2
Other Areas	5,676	3.1	6,060	3.3	-384	-6.3
Total	**183,180**	**100.0**	**186,318**	**100.0**	**-3,138**	**-1.7**

Trend in credit granted by area 2011-2015



Considering the disbursements of loans to non-financial corporations, the fall in loans to the mining/manufacturing (-€8.2m), trade (-€3.8m) and agriculture (-€3.2m) sectors was largely offset by the recovery in the transport (+€5.3m), hospitality (+€4.1m) and construction-related business (+€1.5m) sectors. Credit approvals to the energy sector remained stable.

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

	2015	%	2014	%	Change	Chg. %
Non-financial corporations	**166,756**	**91.0**	**169,824**	**91.1**	**-3,068**	**-1.8**
Mining/manufacturing sector	57,420	31.3	65,631	35.2	-8,212	-12.5
Other services	22,980	12.5	22,132	11.9	+848	+3.8
Transport services	18,511	10.1	13,200	7.1	+5,311	+40.2
Hospitality	16,971	9.3	12,847	6.9	+4,125	+32.1
Market services	16,806	9.2	20,637	11.1	-3,831	-18.6
Building industry	13,124	7.2	3,831	2.1	+9,293	+242.6
Energy	11,638	6.4	11,249	6.0	+389	+3.5
Real Estate	5,715	3.1	13,547	7.3	-7,832	-57.8
Agriculture	3,591	2.0	6,750	3.6	-3,159	-46.8
Government Agencies, families and others	**13,924**	**7.6**	**9,994**	**5.4**	**+3,930**	**+39.3**
Financial corporations and banks	**2,500**	**1.4**	**6,500**	**3.5**	**-4,000**	**-61.5**
Total	**183,180**	**100.0**	**186,318**	**100.0**	**-3,138**	**-1.7**

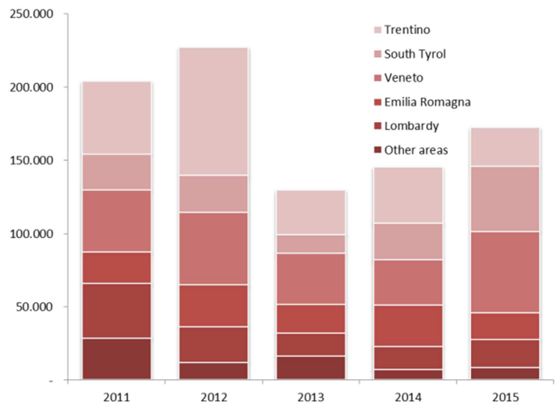
Credit disbursed

The year 2015 saw an increase of +€27.1 million (+18.7%) in the volumes disbursed compared to the previous year: this trend was sustained by the improvement shown by South Tyrol (+€19.3m) and above all Veneto (+€24.9m) which counteracted the reductions registered in other areas. In particular, the flows disbursed in Trentino (-€11.7 million) and Emilia Romagna (-€10.0 million) fell.

Breakdown of credit disbursed by area (thousands of Euros)

	2015	%	2014	%	Change	Chg. %
Trentino	26,427	15.3	38,130	26.3	-11,703	-30.7
South Tyrol	44,224	25.7	24,952	17.2	+19,272	+77.2
Veneto	55,864	32.5	30,974	21.4	+24,890	+80.4
Emilia Romagna	18,250	10.6	28,277	19.5	-10,027	-35.5
Lombardy	18,974	11.0	15,958	11.0	+3,016	+18.9
Other Areas	8,397	4.9	6,775	4.7	+1,622	+23.9
Total	**172,136**	**100.0**	**145,066**	**100.0**	**+27,071**	**+18.7**

Trend in credit disbursed by area 2011-2015



In 2015, significant increases were recorded in the disbursements of credit to the other services (up €11.6m), hospitality (+€6.5m), construction-related business (+€6.1m) sectors; disbursements of credit to the energy, trade and agriculture sectors slowed down.

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

	2015	%	2014	%	Change	Chg. %
Non-financial corporations	**153,437**	**89.1%**	**131,045**	**90.3**	**+22,393**	**+17.1%**
Mining/manufacturing sector	50,867	29.5%	48,029	33.1	+2,838	+5.9%
Other services	29,058	16.9%	17,480	12.0	+11,578	+66.2%
Market services	14,986	8.7%	16,746	11.5	-1,760	-10.5%
Hospitality	14,056	8.2%	7,545	5.2	+6,510	+86.3%
Transport services	12,774	7.4%	11,239	7.7	+1,536	+13.7%
Energy	9,705	5.6%	12,023	8.3	-2,317	-19.3%
Real Estate	9,598	5.6%	8,255	5.7	+1,343	+16.3%
Building industry	8,840	5.1%	4,037	2.8	+4,803	+119.0%
Agriculture	3,553	2.1%	5,691	3.8	-2,138	-37.6%
Government Agencies, families and others	**16,199**	**9.4%**	**7,521**	**5.2**	**+8,678**	**+115.4%**
Financial corporations and banks	**2,500**	**1.5%**	**6,500**	**4.5**	**-4,000**	**-61.5%**
Total	**172,136**	**100.0%**	**145,066**	**100.0**	**+27,071**	**+18.7%**

Tranches of mini-bonds are also included in credit granted and disbursed: in 2015, 4 bond loans were subscribed for a total of €2.3m (of which €1.3m issued by companies operating in the manufacturing sector, €0.7m by companies active in other services and €0.2m by companies in the building sector), while only one tranche of €1m was subscribed in 2014 (IT services sector).

Operations in synergy with the co-operative credit system recorded a further, albeit insignificant, reduction: 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 21.0% of the total compared to 24.0% registered by the end of 2014.

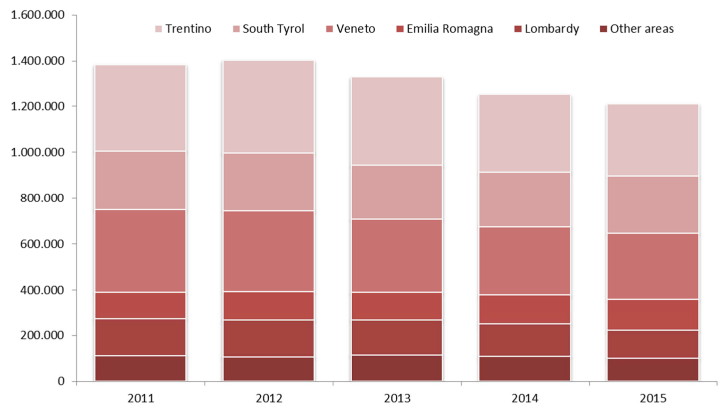
Loans and advances[18]

Overall amount of credit stood at levels below the 7.9% of December 2014: the decrease in typical loans, limited to 3.2% thanks also to the better performance in terms of disbursements, was amplified by the decrease in liquidity on current accounts and deposits (-€72.4m).
At geographical level, all areas of bank business recorded decreases, with the exception of South Tyrol (+€12.7m, +5.4%); a further decrease was recorded in Trentino (€24.7m), partly linked to the early repayment of exposures to public entities in relation to local public finance initiatives.

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

	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Trentino	314,858	26.0	339,577	27.1	-24,719	-7.3
South Tyrol	249,831	20.6	237,115	19.0	+12,716	+5.4
Veneto	288,525	23.8	296,225	23.7	-7,700	-2.6
Emilia Romagna	136,484	11.3	128,847	10.3	-5,463	-3.8
Lombardy	120,618	10.0	141,947	11.3	-8,229	-6.4
Other Areas	100,749	8.3	107,320	8.6	-6,571	-6.1
Total typical loans and advances	**1,211,065**	**100.0**	**1,251,030**	**100.0**	**-39,965**	**-3.2**
current accounts and bank	*99,603*		*172,044*		*-72,441*	*-42.1*
Total credit	***1,310,668***		***1,423,074***		***-112,406***	***-7.9***

Trend in typical gross loans and advances by area 2011-2015

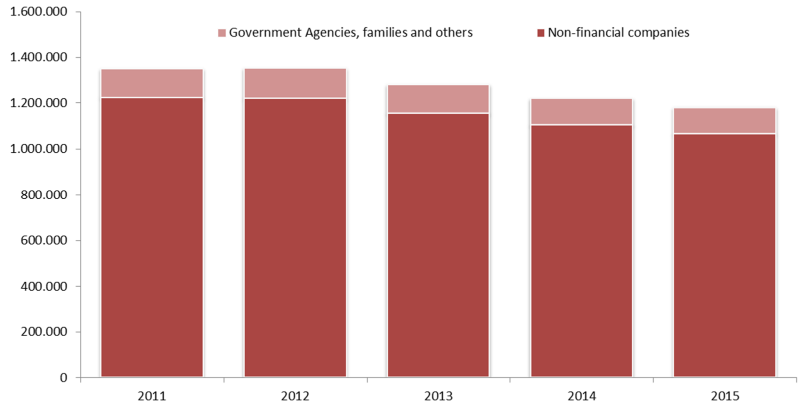


Loans and advances to non-financial corporations amounted to €1.066m against €1.104m at the end of 2014: the decrease was focused particularly on the mining/manufacturing (-€14.2m), agriculture (-€16.5m) and trade (-€8.8m) sectors. By contrast, an increase was registered by the hospitality sector (+€4.0m) and other services (+12.4m).

18 Loans and advances are shown in the tables relative to overall amounts, gross of write-downs but net of deposits and current accounts at banks and of contributions in relation to subsidised credit.

19 The figure include €38,120 thousand in 2015 and €24,111 thousand in 2014 of loans to SPVs relating to securitisation transactions.

Trend in typical gross loans and advances to non-financial corporations, government agencies, families and others 2011-2015



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

	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Non-financial corporations	**1,066,412**	**88.1**	**1,103,982**	**88.2**	**-37,570**	**-3.4**
Mining/manufacturing sector	276,087	22.8	290,328	23.2	-14,241	-4.9
Real Estate	132,211	10.9	137,016	11.0	-4,805	-3.5
Energy	104,866	8.7	111,147	8.9	-6,280	-5.7
Agriculture	102,994	8.5	119,462	9.5	-16,468	-13.8
Building industry	101,715	8.4	105,312	8.4	-3,598	-3.4
Hospitality	99,920	8.3	95,960	7.7	+3,960	4.1
Other services	95,655	7.9	83,282	6.7	+12,373	+14.9
Market services	91,535	7.6	100,331	8.0	-8,796	-8.8
Transport services	61,429	5.1	61,144	4.9	+285	+0.5
Government Agencies, families and others	**113,772**	**9.4**	**115,740**	**9.3**	**-1,968**	**-1.7**
Financial corporations and banks	**30,881**	**2.5**	**31,308**	**2.5**	**-427**	**-1.4**
Total	**1,211,065**	**100.0**	**1,251,030**	**100.0**	**-39,965**	**-3.2**

Performing loans[20]

Typical performing loans and advances (to customers and banks) continue to highlight a negative trend (-4.9% over the end of 2014), a decrease of around €50m. At regional level, the general negative trend is especially evident in Trentino (-€28.5m) and Lombardy (-€12.9m), only partially offset by a significant recovery in South Tyrol (+€10.5m). In Veneto, which recorded an insignificant drop, the slowdown in the impairment process was confirmed.

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

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

	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Trentino	266,283	27.2%	294,755	28.7	-28,472	-9.7
South Tyrol	237,803	24.3%	227,308	22.1	+10,495	+4.6
Veneto	223,104	22.8%	226,368	22.0	-3,264	-1.4
Emilia Romagna	93,428	9.6%	101,211	9.8	-7,783	-7.7
Lombardy	91,371	9.3%	104,289	10.1	-12,919	-12.4
Other Areas	65,730	6.7%	73,824	7.2	-8,094	-11.0
Total typical loans and advances	**977,719**	**100.0%**	**1,027,756**	**100.0**	**-50,037**	**-4.9**
current accounts and bank deposits [21]	*99,603*		*172,044*		*-72,441*	*-42.1*
Total performing loans and advances	***1,077,322***		***1,199,800***		***-122,478***	***-10.2***

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

Typical performing loans by counterparty and economic sector (thousands of Euro)

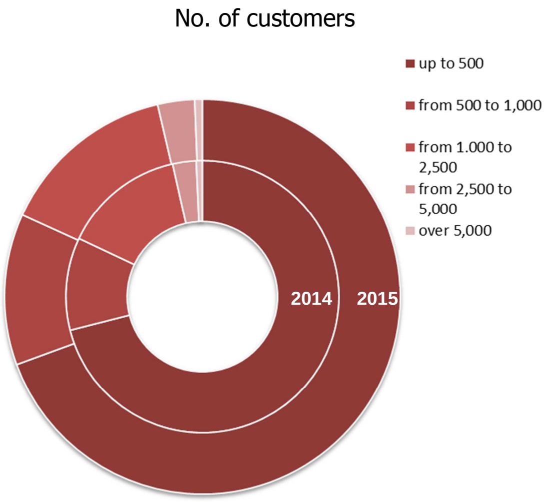
	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Non-financial corporations	**842,676**	**86.2**	**888,700**	**86.5**	**-46,024**	**-5.2**
Mining/manufacturing sector	214,984	22.0	229,733	22.4	-14,749	-6.4
Energy	102,992	10.5	111,147	10.8	-8,155	-7.3
Agriculture	95,254	9.7	111,223	10.8	-15,969	-14.4
Real Estate	88,979	9.1	97,554	9.5	-8,575	-8.8
Other services	83,427	8.5	70,920	6.9	+12,507	+17.6
Hospitality	82,785	8.5	80,983	7.9	+1,801	+2.2
Market services	77,787	8.0	85,553	8.3	-7,766	-9.1
Transport services	59,127	6.0	57,740	5.6	+1,387	2.4
Building industry	37,341	3.8	43,846	4.3	-6,505	-14.8
Government Agencies, families and others	**109,186**	**11.2**	**112,808**	**11.0**	**-3,622**	**-3.2**
Financial corporations and banks	**25,857**	**2.6**	**26,249**	**2.6**	**-392**	**-1.5**
Total	**977,719**	**100.0**	**1,027,756**	**100.0**	**-50,037**	**-4.9**

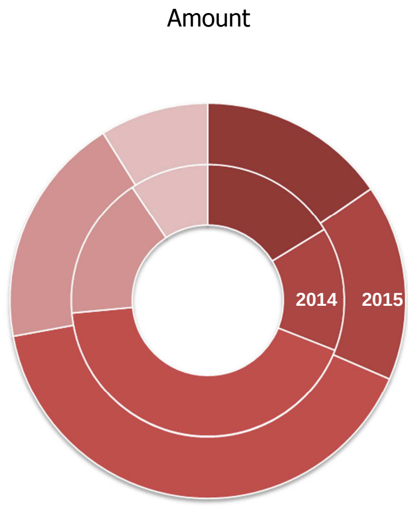
Typical performing loans and advances: breakdown of customers by amount loaned (thousands of Euro)

	no. of customers	Amount	% customers	% amount	Average amount
up to 500	1,239	150,880	69.4	15.4	121.8
from 500 to 1,000	221	157,360	12.4	16.1	712.0
from 1,000 to 2,500	259	396,546	14.5	40.6	1,531.1
from 2,500 to 5,000	54	186,122	3.0	19.0	3,446.7
above 5,000	11	86,811	0.6	8.9	7,891.9
Total	**1,784**	**977,719**	**100.0**	**100.0**	**548.0**

21 The figure include €38,120 thousand in 2015 and €24,111 thousand in 2014 of loans to SPVs relating to securitisation transactions.

Distribution by loan amount – comparison 2015/2014





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 27.9% of the total, essentially stable against the end of 2014 (26.6%);
- the average amount of performing loans and advances rose from €527 thousand to €548 thousand;
- the incidence on the total of the loans for the top transaction (0.9%) remains stable, that of the top 20 transactions increased (from 9.3% to 10.1%) while that of the top 100 increased (from 27.1% to 28.4%).

Typical gross performing loans and advances: top exposures (thousands of Euro)

	Dec 2015	%	Dec 2014	%
Top transaction	8,748	0.9	8,758	0.9
Top 20 transactions	99,197	10.1	95,212	9.3
Top 100 transactions	278,121	28.4	276,992	27.1

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 1.3% to 1.2%;
- overall exposure to the top 20 borrowers (13.3%) also rose in comparison to 2014, and so did the exposure to the top 100 borrowers (36.0%);
- overall exposure to the top group of borrowers fell from 1.3% to 1.2%, the top 20 groups equalled 14.9% of the total (13.7% at the end of 2014) and the top 100 groups came to 39.8% (38.0% at the end of 2014).

Typical gross performing loans: top customers (thousands of Euro)

	Dec 2015	%	Dec 2014	%
top borrower	11,952	1.2	13,662	1.3
top 20 borrowers	129,784	13.3	123,465	12.1
top 100 borrowers	352,720	36.0	343,611	33.6

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

	Dec 2015	%	Dec 2014	%
top group of borrowers	11,952	1.2	13,662	1.3
top 20 groups of borrowers	146,152	14.9	139,573	13.7
top 100 groups of borrowers	389,206	39.8	388,534	38.0

Exposure to the top group in both periods regards a public body.

High exposures

With regard to «high exposures», in accordance with current legislation we can report the following situation as at 31 December 2015:

	Dec 2015		Dec 2014	
Counterparty	**Nominal**	**Weighted**	**Nominal**	**Weighted**
Governments	76,575	-	345,753	-
Banks	53,488	53,488	121,018	121,018
Total	**130,063**	**53,488**	**466,771**	**121,018**

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 a relative increase (+€10.1m, equal to +4.5%) as a result of the increase in the portfolio of doubtful loans (+€21.9m), only partially offset by the reduction in the "unlikely to pay" category (-€2.3m) and past due loans (-€9.6m).
The increase in impaired loans and, at the same time, the decrease in total gross loans and advances to customers and banks (-7.9%) lead to an increase in the incidence of impaired loans on the total loan portfolio from 15.7% in December 2014 to the current 17.8%. The figure net of value overall is up by 21.7%, going from 11.6% to 12.5%. Consequently, the coverage of the total portfolio increased significantly (from 29.8% to 34.6%) and so did the individual impaired portfolios: doubtful loans from 38.3% to 41.7%, unlikely to pay from 20.9% to 22.5%.
The loans situation compared with the balance as at 31 December 2014, is shown in the following table.

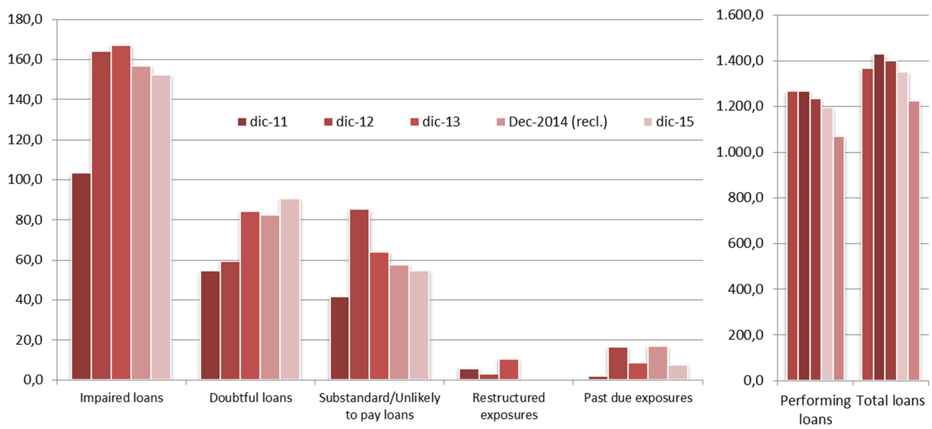
Loans and advances to customers and banks (thousands of Euro)

Dec 2015	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and country risk	**233,346**	**80,854**	**152,493**	**17.8**	**12.5**	**34.6**
- doubtful	155,475	64,780	90,695	11.9	7.4	41.7
- unlikely to pay	70,217	15,802	54,415	5.4	4.4	22.5
- past due	7,617	234	7,383	0.6	0.6	3.1
- country risk	38	38	-	-	-	100.0
Performing loans	**1,077,322**	**6,310**	**1,071,012**	**82.2**	**87.5**	**0.6**
Total loans	**1,310,668**	**87,164**	**1,223,505**	**100.0**	**100.0**	**6.7**

Dec 2014	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans and country risk	**223,274**	**66,464**	**156,810**	**15.7**	**11.6**	**29.8**
- doubtful	133,563	51,094	82,469	9.4	6.1	38.3
- unlikely to pay	72,472	15,166	57,306	5.1	4.2	20.9
- past due	17,201	166	17,035	1.2	1.3	1.0
- country risk	38	38	-	-	-	100.0
Performing loans	**1,199,800**	**6,072**	**1,193,728**	**84.3**	**88.4**	**0.5**
Total loans	**1,423,074**	**72,537**	**1,350,538**	**100.0**	**100.0**	**5.1**

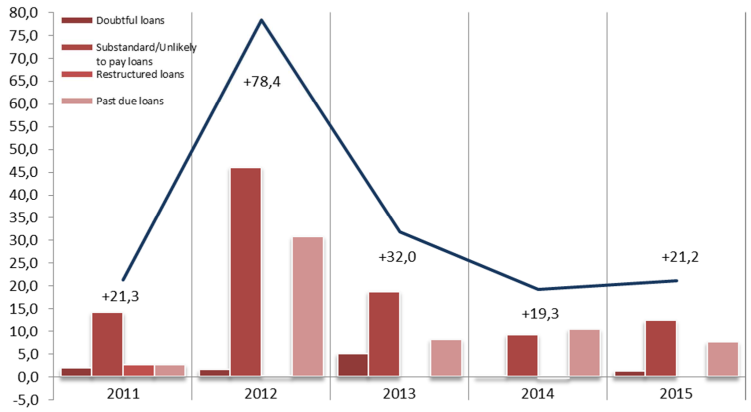
Change % 2015/2014	Gross exposure	Overall adjustments	Net exposure
Impaired loans and country risk	**+4.5**	**+21.7**	**-2.8**
- doubtful	+16.4	+26.8	+10.0
- unlikely to pay	-3.1	+4.2	-5.0
- past due	-55.7	+40.8	-56.7
Performing loans	**-10.2**	**+3.9**	**-10.3**
Total loans	**-7.9**	**+20.2**	**-9.4**

Trend in net loans (millions of Euro)



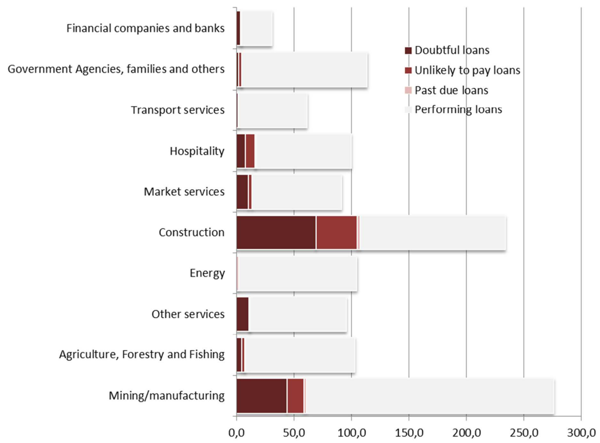
The flow of new impaired loans (transfers in net of transfers out to "performing" loans), after a significant worsening in 2012, has showed a gradual decrease since 2013 which has brought it back to the average levels of previous years.

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



At sector level, the incidence of gross impaired loans on the total typical loan portfolio is particularly relevant in sectors related to construction: slightly more than 63% of loans to construction companies are impaired and 33% of those to real estate businesses. Approximately 22% of loans to companies operating in the mining/manufacturing industry are also impaired.

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

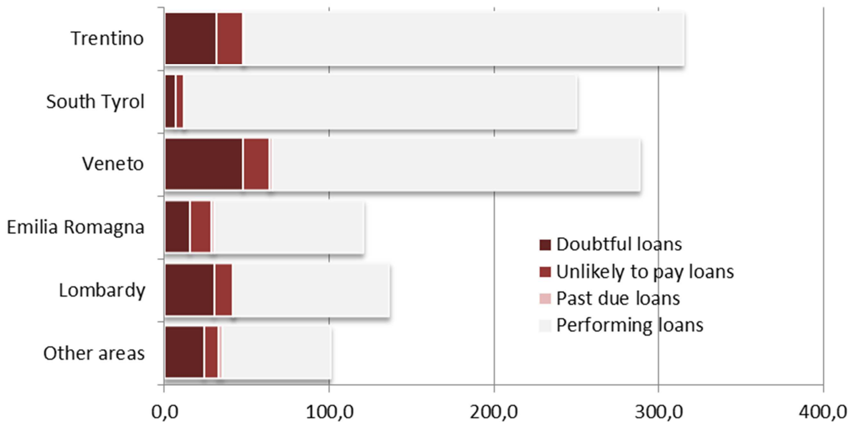


Gross impaired loans: incidence of each status by counterparty and economic sector (data in %)

	Doubtful loans	Unlikely to pay	Past due	Total
Non-financial corporations	**14.0**	**6.3**	**0.7**	**21.0**
Mining/manufacturing sector	15.9	5.4	0.7	22.1
Agriculture	4.6	2.3	0.6	7.5
Other services	11.8	1.0	0.0	12.8
Energy	0.0	0.0	1.8	1.8
Real Estate	19.0	12.5	1.2	32.7
Building industry	43.4	19.1	0.8	63.3
Market services	11.5	3.5	0.0	15.0
Hospitality	7.7	8.9	0.6	17.1
Transport services	3.0	0.8	0.0	3.7
Government Agencies, families and others	**1.9**	**2.1**	**0.1**	**4.0**
Financial corporations and banks	**12.7**	**3.5**	**0.0**	**16.3**

Geographically speaking, the reader can see that the impairment of loans is concentrated mostly outside the region, with incidences between 22.7% (Veneto) and 34.8% (other areas). By contrast, 15% of loans are impaired in Trentino, while under 5% are impaired in South Tyrol.

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



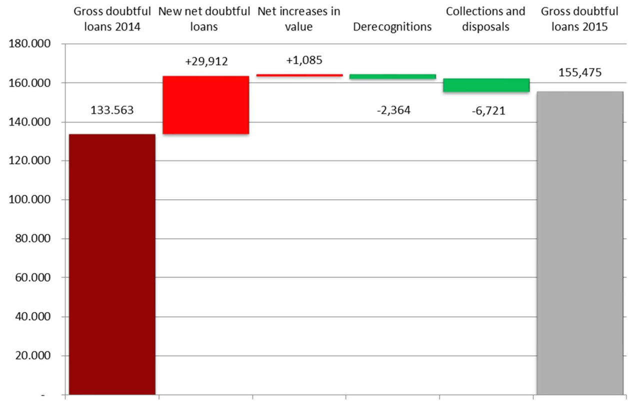
Gross impaired loans: incidence of each status by area (data in %)

	Doubtful loans	Unlikely to pay	Past due	Total
Trentino	10.1	5.1	0.3	15.4
South Tyrol	2.7	2.0	0.1	4.8
Veneto	16.5	5.5	0.6	22.7
Emilia Romagna	12.7	10.8	1.8	25.4
Lombardy	22.0	8.5	0.0	30.6
Other Areas	23.8	8.6	2.3	34.8

Doubtful loans

Doubtful loans gross of write-downs amount to €155.5m, up by €21.9m in comparison to 2014. The building industry and the real estate sector (approximately €69m) and the manufacturing sector (approximately €44m) are the top collectors of doubtful loans and also show the highest increase in absolute terms with +€11.6m and +€5.6m respectively. They are followed by the hospitality sector, with an increase of €1.7m.

Trend in gross doubtful loans 2014-2015 (thousands of Euros)



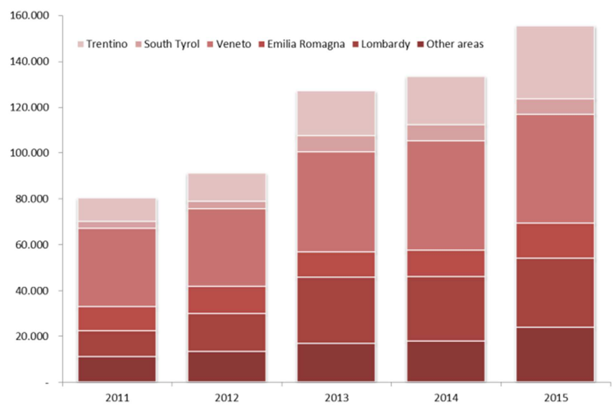
Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Non-financial corporations	**149,425**	**96.1**	**127,234**	**95.3**	**+22,191**	**+17.4**
Building industry	44,174	28.4	37,094	27.8	+7,080	+19.1
Mining/manufacturing sector	44,032	28.3	38,391	28.7	+5,641	+14.7
Real Estate	25,121	16.2	20,600	15.4	+4,521	+21.9
Other services	11,311	7.3	9,737	7.3	+1,574	+16.2
Market services	10,554	6.8	10,856	8.1	-303	-2.8
Hospitality	7,655	4.9	5,919	4.4	+1,736	+29.3
Agriculture	4,761	3.1	4,158	3.1	+603	+14.5
Transport services	1,817	1.2	479	0.4	+1,339	+279.7
Energy	0	0.0	-	0.0	-	-
Government Agencies, families and others	**2,140**	**1.4**	**2,414**	**1.8**	**-274**	**-11.3**
Financial corporations and banks	**3,910**	**2.5**	**3,915**	**2.9**	**-5**	**-0.1**
Total	**155,475**	**100.0**	**133,563**	**100.0**	**+21,912**	**16.4**

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

	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Trentino	31,746	20.4	21,091	15.8	+10,655	+50.5
South Tyrol	6,670	4.3	7,083	5.3	-413	-5.8
Veneto	47,672	30.7	47,791	35.8	-118	-0.2
Emilia Romagna	15,366	9.9	11,395	8.5	+3,970	+34.8
Lombardy	30,072	19.3	28,326	21.2	+1,746	+6.2
Other Areas	23,949	15.4	17,877	13.4	+6,072	+34.0
Total	**155,475**	**100.0**	**133,563**	**100.0**	**+21,912**	**+16.4**

Trend in gross doubtful loans by area 2011-2015



From a geographical point of view, the majority of doubtful loans were in Veneto (30.7%) while Trentino saw a significant increase by approximately €11m. The other areas of operation for the Bank remained on the same levels shown at the end of last year. The South Tyrol area remained on moderate levels, showing less than 5% of loans under analysis, for an amount of approximately €7m.
Doubtful loans, net of value adjustments, amounted to €90.7m, up €8.2m compared to the figure in December 2014. The ratio of net doubtful loans to total net loans was 7.4%, up compared to 6.1% recorded at the end of the previous year; the ratio before value adjustments fell from 9.4% in 2014 to 11.9%. The level of coverage of doubtful loans was 41.7%, up on the percentage at the end of 2014 (38.3%).

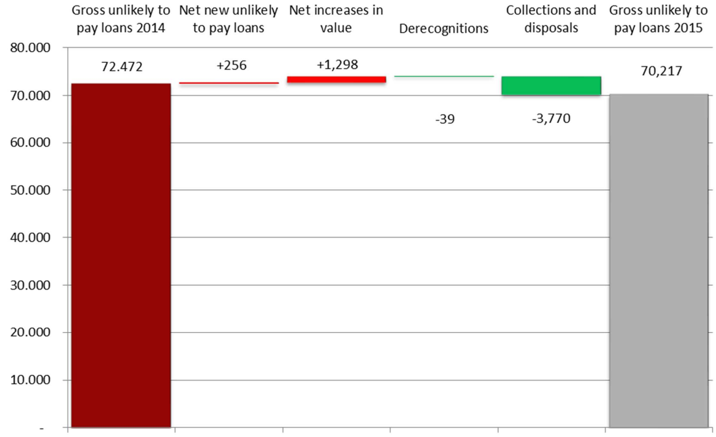
Key ratios relative to doubtful loans

in %	Dec 2015	Dec 2014
Gross doubtful loans / total gross loans	11.9	9.4
Gross doubtful loans / gross loans to customers	12.4	10.5
Gross doubtful loans / own funds	86.0	71.3
Net doubtful loans / total net loans	7.4	6.1
Net doubtful loans / net loans to customers	7.8	6.9
Net doubtful loans / own funds	50.2	44.0

Unlikely to pay loans

The "unlikely to pay" category gross of write-downs amounted to €70.2m, a stable volume compared to that at the end of 2014 (-€2.2m).

Trend in gross unlikely to pay 2014-2015 (thousands of Euro)



Construction-related sectors, other services and transport recorded decreases of -€2.8m, -€1.7m and -€1.7m respectively, only partially offset by the increase recorded by the hospitality (+€2.0m) and families (+€2.0m) sectors.

Breakdown of unlikely to pay by counterparty and economic sector (thousands of Euro)

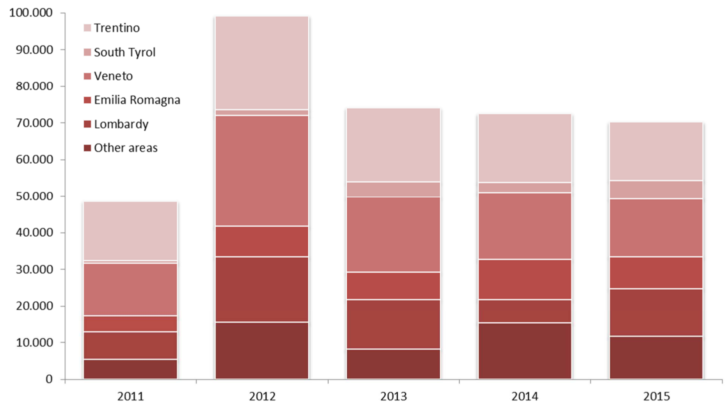
	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Non-financial corporations	**66,804**	**95.1**	**70,978**	**97.9**	**-4,174**	**-5.9**
Building industry	19,432	27.7	23,592	32.6	-4,160	-17.6
Real Estate	16,525	23.5	15,194	21.0	+1,331	+8.8
Mining/manufacturing sector	15,031	21.4	14,293	19.7	+738	+5.2
Hospitality	8,860	12.6	6,874	9.5	+1,986	+28.9
Market services	3,194	4.5	3,922	5.4	-728	-18.6
Other services	918	1.3	2,625	3.6	-1,707	-65.0
Agriculture	2,359	3.4	2,273	3.1	+85	+3.8
Transport services	485	0.7	2,204	3.0	-1,720	-78.0
Energy	-	0.0	-	0.0	-	
Government Agencies, families and others	**2,337**	**3.3**	**387**	**0.5**	**+1,950**	**+504.0**
Financial corporations and banks	**1,076**	**1.5**	**1,107**	**1.5**	**-31**	**-2.8**
Total	**70,217**	**100.0**	**72,472**	**100.0**	**-2,255**	**-3.1**

At geographical level, a decrease was recorded in the unlikely to pay portfolio in Veneto (-€2.5m), Emilia Romagna (-€2.2m) and other areas (-€3.7m); by contrast, an increase was registered in Lombardy (+€6.7m) while Trentino - South Tyrol was essentially stable.

Breakdown of unlikely to pay by area (thousands of Euro)

	31 Dec 2015	%	31 Dec 2014	%	Change	Chg. %
Trentino	15,901	22.6	18,757	25.9	-2,856	-15.2
South Tyrol	5,013	7.1	2,724	3.8	+2,289	+84.0
Veneto	15,879	22.6	18,374	25.4	-2,495	-13.6
Emilia Romagna	8,710	12.4	10,912	15.1	-2,203	-20.2
Lombardy	13,079	18.6	6,413	8.8	+6,666	+104.0
Other Areas	11,635	16.6	15,292	21.1	-3,657	-23.9
Total	**70,217**	**100.0**	**72,472**	**100.0**	**-2,255**	**-3.1**

Trend in gross unlikely to pay by area 2011-2015



The unlikely to pay category, net of value adjustments, totalled €54.4m, down by 5.0% against 31 December 2014. The ratio of net unlikely to pay to total net loans was 4.4% compared to 4.2% at the end of the previous period.

Key ratios relative to unlikely to pay loans

in %	Dec 2015	Dec 2014
Gross unlikely to pay/total gross loans	5.4	5.1
Gross unlikely to pay/gross loans to customers	5.6	5.7
Net unlikely to pay/total net loans	4.4	4.2
Net unlikely to pay/net loans to customers	4.7	4.8

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. Net of value adjustments these loans totalled €7.4m, a substantial decrease against 31 December 2014. The ratio of "loans past due" to total net loans is 0.6% compared to 1.3% recorded at the end of the previous financial year.

EQUITY INVESTMENT ACTIVITIES

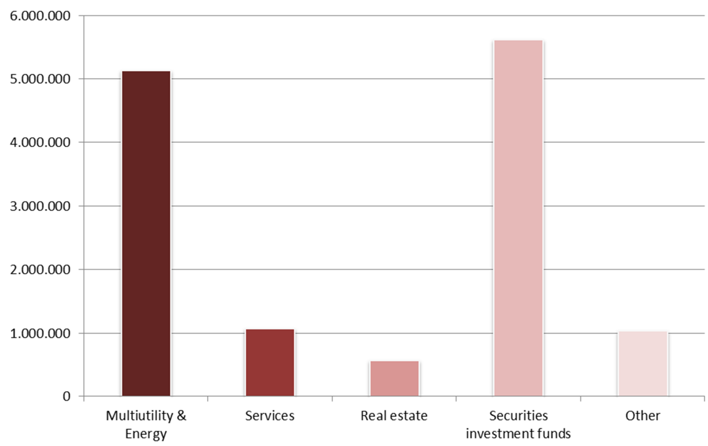
Equity Investment

Equity investment activities, both direct and through participation in the closed-end securities investment funds "MC^2 Impresa" and Assietta Private Equity III showed overall amounts of approximately €13.4m, down against December 2014 (-€1.4m), primarily due to the sale of the investment in Piteco S.p.A., which led to a gain of approximately €1.4m.
During the first half of the year, a new investment was made, already subscribed in the previous year, of €885 thousand in the closed-end fund Assietta Private Equity III.
In addition, a payment was made in the form of a shareholders loan to Essedi Strategie d'Impresa S.r.l. for €64 thousand and another to cover losses to Paradisidue S.r.l. for €150 thousand.

Equity Investment (thousands of Euro)

	Dec 2013			Dec 2014		
	Afs	Equity inv.	Total	Afs	Equity inv.	Total
Merchant banking investments	6,742	64	6,806	9,013	68	9,081
Investments in UCITS	6,085	-	6,085	5,311	-	5,311
Other equity investments	396	143	539	388	55	443
Total	**13,223**	**207**	**13,429**	**14,712**	**123**	**14,835**

Equity investments 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 wholly-owned 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 31 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 activities for its placement on the real estate market are currently under way. The company closed 2015 with a loss of approximately €127 thousand, covered by a payment by the Parent Company.

Other investments	
Balance at 31/12/2014	**54.9**
Purchases	+150.0
Sales/Redemptions	-
Gains	-
Losses	-125.7
Impairment	-
Balance at 31/12/2015	**79.2**
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.

After a positive phase up to 2013, the company encountered economic-financial difficulties which led, in 2014, to the elimination of the value of the investment; in 2015, shareholders supported the company with a shareholders' loan and the business unit relating to the formation was subsequently sold. The company will presumably be put into liquidation after having placed the operating property owned on the market.

Other investments	
Balance at 31/12/2014	**-**
Purchases	63.7
Sales/Redemptions	-
Gains	-
Losses	-
Impairment	-
Balance at 31/12/2015	**63.7**
Stake held	**31.869%**

Biorendena S.r.l. – 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 did not allow the start of investments, which are not likely to be realised in the near future.

The equity method valuation of the latest financial statements available led to the recognition of a loss of approximately €3.6 thousand.

Merchant Banking Investments	
Balance at 31/12/2014	**67.7**
Purchases	-
Sales/Redemptions	-
Gains	-
Losses	-3.6
Impairment	-
Balance at 31/12/2015	**64.1**
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 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 in 2014, based on an appraisal prepared by an independent advisor. Reserves totalling €67 thousand were distributed in 2015.

Merchant Banking Investments	
Balance at 31/12/2014	**900.0**
Purchases	**-**
Sales/Redemptions	**-66.7**
Gains/Losses on disposal	**-**
Fair value changes	**-**
Reversal of reserve to income statement	**-**
Impairment	-
Balance at 31/12/2015	**833.3**
Stake held	**3.819%**

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

Through the subsidiary SWS Engineering S.p.A., the company operates in the area of engineering and design. Through the subsidiary Enginsoft S.p.A. it operates in automation and control engineering, specialising in consultancy, research and development of advanced applications of simulations with mathematical models.

The entry of Mediocredito in the company with a share of 14.966% was finalised in November 2011 in order to continue the process of exploitation and development of the company launched by the closed-end fund MC^2 Impresa.

Based on prospective projections, the book value expresses the present fair value.

Merchant Banking Investments	
Balance at 31/12/2014	**1,000.0**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**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 carried out in 2014 in which the Bank also took part on a pro-rata basis.

Merchant Banking Investments	
Balance at 31/12/2014	**674.0**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**674.0**
Stake held	**4.840%**

Enercoop S.r.l. – Trento (TN)

This company is a subsidiary of Fincoop S.p.A. (co-operative financial corporation 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 31.12.2015 does not express the fair value changes with respect to 2014.

Merchant Banking Investments	
Balance at 31/12/2014	**1,917.2**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**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 established a commercial partnership with Dolomiti Energia S.p.A. many years ago.
Thanks to the company financial position, the value of the Bank's stake at 31 December 2015 has increased by around €33.5 thousand.

Merchant Banking Investments	
Balance at 31/12/2014	**2,283.5**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+33.5
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**2,317.0**
Stake held	**6.051**

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

In 2012, the Bank has approved the acquisition of the stake in Alto S.r.l., a subsidiary of Podini, destined to acquire, with an LBO, the control of Piteco SpA. Piteco SpA is a company operating in a niche sector for the development of software for financial applications. It is characterised by stable business, a positive economic outlook, high levels of profitability and almost no net financial debt. In 2013 Alto S.r.l. was incorporated into Piteco S.r.l., subsequently transformed into a joint-stock company (S.p.A.). The investment was sold in the current year, generating a gain of €1.4m.

Merchant Banking Investments	
Balance at 31/12/2014	**2,238.0**
Purchases	-
Sales/Redemptions	-3,000.0
Gains/Losses on disposal	+1,445.0
Fair value changes	-
Reversal of reserve to income statement	-683.0
Impairment	-
Balance at 31/12/2015	**-**
Stake held	**10.000**

Closed-end securities investment fund MC²–Impresa

This is a private equity fund established under an initiative by Mediocredito that concentrates 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 31.12.15 by SGR) amounted to €54,552.202, generating a positive change in the net equity reserve of €28.1 thousand.

Investments in UCITS	
Balance at 31/12/2014	**4,336.1**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+28.1
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**4,364.2**

Closed-end 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 2015, Mediocredito paid the II, III and IV call relating to the 60 shares subscribed in 2014 for an amount of €1.023m. The unit value - valued at 31.12.2015 by the asset management company - amounted to €20,945.593, generating a negative change in the equity reserve of €69.8 thousand.

Investments in UCITS	
Balance at 31/12/2014	**304.5**
Purchases	+1,022.6
Sales/Redemptions	-0.5
Gains/Losses on disposal	-
Fair value changes	-69.8
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**1,256.8**

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 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 31/12/2014	**115.0**
Purchases	+0.5
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal of reserve to income statement	-
Impairment	-
Balance at 31/12/2015	**115.5**
Stake held	**5.000%**

Closed-end real estate investment fund "Clesio"

Following the inclusion of the "former Michelin" area owned by Iniziative Urbane S.p.A. in the closed-end real estate investment fund "Clesio", Mediocredito has been attributed 14 shares with a value of €764 thousand. The company Castello SGRpa assigned the value of €31,218.109 to each share on 31 December 2015 compared to €41,523.718 on 31 December 2014.
The reduction in value generated impairment of €144 thousand, in addition to a haircut of €62 thousand, to take account of the contingent fund liquidity conditions.
The Fund is in the process of placing a prestigious building complex in the city of Trento on the market.

Investments in UCITS	
Balance at 31/12/2014	**581.3**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Reversal of reserve to income statement	-
Impairment	-206.3
Balance at 31/12/2015	**375.0**

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 Banking Investments	Trevefin S.p.A. Tarzo Other investments
Balance at 31/12/2014	**50.2**	**3.4**	**-**	**108.8**
Purchases	-	-	+12.7	-
Sales/Redemptions	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	+37.9	-	-
Reversal of reserve to income statement	-	-	-	-
Impairment	-	-	-12.7	-
Balance at 31/12/2015	**50.2**	**41.3**	**-**	**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 31/12/2014	**25.4**	**23.3**	**-**	**-**
Purchases	-	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal of reserve to income statement	-	-	-	-
Impairment	-	-	-	-
Balance at 31/12/2015	**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 SIIQ SpA - Milan Other investments	Fondo immobiliare Leopardi - Milan Investments in UCITS
Balance at 31/12/2014	**0.6**	**5.1**	**56.3**	**89.2**
Purchases	-	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses on disposal	-	-	-	-
Fair value changes	-	-	-	-
Reversal of reserve to income statement	-	-	-	-
Impairment	-	-	-30.6	-
Balance at 31/12/2015	**0.6**	**5.1**	**25.7**	**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 SIIQ S.p.A. and Fondo Immobiliare Leopardi (linked to Aedes SIIQ S.p.A.) derive from the restructuring of impaired loans.

Other corporate & investment banking activities

In 2015, the ongoing moderate levels of operations, the decline in investments and in extraordinary transactions and the stabilisation of the renewable energy sector only allowed the commission contribution to remain essentially stable.

	2015	2014	Chg. %
Syndications, project & energy	617.0	625.9	-1.4
M&A – Advisory	-	25.0	-100.0
Total	**617.0**	**650.9**	**-5.2**

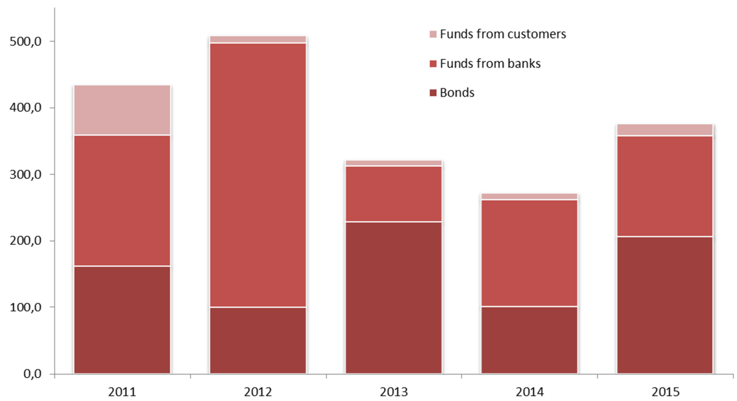
BORROWING OPERATIONS AND TREASURY MANAGEMENT

Borrowing flows for 2015 were essentially represented by bond issues (€206.0m), predominantly as part of the EMTN programme, and by medium/long-term loans for €133.4m (of which €77.4m as part of the Targeted Long Term Refinancing Operation - TLTRO - launched by the European Central Bank, €30.0m from co-operative system banks and €26.0m from Cassa Depositi e Prestiti).

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2015	%	2014	%	Chg. %
BONDS	**206,000**	**54.7**	**100,800**	**37.1**	**+104.4**
- straight bonds	*206,000*	*54,7*	*100,800*	*37.1*	*+104.4*
- special bonds	-	-	-	-	-
FUNDS FROM BANKS AND CDP	**152,428**	**40.5**	**160,984**	**59.2**	**-5.3**
- EIB funds	*14,000*	*3.7*	*21,000*	*7.7*	-
- other medium/long term bonds	*133,428*	*35.5*	*139,984*	*51.5*	*-4.7*
- debit deposit	*5,000*	*1.3*	-	-	-
FUNDS FROM CUSTOMERS	**17,855**	**4.7**	**10,233**	**3.8**	***+74.7***
- funds from third parties	*11,262*	*3.0*	*5,636*	*2.1*	*+99.8*
- other funds from customers	*6,593*	*1.8*	*4,587*	*1.7*	*+43.7*
TOTAL	**376,283**	**100.0**	**272,007**	**100.0**	**+38.3**

Trend in fund flows (thousands of Euro)



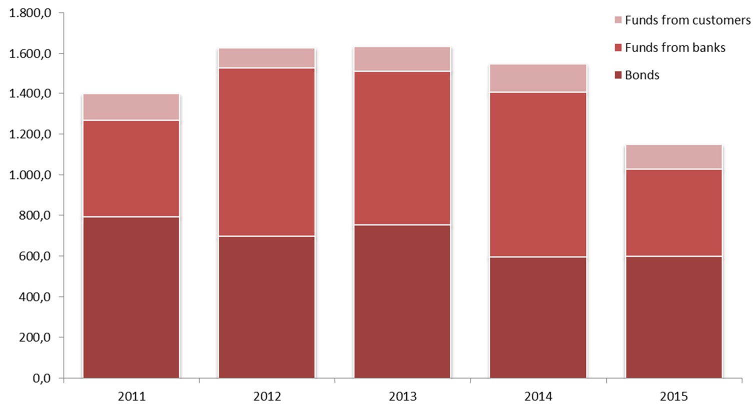
In terms of overall amounts, bond issues were confirmed at close to €600m, as a net effect of the new issues described above and the repayments of matured bonds.
Borrowing fell by €380.0m, as regards the medium/long term component, primarily as an effect of the €250.0m repayment of a tranche of the ECB loan (LTRO).
Funds from third parties remained essentially stable settling at around €60m, while funds from ordinary customers, mainly consisting of short-term deposits, decreased from €85m to €60m.
The overall amount of funding registered a decrease of 25.7%, equal to €398.3m.

Overall amounts of borrowing operations (in thousands of Euros)

TYPE	OVERALL AMOUNTS				
	Dec 15	%	Dec 14	%	Chg. %
BONDS	**600,071**	**52.2**	**594,827**	**38.4**	**+0.9**
- ordinary bonds	*599,987*	*52.2*	*594,690*	*38.4*	*+0.9*
- special bonds	*84*	*-*	*137*	*-*	*-38.7*
FUNDS FROM BANKS AND CDP	**429,684**	**37.4**	**810,027**	**52.3**	**-47.0**
- EIB funds	*113,663*	*9.9*	*113,110*	*7.3*	*+0.5*
- other medium/long term bonds [1]	*268,093*	*23.3*	*547,621*	*35.4*	*-51.0*
- current accounts and debit deposit	*47,928*	*4.2*	*149,296*	*9.6*	*-67.9*
FUNDS FROM CUSTOMERS	**119,399**	**10.4**	**142,556**	**9.2**	**-16.2**
- funds from third parties	*59,029*	*5.1*	*57,093*	*3.7*	+3.4
- other funds from customers	*60,370*	*5.3*	*85,463*	*5.5*	-29.4
TOTAL	**1,149,154**	**100.0**	**1,547,410**	**100.0**	**-25.7**

1 of which €37m in 2015 and €43m in 2014 from Cassa Depositi e Prestiti and €145m in 2015 and €317m in 2014 from ECB.

Evolution of overall amounts of funds (thousands of Euro)

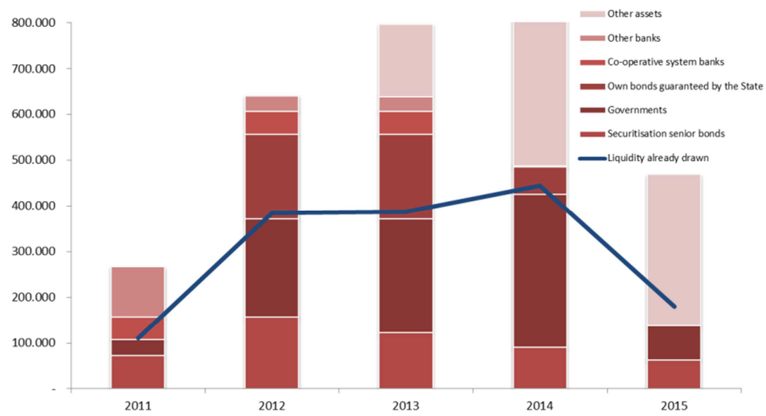


The reserves of liquid assets decreased considerably due to the early redemption of the last tranche of own bonds guaranteed by the State and the sale of a portion of Government securities. The liquid assets available to the ECB as at 31 December 2015 amount to approximately €95m. Thanks also to the contribution by collateralised banking assets (approximately €146m), the reserves of liquid assets are adequate to cover liquidity risk, also in a stress scenario.

Breakdown of eligible securities (thousands of Euro)

Issuer	Eligible	Potential liquidity
Governments	75,000	76,186
Securitisation senior bonds	62,994	52,749
Total bonds	**137,994**	**128,935**
Other collateralised assets	330,351	145,756
Total bonds and other assets	**468,345**	**274,691**
Liquidity already drawn		179,656
Residual available liquidity		**95,035**

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



SECURITIES PORTFOLIO

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

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

Issuer	Dec 2013		Dec 2014	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Governments	75,000	76,575	345,500	356,536
Other banks	900	936	2,900	3,012
Total	**75,900**	**77,510**	**348,400**	**359,548**

The bonds issued by banks have an average life of 2.3 years while government securities (Italian State bonds for €75m) have an average life of 1.9 years.

Chart: allocation of AFS debt securities by maturity date

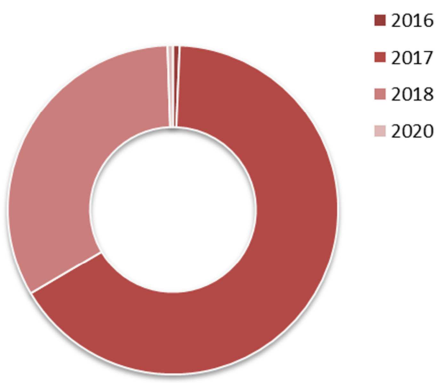
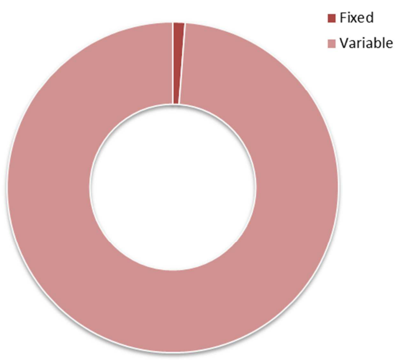


Chart: allocation of AFS debt securities by interest rate type



HEDGING TRANSACTIONS AND DERIVATIVES

Interest Rate Swap

The Bank 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. Both transactions were concluded in 2015.

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.
Two contracts were signed with customers in 2015 amounting to a notional €2.1m (4 in 2014 amounting to a nominal €14.0m) with related symmetrical hedge.

The table below compares overall nominal amounts at 31 December 2015 with the previous business period.

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

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2015	2014	Dec 15	Dec 14
- held for trading purposes	-	-	-	*381*
- as coverage of bond funding	-	-	-	-
- cash flow	-	-	-	-
- linked with FVO	-	-	-	-
- as coverage of interbank funding	-	-	-	-
- cash flow	-	-	-	-
TOTAL	**-**	**-**	**-**	**381**

Financial derivatives – cap options (in thousands of Euros)

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2015	2014	Dec 15	Dec 14
- sales (customers)	*2,144*	*14,034*	*31,741*	*31,473*
- purchases (banks)	*2,144*	*14,034*	*31,741*	*31,473*
TOTAL	**4,288**	**28,068**	**63,481**	**62,946**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant, equipment and intangible assets are functional investments that amount to €10.2m, mainly buildings (headquarters in Trento and Bolzano and the Treviso branch).
"Vehicles" was affected by the partial renewal of the company cars fleet, while "IT equipment" was affected by investments in preparation for the fibre optic connection. All the items show a reduction due to the depreciation for the year.

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

	Dec 2015	%	Dec 2014	%	Chg. %
Functional assets	**10,154**	**98.9**	**10,762**	**98.9**	**-5.6**
- *Land and buildings*	8,564	83.4	8,901	81.8	-3.8
- *Furnishing*	626	6.1	755	6.9	-17.1
- *IT equipment*	120	1.2	132	1.2	-9.1
- *Other equipment*	665	6.5	757	7.0	-12.2
- *Vehicles*	64	0.6	43	0.4	+48.8
- *Software*	115	1.1	174	1.6	-33.9
Investment land	**116**	**1.1**	**116**	**1.1**	**0.0**
Total	**10,270**	**100.0**	**10,878**	**100.0**	**-5.6**

During 2015, the Bank 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 2015, 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 relations with its customers.

OPERATIONAL STRUCTURE

As at 31 December 2015, no changes in personnel were recorded compared to 31 December 2014. There were 85 employees, 4 of whom on temporary contracts: 64 contracts are full-time and 21 part-time.

Position and movement of employees

	Situation 31.12.2014	Resignation	Recruitments	Change of positions	Situation 31.12.2015
Managerial staff	3	-	-	-	3
3rd and 4th level Managerial staff	20	-	-	-	20
1st and 2nd level Managerial staff	19	-	-	-	19
3rd professional area	36	-1	-	-	35
2nd professional area	7	-3	+4	-	8
Total	**85**	**-4**	**+4**	**-**	**85**

Breakdown by area[22]

Breakdown by age

	Men	Women	Total
< 30 years	3	2	5
> 30 years < 45 years	16	11	27
> 45 years	33	20	53
Total	**52**	**33**	**85**

Breakdown by length of service

	Men	Women	Total
< 5 years	7	1	8
> 10 years < 20 years	7	7	14
> 10 years < 20 years	22	12	34
> 20 years	16	13	29
Total	**52**	**33**	**85**

22 The item "Other staff" includes employees belonging to professional areas and 1st and 2nd level managerial staff.

A total of 2,508 hours were dedicated to staff training; the following table shows a breakdown of "classroom days", at the Bank's premises and external courses:

Area / Services	Specific training outside the Bank' s premises		Relational training at the Bank's premises		Technical training at the Bank's premises	
	Classroom days	No. of attendees	Classroom days	No. of attendees	Classroom days	No. of attendees
General management	-	-	-	-	-	-
Business area	22.00	12	-	-	252.70	43
Legal area	8.40	4	-	-	5.00	10
Technical admin. area	8.80	7	-	-	12.60	21
Management support staff	5.20	4	-	-	4.60	5
Company control functions	14.00	3	-	-	12.00	5
Total	**58.40**	**30**	**-**	**-**	**286.90**	**84**

The Administrative Board carried out their activities through 12 meetings of the Board of Directors, 6 Executive Committee meetings, 8 meetings of the Board of Statutory 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	31.12.2015	31.12.2014	Change	Chg. %
CASH AND CASH EQUIVALENTS	3	6	-4	-57.0
FINANCIAL ASSETS HELD FOR TRADING	478	696	-218	-31.4
FINANCIAL ASSETS AVAILABLE FOR SALE	90,733	374,260	-283,527	-75.8
LOANS AND ADVANCES TO BANKS	61,484	147,933	-86,450	-58.4
LOANS AND ADVANCES TO CUSTOMERS	1,162,021	1,202,604	-40,583	-3.4
EQUITY INVESTMENTS	207	123	+84	+68.8
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	10,271	10,878	-607	-5.6
TAX ASSETS	16,871	12,909	+3,963	+30.7
OTHER ASSETS	1,815	1,567	+248	+15.8
TOTAL ASSETS	**1,343,883**	**1,750,977**	**-407,094**	**-23.2**

Equity and liabilities	31,12,2015	31,12,2014	Change	Chg. %
DUE TO BANKS	392,317	766,585	-374,269	-48.8
DUE TO CUSTOMERS	156,767	185,998	-29,231	-14.7
DEBT SECURITIES IN ISSUE	600,071	594,827	+5,244	+0.9
FINANCIAL LIABILITIES HELD FOR TRADING	463	709	-246	-34.7
TAX LIABILITIES	6,571	6,711	-141	-2.1
OTHER LIABILITIES	6,408	5,982	+426	+7.1
VALUATION RESERVES	4,961	5,740	-779	-13.6
CAPITAL AND RESERVES	183,117	183,038	+79	+0.0
NET INCOME FOR THE PERIOD	(6,792)	1,386	-8,178	-590.0
TOTAL EQUITY AND LIABILITIES	**1,343,883**	**1,750,977**	**-407,094**	**-23.2**

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

RECLASSIFIED ABRIDGED INCOME STATEMENT[23]

(in thousands Euro)

Items	2015	2014	Change	Chg. %
NET INTEREST INCOME	**14,123**	**18,719**	**-4,596**	**-24.6**
Net fee and commission income	1,481	1,134	+347	+30.6
Dividends	230	228	+1	+0.7
Income from trading	4,131	7,513	-3,382	-45.0
NET INTEREST AND OTHER BANKING INCOME	**19,965**	**27,593**	**-7,628**	**-27.6**
OPERATING COSTS	(12,740)	(10,079)	-2,662	+26.4
GROSS OPERATING INCOME	**7,225**	**17,515**	**-10,290**	**-58.8**
NET IMPAIRMENT ADJUSTMENTS	(17,406)	(14,881)	-2,525	+17.0
PROFIT (LOSS) BEFORE INCOME TAXES	**(10,182)**	**2,634**	**-12,816**	**-486.6**
INCOME TAXES	3,390	(1,248)	+4,638	-371.7
NET INCOME FOR THE PERIOD	**(6,792)**	**1,386**	**-8,178**	**-590.0**

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

COMPOSITION OF INTERIM RESULTS WITH RESPECT TO NET INTEREST AND OTHER BANKING INCOME

(data in %)	2015	2014
Net interest income / Net interest and other banking income	70.7	67.8
Gross operating income / Net interest and other banking income	36.2	63.5
Profit (loss) before income taxes / Net interest and other banking income	-	9.5
Net income for the period / Net interest and other banking income	-	5.0

23 The half-yearly results of the reclassified income statement are presented here to highlight the gross operating income by separating the components related to the business from those arising from impairment processes. 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 €137 thousand (2014). 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 (€26 thousand in 2015 and €1,015 thousand in 2014) have been reclassified from "net fee and commission expense" to "net interest income" (interest expense). Gains on the sale of assets for €13 thousand (€4 thousand in losses in 2014) have been reclassified as “operating costs” and net losses on equity investments for €129 thousand (€148 thousand in 2014) under “net impairment adjustments.

INCOME STATEMENT DYNAMICS

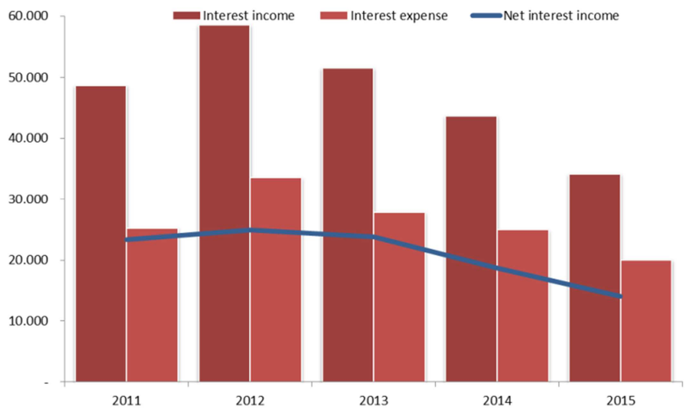
Net interest income

Breakdown of the net interest income (thousands of Euros)

Items	2015	2014	Change	Chg. %
INTEREST INCOME AND SIMILAR REVENUES	34,154	43,651	-9,497	-21.8
INTEREST EXPENSE AND SIMILAR CHARGES	(20,030)	(24,931)	+4,901	-19.7
NET INTEREST INCOME	**14,123**	**18,719**	**-4,596**	**-24.6**

The net interest income recorded a negative performance (-€4.6m, -24.6%): the reduction in the margin is attributable to the fall in the net volumes of transactions by around €1.6m and, for roughly €3m, the drop in the net profitability of the interest-bearing portfolio. The decrease of €1.7m in the profitability of the securities portfolio is due to the turnover which, however, generated profit from sales of €2.6m; on the whole, the money management spread (net interest income net of interest on arrears and doubtful loans) therefore fell to 0.94% from the 1.07% recorded by the bank as at 31 December 2014.

Trend in net interest income (thousands of Euro)



Net revenues from services and net interest and other banking income

Net commissions, amounting to €1.481m, rose 30.6% over the performance in the period of comparison. Net of the extraordinary component represented by commissions for the early repayment of mortgages to local public entities (€0.4m), the figure essentially confirms the values of the previous year.

Net revenue from services (thousands of Euro)

Items	2015	2014	Change	Chg. %
FEE AND COMMISSION INCOME	**1,740**	**1,374**	**+365**	**+26.6**
- survey and investigation	567	573	-6	-1.0
- corporate finance	617	626	-9	-1.4
- expense refunds in relation to administrative deeds	76	77	-1	-0.7
- prepayment penalties	457	56	+401	+711.0
- others	22	43	-20	-47.6
FEE AND COMMISSION EXPENSE	**(259)**	**(241)**	**-18**	**+7.5**
- collection of applications	(59)	(84)	+25	-29.8
- others	(200)	(157)	-43	+27.4
NET COMMISSIONS	**1,481**	**1,134**	**+347**	**+30.6**

In 2015, dividends of €230 thousand (€228 thousand in 2014) were collected; securities portfolio management generated a gain of €2.6m (compared to €6.8m in 2014), while the sale of equities generated gains of €1.4m.

The net result from brokerage activities amounts to €38 thousand and is due to the fair value changes and differentials in relation to trading derivative contracts and net income from cap options to ordinary customers.
The above-mentioned results, when added to net fees and commissions, bring net interest and other banking income to €19.965m, down by 27.6% (-€7.6m) with respect to the comparative data of the previous year.

Operating costs

Operating costs totalled €12.740m, up €2.7m compared to the same period in the previous year, and were heavily impacted by the payment to the banking crisis resolution fund of €1.9m, plus a provision of €0.6m for the negative outcome of a legal dispute.
In particular, payroll costs increased by 1.6% (+€97 thousand) compared to 2014, mainly due to the increase in the average number of employees from 78.6 to 80.5 units.
Other administrative expenses also rose (+5.6%), due mainly to the increase in legal expenses for debt recovery (+€89 thousand) and appraisal expenses (+€55 thousand).

Operating costs (thousands of Euros)

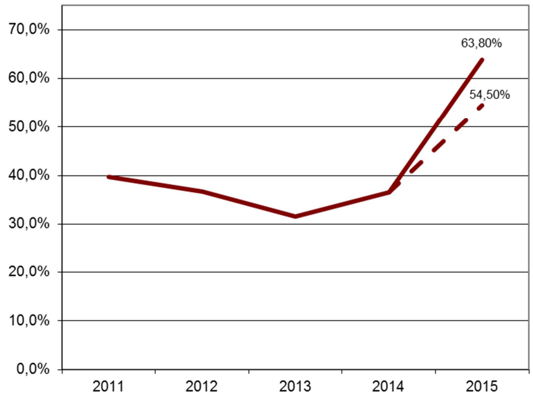
Items	31.12.2015	31.12.2014	Change	Chg. %
ADMINISTRATIVE COSTS:	(11,256)	(9,125)	-2,132	+23.4
a) payroll:	(6,767)	(6,628)	-139	+2.1
- employees costs	*(6,267)*	*(6,170)*	*-97*	*+1.6*
- directors and auditors costs	*(499)*	*(457)*	*-42*	*+9.2*
b) other administrative costs [24]	(2,638)	(2,497)	-141	+5.6
c) contribution to the banking crisis resolution fund [25]	(1,852)	-	-1,852	
NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES	(698)	(131)	-567	+432.6
NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	(738)	(773)	+34	-4.4
OTHER OPERATING CHARGES/INCOME	(48)	(50)	+2	-4.1
OPERATING COSTS	**(12,740)**	**(10,079)**	**-2,662**	**+26.4**

Net provisions for risks and charges cover any risk related to legal disputes underway.
Amortisation and depreciation for the period totalled €738 thousand, down by €34 thousand compared to December 2014. Taking into consideration other net expenses of €48 thousand, operating costs recorded an increase of €2.7m, bringing the cost to income ratio to 63.8%, compared to 36.5% in 2014; net of the extraordinary component represented by the contribution to the banking crisis resolution fund, the ratio is 54.5%.

24 Recoveries from customers for indirect expenses and taxes incurred by the Bank (+€620 thousand in 2015, +€580 thousand in 2014) were reclassified, as a direct adjustment of the same, from the item "Other operating charges/income" to the item "Administrative costs". Depreciation and amortisation related to leasehold improvements (€0.2 thousand in, €4 thousand in 2014) were reclassified from the item "Other operating charges/income" to the item "Net adjustment to property, plant and equipment and intangible assets", as well as for the item "Gains/losses on disposal of investments" (+€12.5 thousand in 2015, -€3.5 thousand in 2014).

25 The amount relating to the contribution to the banking crisis resolution fund was split off from the item "other administrative costs" for a better understanding of the trend in the same.

Trend in cost to income ratio



Efficiency indices

Items	2015	2014	Change
Operating costs/Net interest and other banking income (%)	63.8	36.5	+27.3
Payroll/Net interest and other banking income (%)	33.9	24.0	+9.9
Average cost per employee (thousands of Euros)	77.9	78.5	-0.6
Net interest and other banking income/average number of employees (thousands of Euros)	248.1	351.0	-102.9
Positive total/average number of employees (thousands of Euros)	16,698	22,271	-5,573

Net of the operating costs shown above the operating income stood at €7.225m, a decrease of €10.290m (-58.8%) compared to the result in the previous year.

Value adjustments

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

(thousands of Euro)

Items	31.12.2015	31.12.2014	Change	Chg. %
NET IMPAIRMENT ADJUSTMENTS ON:	(17,277)	(14,870)	-2,407	+16.2
a) loans and advances	(17,013)	(14,106)	-2,907	+20.6
b) financial assets available for sale	(250)	(761)	+512	-67.2
c) financial assets held to maturity	-	-	-	-
d) other financial transactions	(14)	(3)	-12	+455.3
NET GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF	-	137	-137	-100.0
a) loans and advances	-	137	-137	-100.0
NET PROFIT (LOSS) FROM EQUITY INVESTMENTS	(129)	(148)	+19	-12.7
TOTAL NET ADJUSTMENTS ON FINANCIAL ASSETS	**(17,406)**	**(14,881)**	**-2,525**	**+17.0**

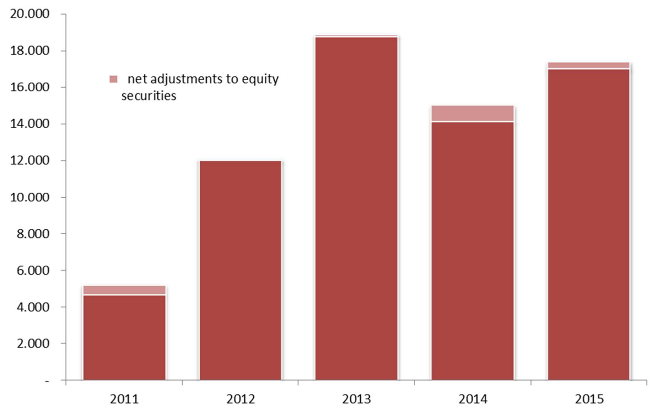
The analytical valuation (for which the valuation of impaired loans was carried out by discounting the anticipated recovery inflows) produced value adjustments of €24.5m and write-backs of €6.6m.
The percentages applied to the write-down of portfolios resulted from a specific calculation procedure: this led to net recoveries totalling €1.0m.
During the year, collections on doubtful loans were recorded, classified as loss-generating in previous periods for €17 thousand, while losses booked directly to the income statement came to approximately €131 thousand. A value adjustment of €12 thousand was recorded in relation to guarantees provided, while around €2 thousand was allocated to the interbank deposit protection fund for initiatives already resolved (item 130.d).

The impairment test on equities available for sale led to the recognition of losses considered permanent of €250 thousand, due to the write-down of the Closed-end real estate fund Clesio for €206 thousand, of the investee company Aedes SIIQ Spa for €31 thousand and of the investee Trentino Volley €13 thousand, while the valuation of equity investments with the equity method generated net losses of €129 thousand: €126 thousand relating to the subsidiary Paradisidue and €4 thousand relating to the associate Biorendena.
The total net value adjustments on financial assets reached €17.4m, compared to €14.9m in the previous year (+17.0%).

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

		2015			2014		
		Adjust.	**Write-backs**	**Net effect**	**Adjust.**	**Write-backs**	**Net effect**
a)	**LOANS AND ADVANCES**	**24,581**	**7,567**	**(17,013)**	**24,380**	**10,274**	**(14,106)**
	- analytical valuation	24,450	,.567	(17,883)	24,290	5,479	(18,811)
	- portfolio valuation	-	984	984	-	4,473	4,473
	- loan losses	131	-	(131)	72	-	(72)
	- «country risk» valuation	-	-	-	8	-	(8)
	- initial FV of loans granted at an interest rate lower than the market rate	0	-	(0)	10	-	(10)
	- collection from transactions concluded in prior periods	-	17	17	-	322	322
b)	**ASSETS AVAILABLE FOR SALE**	**250**	**-**	**(250)**	**761**	**-**	**(761)**
	- valuation of equity securities	250	-	(250)	761	-	(761)
c)	**ASSETS HELD TO MATURITY**	**-**	**-**	**-**	**-**	**-**	**-**
d)	**OTHER TRANSACTIONS**	**14**	**-**	**(14)**	**3**	**-**	**(3)**
	- valuation of endorsement loans	12	-	(12)	2	-	(2)
	- allocations for initiatives resolved FITD	2	-	(2)	1	-	(1)
e)	**NET GAINS (LOSSES) ON DISPOSAL OF:**	**-**	**-**	**-**	**-**	**137**	**137**
	- loans	-	-	-	-	137	137
f)	**NET PROFIT (LOSS) FROM EQUITY INVESTMENTS**	**129**	**-**	**(129)**	**148**	**-**	**(148)**
	TOTALS	**24,974**	**7,567**	**(17,406)**	**25,292**	**10,411**	**(14,881)**

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

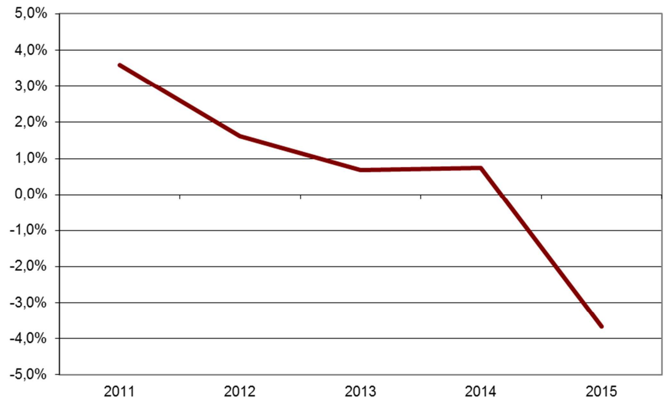


Profit (loss) for the year

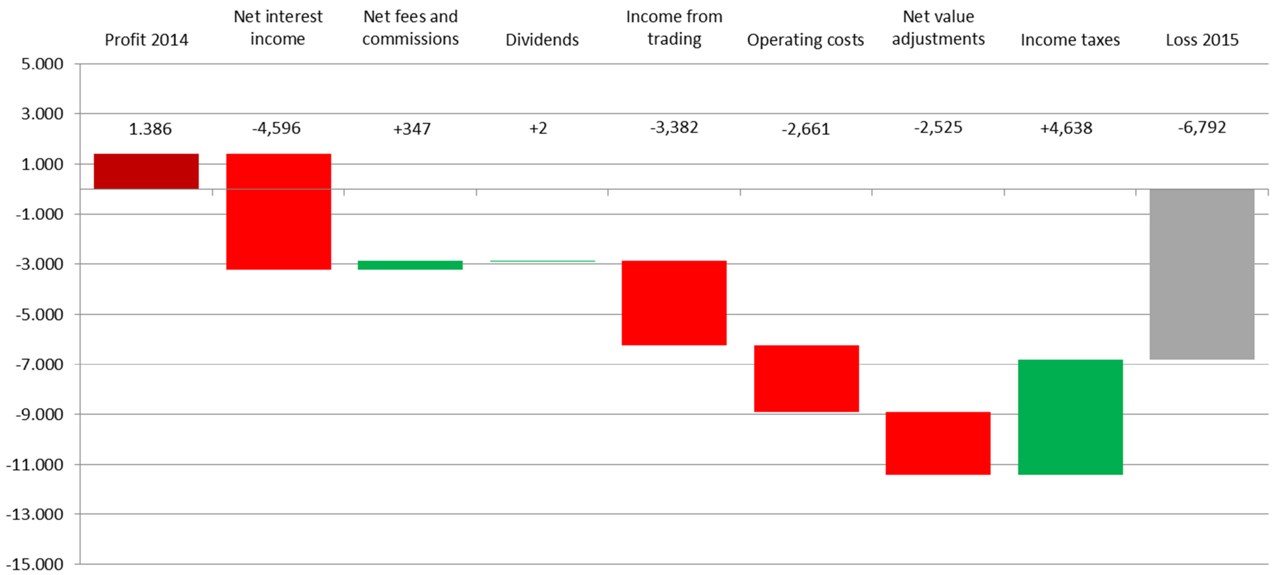
The loss on current operations before taxes was €10.182m.
The net loss for the period was €6.792m, after the calculation of income taxes of -€3.390m; the latter also includes deferred tax assets on the tax loss for the year of €1.543m, recorded given that the tax profit of the years 2016-2020 is expected to allow said credit to be recovered[26].

26 To support the recognition of deferred tax assets on the tax loss, the Bank estimated, based on the sustainable assumptions, the gross statutory and tax profit for the years 2016-2020, hence verifying, with reasonable certainty, the presence of taxable income able to allow their re-absorption (so-called "*Probability test*")

Trend for ROE



Comparison of net profit 2015 and 2014



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Reserves increased by €79 thousand due to attribution of the net profit for 2014, while valuation reserves decreased by €779 thousand due to the adjustment of the 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 €181.3m, down by €8.9m.

(in thousands Euro)

	Items	Dec 2015	Dec 2014	Change
130.	Valuation reserves	4,961	5,740	-779
160.	Reserves	94,791	94,712	+79
170.	Additional paid-in capital	29,841	29,841	-
180.	Share capital	58,485	58,485	-
200.	Income for the period	(6,792)	1,386	-8,178
	Total equity	**181,286**	**190,164**	**-8,878**

Following the Shareholders' Meeting of 20 April 2015, dividends for 2014 were paid out for a total of €1,237,174.40, equal to €0.011 on each of the 112,470,400 shares that make up the share capital of Mediocredito Trentino – Alto Adige S.p.A.. The dividends were paid with value date of from 15 June 2015.

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.
With the acknowledgement in Italy of Directive 2013/36/EU (CRD) and in compliance with the provisions of the EBA with the Guidelines on common SREP, the Bank of Italy – in conclusion of the periodic process of prudential review (SREP) – revised the bank's capital ratios, requesting additional capital with respect to the minimum regulatory requirements. In particular, starting from, 31.12.2015, the bank is required to constantly meet the following capital requirements:

- CET1 ratio of 7%, including capital conservation buffer of 2.5%. This ratio is binding at 6.9% (minimum of 4.5% and 2.4% of additional SREP requirements);
- Tier 1 ratio of 9.2%, including capital conservation buffer of 2.5%. This ratio is binding at 9.2% (minimum of 6.0% and 3.2% of additional SREP requirements);
- Total Capital ratio of 12.3%, including capital conservation buffer of 2.5%. This ratio is binding at 12.3% (minimum of 8.0% and 4.3% of additional SREP requirements).

(in thousands Euro)

Items	Dec 2015	Dec 2014
Common Equity Tier 1 – CET1	180,420	186,794
Additional Tier 1 (AT1)	-	-
Total Tier 1 capital	**180,420**	**186,794**
Tier 2 capital (T2)	267	601
Own funds	**180,686**	**187,396**
CET1 ratio	17.84	16.34
T1 ratio	17.84	16.34
Total capital ratio	17.86	16.40

Own funds amounted to €180.7m; net of the minimum regulatory requirements, their residual value was as follows:

- €110.6m with respect to the 6.9% threshold set for CET1, reduced to €109.6m to take into account of the additional conservation buffer;
- €87.4m with respect to the 9.2% threshold set for total tier 1 capital and
- €56.3m 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.

Trend in own funds

	2015	2014
Opening tier 1 capital	**186,794**	**186,824**
Share capital increase (+)	-	-
Share capital reduction (-)	-	-
Non-distributed income (+)	(6,792)	+79
Change in Bank's creditworthiness (-)	(15)	-
Change in overall profitability:	(591)	(577)
Assets available for sale	(614)	(443)
Defined benefit plans	23	(134)
Other	-	-
Changes in goodwill and other intangible assets	+58	+25
Changes in the impact of the transitory regime	+5,045	+443
Losses in the current year	+4,075	-
Unrealised losses measured at fair value	-	-
Unrealised gains measured at fair value	+970	+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 1 January 2014	-	-
Variation in surplus elements to be deducted from additional tier 1 capital with respect to additional tier 1 capital	(4,075)	-
Other changes	(5)	+0
Changes in additional tier 1 capital (AT1)	-	-
Losses in the current year	(4,075)	-
Variation in surplus elements to be deducted from additional tier 1 capital with respect to additional tier 1 capital	+4,075	-
Closing tier 1 capital	**180,420**	**186,794**

Opening tier 2 capital	**601**	**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 transitory regime:	(335)	(177)
Filters and deductions provided for by national regulations in accordance with Basel II (so-called prudential filters)	(335)	(177)
Depreciation changes	-	-
Other changes	-	-
Closing tier 2 capital	**267**	**601**
Own funds	**180,686**	**187,396**

Rating

The ratings given to the Bank as at 31 December 2015 were as follows:

Moody's Investor Service

Outlook	Stable
Bank Deposits	Baa3 / P-3
Bank Financial Strength	D-
Senior Unsecured – Dom Curr (Issuer Rating)	Ba1

In the first half of 2015, rating agencies updated their methodologies to rate the banks, reducing or removing the component related to the support from public shareholders, in light of the introduction to the EU of the "Bank Recovery and Resolution Directive" (BRRD). This involved, for Mediocredito, a revision to BB- (outlook Stable) by Fitch (subsequently withdrawn) and a revision to Ba1, but with outlook Stable, by Moody's.

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

Given its size and business model, the Bank operates in a moderate risk context, In spite of this, 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 2015, 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 2015, Internal Auditing Service activities were also focused on controlling the correct functioning of I and II 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 end, a new IT tool has been adopted, which includes specific functionalities dedicated to the control system and, in 2015, a general review of 1st level controls was conducted, which will gradually be replicated on the CSD/SIC IT platform.

The Internal Auditing Service reports twice a year on the outcome of all these activities to the Board of Directors, the Board of Statutory 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 work method adopted was based on a "risk-based" approach – giving priority and structuring compliance activities 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, in various capacities, contribute to the management of non-compliance risk.
In 2015 – in addition to the traditional activities of controlling the risk of non-compliance and verification and updating of the internal control system - the compliance function concentrated on:

- adjustment of the provisions contained in Bank of Italy Circular no. 285 of 17 December 2013, regarding corporate governance, process of self-assessment of company bodies, remuneration and incentive policies and procedures and violation reporting systems;
- updating of the Bank's regulatory and operational structure in line with the new provisions governing "Transparency of operations and banking and financial services. Regularity of the relationships between intermediaries and customers";
- acknowledgement (in regulatory and operational terms) of the provisions governing the tax identification of holders of financial accounts Law no. 95/2015 (Directive no. 2014/107/EU, Common Reporting Standard OECD);
- adjustment of the "Anti-money Laundering" operating process to the reference regulatory context, with particular reference to risk profiling, constant control and reinforced due diligence obligations.

RISK MANAGEMENT ACTIVITY

The management and monitoring of the overall risks for the Bank is entrusted to the "Risk Management" function which, in the 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, in particular, is part of the Credit Risk Management Committee and the ALCO Committee for financial risks, and the Control Committee.
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 identify, assess and monitor the overall risk of the Bank through the integrated coordination of the various risk profiles (credit, financial, etc.), by offering support to the Board of Directors and the General Management in defining the decisions regarding the risk appetite and tolerance, the policies for the assumption, governance and significant risks for the Bank, in application of the regulatory framework set forth by the Supervisory Authorities.

In 2015, the main areas of intervention of the "Risk Management" function concerned:

- activities in terms of contribution to the definition and implementation of the Risk Appetite Framework (RAF) e Statement (RAS), and the associated risk governance policies and monitoring and control of these risks and subsequent management reporting;
- risk measurement, assessment and control system correlated to the obligations and compliance with the Internal Capital Adequacy Assessment Process (ICAAP), monitoring and management reporting;
- for credit risk, activities relating to the performance monitoring of credit exposures, revisions of the phases of the internal process following amendments introduced by the updates to supervisory provisions that acknowledge the ITS EBAs of January 2015 regarding non-performing loans, the opinion provided in relation to the internal scoring/rating system;

- Risk Management controls in accordance with the internal rules on the Basel 2 Policy – Credit Risk Mitigation;
- monitoring the risks on public investment services.

COMPLIANCE WITH REGULATIONS

Database of Relations (Presidential Decree 605/1973)

Internal Regulations call for the monitoring of regulatory risk related to the Database of Relations (Presidential Decree no. 605/1973) and, to this end, the Bank has adequate tools for the extraction of the monthly data, control and transmission of the same to the Italian Revenue Agency within the time limits provided in accordance with current legislation.
The submission to the Italian Revenue Agency of the reports as at 31.12.13 and 31.12.2014 was carried out on 24.02.15 and 24.06.2015 respectively, as prescribed in the regulations.

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

In 2015, the Bank's Board of Statutory Auditors – as Supervisory Body pursuant to Legislative Decree 231/2001 – resolved to update the organisational model, in order to adjust it into line with the changes that concerned the reference regulatory context, with particular reference to themes of anti-money laundering, corporate and financial crime, false financial statements, judicial investigations and criminal and administrative liability and terrorism. The Model assessment and review activities were completed in the first few months of 2016.

Tax identification of holders of financial accounts (CRS – Law 95/2015 – Directive 2014/107/EU)

Following the example of the initiative adopted by the USA by means of the FATCA regulation, the OECD and the European Union moved to adopt measures to ensure the "transparency" of banking and financial data and allow the individual member states to have knowledge of the financial data held by its citizens abroad.
On 28 December, the implementing decree of the general provisions contained in Law 18 June 2015 was published, regarding the acknowledgement in Italy of Directive 2014/107/EU, concerning the automatic mandatory exchange of information in the tax sector and the Common Reporting Standard – CRS regulation.
The bank acknowledges this regulation, which envisages that the related obligations take effect on 1 January 2016, by integrating the internal processes already prepared for the FATCA regulation.

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

In the first few months of 2015, the process of adjustment to the 15th update of the Circular was completed, i.e. regarding company information systems (Chapter 8 – The information system)[27].
In order to comply with the provisions of this chapter, and incorporate the new provisions into the Bank's internal regulations (and the preparation of the relevant documentation), the organisational approach of the company information systems was also reviewed. These changes were primarily structured into the document known as "Policy for information technology". This policy contains the strategic guidelines, the IT risk analysis methodology, the principles of IT security, the organisational chart of the ICT function, the data governance standards and the procedures for managing change and incidents.
Lastly, it should be noted that the policy, in accordance with the strategic guidelines and the information and

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27 This chapter, together with former chapter 7 – Control system and Chapter 9 – Business continuity of Circular no. 263, by means of measure dated 21 July 2015, were merged into Circular no. 285 (11th update).

automation requirements of the business lines, makes provision for the definition of an annual operating plan of the IT initiatives, which sets out the contents of the strategic plan in clear and practical actions. The operating plan is approved by the Board of Directors on an annual basis as part of the RAF.

Circular no. 285 of 17 December 2013 – 1st update - First Part, Title IV, Chapter 1 "Corporate Governance"

In order to strengthen the minimum standards of organisation and corporate governance of intermediaries, the first update of the Circular defined a series of rules that provide a clear distinction of the roles and responsibilities, the appropriate balancing of powers, the balanced composition of bodies, effectiveness of controls, monitoring of all company risks and the adequacy of the information flows.
The reasons behind the choice of administration and control model - within the competence of the shareholders' meeting - must be represented as part of a more general corporate governance plan, which outlines the statutory and internal organisational structures, for which the Bank has carried out the following initiatives as part of the "Corporate Governance Project":

- the part dedicated to the Bank’s structure shows the method of operation of the company bodies and structures, the current composition of the bodies and the provisions adopted for the purposes of plurality of offices, the quali-quantitative make-up, the self-assessment and interlocking prohibition.
- a part was dedicated to the "internal control system", including a summary of the main responsibilities attributed to each body/function; in terms of risk governance/management, an entire chapter is dedicated to the management of conflicts of interest, describing, in the case of transactions with related parties, the deliberative processes for the monitoring of potential conflicts;
- chapters were devoted to the remuneration and incentive policies and procedures adopted by the Bank and the information flows to and from corporate bodies. The updated version of the plan is published on the Bank’s website (www.mediocredito.it).

Quali-quantitative composition of company bodies

The Circular establishes that, in qualitative terms, the bodies with strategic supervision and management functions must contain persons who:

- are fully aware of the powers and obligations relating to the functions;
- possess the necessary professional skills suited to the role to be fulfilled;
- possess skills that are propagated to all members and are appropriately diversified;
- dedicate the necessary time and resources in relation to the complexity of their job;
- direct their activities to fulfilling the bank's interests, regardless of the shareholder structure that elected them or the list from which they have been taken.

The Board of Directors identifies its quali-quantitative composition beforehand, pinpointing and explaining the theoretical profile (including therein the characteristics of professionalism or independence, if applicable) of the candidates. Furthermore, it subsequently verifies the consistency between the quali-quantitative composition considered optimal and the actual composition resulting from the appointment process[28].
These activities must be performed as part of an in-depth and formalised review, carried out with the help of independent directors, in an advisory role.
In response to the regulatory developments highlighted above, an internal regulation was drawn up, approved by the Board of Directors, in order to identify the optimal quali-quantitative composition and to identify the profile of the candidates for the office of director (preventive analysis). The methods for evaluating the quali-quantitative composition of the Bank’s Board of Directors were drawn up by taking into consideration not only Mediocredito’s characteristics, but the following elements: personal characteristics, in terms of awareness, professionalism, ability, expertise and availability of time and resources; contribution to

28 The check is performed as part of the process to evaluate the suitability of the representatives, to be carried in accordance with art. 26 TUB (Consolidated Law on Banking); the bank provides details of this in the relevant assessment report.

the mission.
The consistency between the quali-quantitative composition considered optimal and the actual composition resulting from the appointment process must be verified by the Board of Directors through an in-depth and formalised review within 30 days of the appointment.

Self-assessment of the company bodies
As regards company bodies, the important principle on the basis of which bodies with a strategic supervision and management function and the body with the control function carry out a periodic self-assessment process was confirmed. The self-assessment process must be formalised in an internal regulation and be performed at least annually.
The document prepared in this way must be approved by the Board of Directors and sent, if necessary, to the Bank of Italy.
The self-assessment process concerns both:
- the composition: the quali-quantitative composition, the size, the degree of diversity and professional training, the balancing guaranteed by non-executive and independent members, the adequacy of the appointment processes and selection criteria, professional development;
- the functioning: the holding of meetings, the frequency, duration, level and methods of participation, the availability of the time devoted to the role, the relationship of trust, collaboration and interaction between members, the awareness of the role held, the quality of Board discussions.

In response to the regulatory developments highlighted above, the following initiatives were carried out:
- an internal regulation was drafted, approved by the Board of Directors, for the self-assessment of the bodies with strategic supervision and management function;
- a self-assessment of the Board of Directors and of the Executive Committee was conducted, whose outcomes were positive with reference to the balanced composition between executive and non-executive members, the presence of a high number of independent directors, the satisfactory qualitative profile of the Board;
- the Board of Statutory Auditors conducted a self-assessment, as a result of which the control body held the performance of its functions to be adequate, with regards to the role performed by it regarding the monitoring of the observance of the legal, regulatory and statutory provisions – with particular attention to compliance with the regulations governing conflicts of interests (articles 53 and 136 of the Consolidated Law on Banking and art. 6, paragraph 2-bis, of the Consolidated Finance Act) - on the proper administration, the adequacy of the Bank's organisational and accounting structures, as well as on the functionality of the overall internal control system.

Public disclosure
As regards the obligations to publish, on the Bank's website, information concerning the organisational and corporate governance structures adopted, a public disclosure was prepared which shows:
- information on the general features of the organisational and corporate governance structures (governance model adopted, mission, control system, supervisory body in compliance with Legislative Decree 231/2001, etc.);
- the reasons that led to the adoption of the traditional governance model;
- the total number of members of Board bodies in office and the breakdown of these by type of office, independence, age, gender and duration of term in office;
- the number and types of posts held by each company representative in other companies or institutions;
- the number and name of Board committees established their functions and responsibilities.

New internal regulations governing Privacy (Legislative Decree 196/2003)

In consideration of the strong link between banking activity and regulations on the processing of personal data - "Privacy Code" (Legislative Decree 196/2003), in 2015, the Bank updated the internal privacy regulations.

The previous approach of the internal regulation on said subject was focused on the mapping of the operating process, as part of which the individual productive phases were described. Through this initiative carried out in 2015, a "Privacy Policy" was introduced, in which the principles and lines of conduct pursued by the Bank were detailed. In particular, the following were described:

- regulations governing personal data processing which outline the persons involved and the associated roles and processing methods;
- the rules of traceability of banking transactions;
- the control activities performed by the Internal Auditing Service.

New provisions concerning "Transparency of operations and banking and financial services; regularity of the relationships between intermediaries and customers"

By means of Measure dated 15 July 2015, the Bank of Italy updated the provisions regarding "Transparency of operations and banking and financial services. Regularity of the relationships between intermediaries and customers". The new regulatory text does not break with the previous Measure of 29 July 2009, but is instead a natural evolution of the latter. In fact, the measure basically confirms the previous regulatory framework, only modifying a few of its aspects in order to:

- acknowledge the regulatory innovations that have been implemented over recent years;
- simplify the information documents;
- provide clarifications on the regulation.

Also in consideration of the Bank's operations (focused on loans to corporate clients) and the constant adjustments made, the changes introduced by the provisions were not particularly important; however, the Bank took the opportunity to update the overall transparency management system with the following initiatives:

- review of the forms and signs used, with particular reference to the factsheets for current accounts;
- review and integration of the operating process, especially as regards requests for documentation and communication channels.

Basel III (Bank of Italy 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 1 January 2014. The CRR is integrated by Directive no. 2013/36/EU ("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 detail, 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 capital 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 ratios 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[29];
- Net Stable Funding Ratio (NSFR) to verify the balance between stable funding sources and the medium/long term need. Starting from 2018, this ratio will have to be at least 100%.

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 property" portfolio. The related monitoring activity also continued in 2015.

The structure comprises organisational controls - activities aimed at identifying and implementing the process stages, and procedural/operational controls. 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 2015, 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 capital resources are able to cover the unexpected losses deriving from risks for which minimum capital requirements 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;
- the consistency between ICAAP and RAF;
- 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 2015, the Bank has prepared and published the report relating to the third Pillar of the Basel II framework, i.e. public disclosure, as at 31.12.2014.

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 Statutory Auditors – as body with control function - verifies the adequacy of the procedures adopted.

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[29] In 2015, EU Delegated Regulation 2015/61 which establishes the regulations that set out, in the particulars, the requirement for the coverage of liquidity pursuant to art. 412, paragraph 1, of EU Regulation no. 575/2013.

Disclosures relative to own funds and capital absorption are also published in part F of the Notes to the financial statements, 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 the financial statements.
In particular, the information was supplemented in the following parts:

- Section 1 – General disclosure requirement: the main Bank guidelines forming the basis of the informed assumption of risks are reported and the primary indicators for the Risk Appetite Framework are summarised;
- Section 2 – Composition of Own Funds: based on articles 437 and 492 of the CRR, the equity items that contribute to the determination of own funds and the extent to which the common equity tier 1 capital and tier 1 capital levels exceed the minimum requirements for the solvency ratios (Common Equity Tier 1 ratio and Tier 1 Ratio) were illustrated and, in line with the document “Enhancing the Risk Disclosures of Banks”, the table relating to the Trend in Own Funds was updated;
  - Section 12 – Pledged and not pledged assets: based on article 443 of the CRR and the provisions issued by the EBA, the disclosure relating to pledged assets ("Asset encumbrance", indicating the quantity of committed assets recognised on- and off-balance sheet, broken down by asset type;

Also note that the other mandatory relevant information required by art. 432 of the CRR, namely:

- information pursuant to letter c), paragraph 2 of art. 435 of the CRR in relation to the corporate governance provisions contained in the "Report on corporate governance and ownership structures";
- information pursuant to art. 450 of the CRR regarding the implementation of the "General remuneration and incentive policies"

is published on the Bank’s website.

The Bank also constantly monitors the application of the following regulations previously in force:

- Public system for preventing, from an administrative point of view, fraud in the consumer credit sector, with specific reference to identity theft (Legislative Decree no. 141 of 13 August 2010) – A specific agreement is in place with the managing body (CONSAP) for membership of the system in question.
- Usury (Law no. 108 of 7 March 1996)
- Foreign Account Tax Compliance Act (FATCA).
- Legality rating (Ministerial Decree no. 57 of 20 February 2014)
- Measure containing implementing provisions with respect to customer due diligence (art. 7, paragraph 2, of Legislative Decree no. 231 of 21 November 2007).
- Investment services and EMIR Regulation (EU Regulation n. 648/2012).
- Regulation governing transparency of financial information (Legislative Decree no. 195/2007 and articles 154-bis and 154-ter of the Consolidated Finance Act) - the Bank, issue of securities listed on regulated European markets, maintained Italy as a member State of origin.
- Risk assets and conflicts of interest in respect of related parties (Bank of Italy Circular no. 263/2006, 9th update) the OPC Committee, appropriately established to express the relevant preventive opinions, expressed 3 non-negative opinions.
- Safety regulation (Legislative Decree no. 81/2008) – in 2015, a new assignment was conferred relating to the PPSM and the "employer" function was outsourced in accordance with art. 16 of Legislative Decree no. 81/2008.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

(Legislative Decree 58/1998, Article 123-bis and "Supervisory Provisions Concerning Banks' Organisation and Corporate Governance" issued by the Bank of Italy on 4 March 2008)

Article 123-bis of the Consolidated Finance Act 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 ownership 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. falls within the bounds of paragraph 5 and, therefore, provides, in line with the Bank's size and operational and organisational characteristics, the information required as per paragraph 2, letter b), regarding the main characteristics of the risk management and internal control systems in relation to the financial disclosure process. We want to stress that the Bank has a specific process in place for corporate governance whose review has implemented the new regulations introduced by the Bank of Italy Circular 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 this "project" are established the rights of the shareholders, the proprietary structure, the statutory and internal regulations pertaining to the Board of Directors and the Board of Statutory 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 Governance Plan": information on the ownership structures.

INFORMATION ON OWNERSHIP STRUCTURES Pursuant to Article 123 bis of the Consolidated Finance Act		
1.	Share capital structure	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 the financial reporting process (paragraph 2, letter b of Article 123-bis of Legislative Decree 58/1998)

With respect to the provisions of paragraph 2, letter b) of Article 123-bis of legislative Decree 58/1998 (Consolidated Finance Act), in which the Bank is required to document information regarding the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process, the following is detailed.
The risk management and internal control 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 the respective tasks, powers and means, is governed by the internal regulations of the Bank which has inserted this body in the wider system of internal controls in which other units of control and management operate in synergy, such as the Board of Statutory Auditors, the Internal Audit department, 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 functions (within which a significant portion of qualified and professionally trained personnel operates) and the presence of regulations and operating procedures provide an adequate safeguard for reaching the objectives of reliability and compliance of the financial disclosures.
In particular, the system in question is affected by a simple organisational Bank structure characterised by limited size and by territorial and economic sector concentration: the organisational structure, in fact, makes provision for a substantial concentration of middle and back office activity in the administrative area in which the monitoring and accounting control function operates, 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 Planning and Control function, which operates with the respective systems for checking and viewing information. The monitoring function therefore prepares the appropriate documentation in support of the accounts and accounting entries at the time of preparation of the financial statements and report on operations, verifying that the information deriving from the other areas of the bank (business and legal) are appropriately validated by authorised managers. The same functions routinely carry out control and validation activities on an ongoing basis, mostly on the key processes of disbursement, repayment and credit valuation within the finance department (liquidity, funding and derivatives). The activities of monitoring and control are shared by the manager in charge with the departments of Internal Auditing and Compliance, Risk Management along with the Board of Statutory 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 risk monitoring process. 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) in the Internal Auditing function.
Following the organisational and statutory adjustments 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 design and 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 has adequate resources specialised in the area 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

The national and international macroeconomic scenarios are still characterised by a situation of insufficient growth and deflation: aspects that – combined with levels of growth of emerging economies below expectations, the ongoing political instability of Islamic countries as well as the difficult interpretation of the prices of raw materials, especially oil, do not point to immediate and significant signs of a definitive exit from the crisis, although the economic indicators of the climate and of expectations present values that are positive on a trend basis.
Said large-scale initiatives implemented by the European and non-European monetary authorities (Quantitative Easing) did not manage, at least until now, to definitively ease the economic-financial situation and kick-start the markets on a positive and stable path. However, these initiatives generated a significant decrease in returns on Government bonds and the spreads of the bonds of southern European countries with respect to German bonds.
In this context, also characterised by expectations over structural reforms in our country, Italian banks actually started to find it easier to access the international funding market at lower cost. However, short-term refinancing operations will continue to be widely used with the ECB (which has lengthened their full coverage up to the end of 2017) and so will long-term targeted operations (TLTRO).
Therefore, the complexity of the scenario described will inevitably influence the bank's operations and management trend in 2016 too: persistently weak demand and the natural selectivity of credit led the Bank to establish budget objectives, at least in terms of the disbursement of new finance, based on the essential maintenance of stocks, also in the forecast for the current year.
The Bank's commercial activities will be geared towards developing regional policies to support productive investments and investments in infrastructures. This will be carried out in collaboration with our partners and shareholders Cassa Centrale Banca and Cassa Centrale Raiffeisen that can share with Mediocredito the operations proposed directly to them by the Cooperative Credit Bank system and Raiffeisen and in areas outside the region to further strengthen relations with Cooperative Credit by supplementing the offers of the individual Cooperative Credit Banks regarding business credit and extraordinary finance. However, the trend in impaired loans is expected to slow down, also in light of some sales already planned.
The forecast trend in the income statement will be characterised by a further decline in margins in the presence of the essential stability of net commission income and operating expenses, as well as a hoped-for reduction in the cost of risk that will not make it possible, nonetheless, to achieve satisfactory results in terms of profits.

The financial requirements and subsequent liquidity risk will be contained, also as a result of the implementation of policies to maintain medium-term funding, supported by the Cooperative Credit sector. These transactions will also constitute an important tool for balancing the time structure of liabilities and contain procurement costs.
As part of the treasury management activities and in order to prevent short-term liquidity risk, Mediocredito has also maintained and strengthened a channel for collateralising credit assets eligible for refinancing with the Central Bank.

From an organisational point of view, there are no significant investments planned for 2016, except for the ordinary maintenance of operating assets.

In terms of the regulatory obligations of the Legislator and the Supervisory Authority, the Bank will be involved in:

- supporting the internal capital adequacy assessment process (ICAAP) of the new internal liquidity adequacy assessment process (ILAAP) set forth in the EBA (European Banking Authority) guidelines; it is incorporated in the supervisory review and evaluation process (SREP) performed by the Supervisory

Authority and represents the bank’s self-assessment of liquidity risks and the capacity to cover these risks in terms of processes and adequate resources;

- the start of the new reporting of doubtful exposures for the purposes of constructing an archive that gathers together detailed data on impaired exposures, on the guarantees pledged to secure these transactions and on the status of the recovery procedures in progress; this reporting was introduced to facilitate the computerised availability of detailed data on doubtful positions at intermediaries, also in order to stimulate the growth in Italy of an anomalous item market, whose prerequisite is also the bank’s ability to provide potential buyers with an adequate and reliable information set; it also satisfies a specific requirement as regards the management of monitoring activity, in consideration of the need to encourage intermediaries to improve the management of impaired items and verify their progress;
- acknowledging Anti-money Laundering Directive IV (2015/849/EC) which, with a view to strengthening the anti-money laundering system, aims to reinforce the traceability of cash flows, identify tax crimes as “criminal activity” and bolster the identification and verification of the identity of beneficial owners, in order to mitigate risk;
- acknowledging the European Regulation governing privacy which will be targeted at updating and harmonising the regulation on the protection of personal data in all member States.

From a strategic point of view, shareholders continue to focus attention on a project for the corporate and organisational repositioning of Mediocredito, aimed at fully inserting the Bank in the cooperative credit domain, laying the foundations for new business prospects, with positive repercussions in terms of the Bank's size, operations and profits.
This significant project must, however, be incorporated in the wider plan for the reform of cooperative credit currently in progress, which cannot be ignored and which will lead to incisive development of the system towards new organisational and governance structures.

PROPOSAL FOR COVERAGE OF THE NET LOSS

Dear Shareholders,

The net loss for 215 amounts to €6,792,037.81.
That said, the Board of Directors proposes to carry forward the entire loss and not to distribute, as per the recommendation of the Bank of Italy[30], dividends using the reserves.

The Shareholders' Meeting, as a partial adjustment to the Board of Director's proposal, unanimously approves the proposal of the public shareholders to fully cover the loss by using the statutory reserves, without prejudice to all other matters.

As a result of the above, the company's equity as at 31.12.2015 is as follows:

- share capital	€	58,484,608.00
- additional paid-in capital	€	29,841,458.06
- legal reserve	€	19,093,007.66
- statutory reserve	€	47,314,935.14
- valuation reserve	€	4,961,157.46
- reserve from the reclassification of risk provision	€	18,936,305.62
- reserve from the FTA as per Legislative Decree 38/2005	€	2,273,855.22
- reserve pursuant to IAS 8	€	380,695.00
- non-distributable reserve under article 6, paragraph 2 Legislative Decree 38/2005	€	-
Total	**€**	**181,286,022.16**

The Chairman
(Franco Senesi)

30 Bank of Italy Letter "2015 financial statements. Distribution of dividends and remuneration policies", 17/02/2016

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

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

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

   of the administrative and accounting procedures for the preparation of financial statements during 2015.

2. No significant matters arose in this respect. It should be pointed out, however, that Mediocredito Trentino – Alto Adige S.p.A. is now subject to the obligation pursuant to Article 154-bis of Legislative Decree 58/98 to establish the role of "Manager responsible for preparing the company's financial reports", given that the Bank, in the context of the issues of bonds on the Euromarket (EMTN programme - European Medium Term Notes Programme) has issued bonds that are listed on the Luxembourg stock exchange by choosing Italy as member State of origin.
   The assessment of the administrative and accounting procedure for preparing the financial statements for the year ended on 31 December 2015 has been based on procedures consistent with the reference standards adopted by the Bank for the internal control system.

3. It also hereby certified that:
   3.1. the financial statements:
      a) have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union under EC Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002;
      b) correspond to the results of the books and accounting records;
      c) are suitable to provide a true and fair view 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, 7 March 2016

Il Presidente del Consiglio di Amministrazione	Il Dirigente Preposto alla redazione dei documenti contabili societari
Franco Senesi	Leo Nicolussi Paolaz

INDEPENDENT AUDITORS' REPORT

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RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTICOLI 14 E 16 DEL DLGS 27 GENNAIO 2010, N° 39

Agli Azionisti di
Mediocredito Trentino - Alto Adige SpA

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio della Società Mediocredito Trentino - Alto Adige SpA, costituito dallo stato patrimoniale al 31 dicembre 2015, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data, da una sintesi dei principi contabili significativi e dalla nota integrativa.

Responsabilità degli amministratori per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai Principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'articolo 11, comma 3, del DLgs 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

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 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **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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Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società Mediocredito Trentino - Alto Adige SpA al 31 dicembre 2015, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n° 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'articolo 123-bis, comma 4, del DLgs 58/98, la cui responsabilità compete agli amministratori di Mediocredito Trentino - Alto Adige SpA, con il bilancio d'esercizio di Mediocredito Trentino - Alto Adige SpA al 31 dicembre 2015. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio di Mediocredito Trentino - Alto Adige SpA al 31 dicembre 2015.

Padova, 21 marzo 2016

PricewaterhouseCoopers SpA

Alessandra Mingozzi
(Revisore legale)

2 di 2

BOARD OF STATUTORY AUDITORS’ REPORT

(pursuant to 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 2015 in accordance with Legislative Decree No. 38 of 28 February 2005, adopting the international accounting standards outlined for drafting the individual annual report of listed companies and banks.
The 2015 annual report for your Bank are composed of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the financial statements. They are also accompanied by the report on operations of the Board of Directors.
Finally, the tables and the notes to financial statements were prepared according to instructions issued by the Bank of Italy, as established under Circular No. 262 of 22 December 2005 and subsequent clarifications and updates. The Board of Directors forwarded the annual report to the Board of Statutory Auditors in a timely manner.
The Board of Statutory Auditors states that the Bank, as an entity of public interest, is subject to statutory auditing according to Decree No 39, 27 January 2010, implementing directive 2006/43/EC, and the appointed auditing company is PricewaterhouseCoopers S.p.A. This company has been entrusted with the task of auditing the annual report of the Bank for the nine year period 2010-2018, under a resolution of the Shareholders' Meeting of 26 April 2010.
For comparative purposes, the annual report show the equivalent figures for the financial year 2014.

1. We have conducted our audit of the annual report in accordance with the code of conduct of the Board of Statutory 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, 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 the financial statements. During the financial year 2015 the Board of Directors met twelve times and the Executive Committee six times.
3. The statement of financial situation as at 31 December 2015 can be summarised as follows:

Statement of financial position				
Total assets			Euro	1,343,882,560.53
Payables and provisions	Euro	1,162,596,538.37		
Share capital and reserves	Euro	188,078,059.97	Euro	1,350,674,598.34
Loss for the year			Euro	(6,792,037.81)
Income statement				
Net interest and other banking income			Euro	19,964,975.61
Value adjustments			Euro	(17,277,068.50)
Operating costs			Euro	(12,752,950.70)
Revenues from equity investments, property, plant and equipment and intangible assets			Euro	(116,843.60)
Income taxes			Euro	3,389,849.28
Loss for the year			Euro	(6,792,037.81)

4. During the course of 2015, there were changes to the Bank's equity, changes owing to:
   - the recognition of €78,850.24 to reserves of part of the 2015 profit (undistributable portion);
   - the net recognition of €801,544.47 net with a negative sign related to the valuation of the securities available for sale and of €22,913.57 with a positive sign related to defined benefit plans (severance indemnities);
   - the distribution of profit for a total €1,307,174.40;

- a net loss of €6,792,037.81 was also recorded for the year 2015.

The equity of the Bank as at 31 December 2015 amounted to €181,286,022.16, composed of:

- Share capital – item 180:	Euro	58,484,608.00
- Additional paid-in capital – item 170:	Euro	29,841,458.06
- Reserves – item 160:	Euro	94,790,836.45
- Valuation Reserves – item 130:	Euro	4,961,157.46
- Loss for the year – item 200	Euro	(6,792,037.81)

5. Own Funds entered into the financial statements as at 31 December 2015 were calculated applying the regulations introduced by Directive no. 2013/36/EU related to the prudential supervision of banks (CRD IV - so-called Basel III).

   The result achieved shows how, on the whole, own funds fell by €6,709,447.18 as at 31 December 2015, compared to 31 December 2014, therefore standing at €180,686,478: the solvency ratio stood at 17.86% as at 31.12.2015 compared to 16.40% in 2014. The Board of Statutory Auditors considers this equity adequate in terms of amount and quality, with respect to total risks assumed and suitable for allowing future growth of the Bank.

6. The Board of Statutory Auditors acknowledges the disclosures provided by the Board of Directors in relation to the adoption of the going concern assumption 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 of the values booked to the annual report. More specifically, it has verified that the loan valuation method used is adequate in measuring the Bank's credit risk and that the loan adjustments coherently reflect the current risk. The Board of Statutory 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 financial assets valuation process produced the following results in relation to the income statement:

	Adjust.	Write-backs	Net effect
Loans (analytical adjustments)	(24,580,543.64)	6,583,940.13	(17,996,603.51)
Loans (net collective adjustments)	-	983,559.16	983,559.16
Assets available for sale	(249,665.72)	-	(249,665.72)
Other transactions (endorsement loans)	(14,358.43)	-	(14,358.43)
Total	(24,844,567.79)	7,567,499.29	(17,277,068.50)

7. 7. The Board of Statutory Auditors approved the criteria adopted for determining the amounts of IRES (Corporate income tax) and IRAP (Regional business tax) relating to the year in application of the current tax regulations. The Board of Statutory 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. In particular, deferred tax assets were recognised on the loss for the current year of €1,542,784.45 for which the Board of Directors prepared the recoverability plan that the Board of Statutory Auditors deemed adequate.

   The Board of Statutory Auditors, with reference to the provisions of Article 2426 of the Civil Code as amended by Legislative Decree no. 6/2003 regarding regulations on the "elimination of tax interference", acknowledges that neither adjustments were made nor provisions set aside in these annual report in order to take advantage of tax benefits.

8. In application of the reference regulations and provisions, the Bank has adopted regulations aimed at governing the investments held by banks, the risk assets and the conflicts of interest in respect of related parties (Bank of Italy Circular no. 263/06, Title V, Chapter 5) as well as personal cross investments (so-called interlocking prohibition to protect competition, pursuant to art. 36 of Decree Law

201/2011). The Board of Statutory Auditors considers the organisational and risk safeguards identified by the Bank to be appropriate.

9. In compliance with the Bank of Italy's provisions on business continuity and disaster recovery, in 2015 the Bank tested the functionality of disaster recovery with the outsourcer of the IT system managed by IBT/SIBT: no significant problems came to light.
10. Information pursuant to Article 10 of Law 72/83 on the subject of monetary revaluation of property, plant and equipment is provided in the notes to financial statements relative to revalued assets.
11. During the year, the Board of Statutory Auditors, in fulfilment of its duties, controlled the Bank’s administration in the year under review. In 2015 the Board of Statutory Auditors held eight meetings and oversaw the observance of the laws and by-laws participating in all Shareholders’ meetings, Board of Directors meetings and also Executive Committee meetings. All meetings were held in compliance with the statutory requirements, laws and regulations governing their operation. The Board of Statutory Auditors also verified that no imprudent or hazardous transactions were carried out, or transactions involving a potential conflict of interests, contrary to the resolutions passed by the Shareholders’ Meeting, or which may compromise the integrity of the company’s assets and minority rights.
    It also verified the correct application of the Bank of Italy Circular no. 285/2013 regarding corporate governance, with reference to the adequacy of the quali-quantitative composition of the company bodies, the self-assessment of the latter and public disclosure.
12. The Board of Statutory Auditors oversaw the adequacy of the organisational structure, limited to those aspects within its competence, of the internal control system and of the administrative-accounting system and the reliability of the latter in giving a true and fair view of the operations of the Bank. In this regard, the Board of Statutory Auditors acknowledges the report written by the Manager responsible for preparing the company’s financial reports of 7 March 2016, which was submitted to the Board of Directors prior to the issuing of the Certification Pursuant to Article 81-ter of the Consob Regulation on Issuers.
    The Board of Statutory Auditors oversaw the observance of the Bank's sound management principles, also carrying out an assessment of the organisational system during the year under review, which was used by the offices in charge of monitoring credit, market, interest rate, liquidity, legal and compliance risks which are specific to banking activities. The Board of Statutory 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.
    As Supervisory Body, it monitored the observance of the regulation pursuant to Legislative Decree no. 231/2001 regarding the administrative liability of legal entities as regards crimes committed by top management personnel or by persons subject to their management or supervision and the regulation pursuant to Legislative Decree no. 231/2007.
    Lastly, it monitored compliance with the regulations governing professional services and investment activities with the public, and the overall adequacy of the controls of the risk of money laundering, for which no acts or events were highlighted, which came to light during the performance of their duties, which may represent a breach of the regulatory provisions.
13. In 2015, no complaints (reprehensible acts) were submitted to the Board of Statutory Auditors pursuant to Article 2408 of the Civil Code.
14. The Board of Statutory Auditors has constantly kept in touch with the person in charge of the legal auditing, during which no relevant data or information came to light.
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 Statutory Auditors the annual report, in general, provide a correct representation of the statement of financial position, the financial situation and the economic result of the Bank for the year ending 31 December 2015 in compliance with the regulations governing annual report. This was illustrated in detail by the Board of Directors in the report on operations and in the notes to the financial statements, providing Shareholders and third parties with adequate information in relation to the Bank’s transactions, not excluding transactions with related

parties. The Board of Statutory Auditors can also confirm that the annual report 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.

In this regard, the Board of Statutory Auditors deems it necessary to remind the bank's shareholders of the need to speed up the times of implementation of the cooperative credit integration project. The company bodies are punctually informed of the importance of said transaction, targeted at further boosting credit to the companies in our region and surrounding regions and in support of corporate credit to Rural Banks, Raiffeisen and Bcc (cooperative credit banks).

16. The Board of Statutory Auditors acknowledged the report of the independent auditors PricewaterhouseCoopers S.p.A. of 21 March 2016 for the financial statements as at 31 December 2015, which contains no significant observations. Based on the work done as statutory auditor of the financial statements at 31 December 2015, no elements have 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 financial reporting process as at said date.

Dear Shareholders,

as a result of the above and considering the information provided by the auditing company PricewaterhouseCoopers S.p.A. – information which does not highlight critical aspects – the Board of Statutory Auditors states that there were no violations of laws or non-compliance with the law and expresses its favourable opinion to the shareholders' meeting regarding the approval of both the annual report and the proposal for the coverage of the loss for the year drawn up by the Board of Directors. It also informs the shareholders' meeting, despite the costs relating to intangible assets recorded under assets in the accounts still not having been fully amortised, there are still ample reserves to cover the amount of these costs.

Trento, 21 March 2016

Astrid Marinelli	Hansjörg Verdorfer	Renato Beltrami
Presidente	Sindaco effettivo	Sindaco effettivo

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION – ASSETS

	Assets	31.12.2015	31.12.2014
10.	CASH AND CASH EQUIVALENTS	2,648	6,162
20.	FINANCIAL ASSETS HELD FOR TRADING	477,888	696,311
40.	FINANCIAL ASSETS AVAILABLE FOR SALE	90,732,797	374,259,960
60.	LOANS AND ADVANCES TO BANKS	61,483,528	147,933,436
70.	LOANS AND ADVANCES TO CUSTOMERS	1,162,021,107	1,202,604,294
100.	EQUITY INVESTMENTS	206,977	122,600
110.	PROPERTY, PLANT AND EQUIPMENT	10,155,635	10,704,290
120.	INTANGIBLE ASSETS	115,309	173,773
	of which:		
	- goodwill	-	-
130.	TAX ASSETS	16,871,232	12,908,649
	(a) current	2,603,991	1,799,768
	(b) deferred	14,267,241	11,108,881
	pursuant to Law 214/2011	12,101,770	10,695,217
150.	OTHER ASSETS	1,815,440	1,567,149
	TOTAL ASSETS	**1,343,882,561**	**1,750,976,624**

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 of liabilities is equal to +€1 and is booked to "other assets".

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	Equity and liabilities	31.12.2015	31.12.2014
10.	DUE TO BANKS	392,316,744	766,585,399
20.	DUE TO CUSTOMERS	156,766,913	185,998,107
30.	DEBT SECURITIES IN ISSUE	600,071,269	594,827,413
40.	FINANCIAL LIABILITIES HELD FOR TRADING	463,021	708,615
80.	TAX LIABILITIES	6,570,534	6,711,213
	(a) current	-	-
	(b) deferred	6,570,534	6,711,213
100.	OTHER LIABILITIES	3,397,139	3,307,186
110.	PROVISION FOR SEVERANCE INDEMNITIES	1,508,402	1,546,435
120.	PROVISIONS FOR RISKS AND CHARGES	1,502,518	1,128,390
	(a) pension fund and similar provisions	-	-
	(b) other provisions	1,502,518	1,128,390
130.	VALUATION RESERVES	4,961,157	5,739,789
160.	RESERVES	94,790,836	94,711,986
170.	ADDITIONAL PAID-IN CAPITAL	29,841,458	29,841,458
180.	SHARE CAPITAL	58,484,608	58,484,608
200.	NET INCOME (LOSS) FOR THE PERIOD (+/-)	(6,792,038)	1,386,025
	TOTAL EQUITY AND LIABILITIES	**1,343,882,561**	**1,750,976,624**

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 of liabilities is equal to +€2 and is booked to "other liabilities".

INCOME STATEMENT

	Items	31.12.2015	31.12.2014
10	INTEREST INCOME AND SIMILAR REVENUES	34,153,561	43,650,516
20	INTEREST EXPENSE AND SIMILAR CHARGES	(20,004,171)	(23,916,295)
30	NET INTEREST INCOME	**14,149,390**	**19,734,221**
40	FEE AND COMMISSION INCOME	1,739,934	1,374,438
50	FEE AND COMMISSION EXPENSE	(284,858)	(1,255,924)
60	NET FEE AND COMMISSION INCOME (EXPENSE)	**1,455,076**	**118,514**
70	DIVIDENDS AND SIMILAR INCOME	229,679	228,185
80	NET TRADING INCOME	37,653	77,969
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	4,093,178	7,571,597
	a) loans and advances	-	137,019
	b) financial assets available for sale	4,093,178	7,434,578
	c) financial assets held to maturity	-	-
	d) other financial liabilities	-	-
120	NET INTEREST AND OTHER BANKING INCOME	**19,964,976**	**27,730,486**
130	NET IMPAIRMENT ADJUSTMENTS ON:	(17,277,068)	(14,869,958)
	a) loans and advances	(17,013,044	(14,106,203)
	b) financial assets available for sale	(249,666)	(761,169)
	c) financial assets held to maturity	-	-
	d) other financial transactions	(14,358)	(2,586)
140	NET INCOME FROM FINANCIAL ACTIVITIES	**2,687,908**	**12,860,528**
150	ADMINISTRATIVE COSTS:	(11,876,154)	(9,704,847)
	a) payroll:	(6,766,587)	(6,627,526)
	b) other administrative costs	(5,109,567)	(3,077,321)
160	NET PROVISIONS FOR RISKS AND CHARGES	(697,765)	(131,011)
170	NET ADJUSTMENT TO PROPERTY, PLANT AND EQUIPMENT	(666,558)	(689,892)
180	NET ADJUSTMENT TO INTANGIBLE ASSETS	(84,088)	(75,651)
190	OTHER OPERATING CHARGES/INCOME	571,613	526,376
200	OPERATING COSTS	**(12,752,952)**	**(10,075,025)**
210	PROFIT (LOSS) FROM EQUITY INVESTMENTS	(129,360)	(148,112)
240	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	12,517	(3,523)
250	PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES	**(10,181,887)**	**2,633,868**
260	INCOME TAXES ON CURRENT OPERATIONS	3,389,849	(1,247,843)
270	PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX	**(6,792,038)**	**1,386,025**
290	**INCOME (LOSS) FOR THE YEAR**	**(6,792,038)**	**1,386,025**

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 of the income statement is equal to -€1 and is booked to "other operating charges".

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2015	31.12.2014
10.	NET INCOME (LOSS) FOR THE PERIOD	**(6,792,038)**	**1,386,025**
	Other comprehensive income, net of taxes without reversal to income statement		
40.	DEFINED BENEFIT PLANS	+22,914	(133,979)
	Other comprehensive income, net of taxes with reversal to income statement		
90.	CASH FLOW HEDGES	-	-
100	FINANCIAL ASSETS AVAILABLE FOR SALE:	(801,545)	(60,006)
	- Equity securities	(574,736)	372,383
	- Investments in UCITS	(31,415)	42,631
	- Debt securities	(195,394)	(475,020)
130.	**TOTAL OTHER POST TAX COMPONENTS OF INCOME**	**(778,631)**	**(193,985)**
140.	**TOTAL COMPREHENSIVE INCOME (Item 10+130)**	**(7,570,669)**	**1,192,040**

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 subject 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 accrual of differentials.

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

STATEMENT OF CHANGES IN EQUITY 31/12/2014 – 31/12/2015

	Balance on 31.12.2014	Changes in opening balance	Balance on 1.1.2015	Allocation of the previous year's result		Change for the year	Transaction booked to equity							Equity on 31.12.2015
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Total comprehensive income (loss) 2015	
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:	94,711,986	-	94,711,986	78,850	-	-	-	-	-	-	-	-	-	**94,790,836**
a) from profit	94,711,986	-	94,711,986	78,850	-	-	-	-	-	-	-	-	-	**94,790,836**
- legal reserve	19,020,778	-	19,020,778	72,229	-	-	-	-	-	-	-	-	-	**19,093,007**
- statutory reserves[31]	54,100,351	-	54,100,351	6,621	-	-	-	-	-	-	-	-	-	**54,106,972**
- other profit reserves[32]	21,590,856	-	21,590,856	-	-	-	-	-	-	-	-	-	-	**21,590,856**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves:	5,739,787	-	5,739,787	-	-	-	-	-	-	-	-	-	-778,631	**4,961,157**
a) assets available for sale	1,887,078	-	1,887,078	-	-	-	-	-	-	-	-	-	-801,545	**1,085,533**
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) others	3,852,711	-	3,852,711	-	-	-	-	-	-	-	-	-	+22,914	**3,875,624**
- severance indemnities	-465,621	-	-465,621	-	-	-	-	-	-	-	-	-	+22,914	**-442,708**
- property reval. Law 413/91	745,631	-	745,631	-	-	-	-	-	-	-	-	-	-	**745,631**
- property reval. Law 342/2000	3,572,701	-	3,572,701	-	-	-	-	-	-	-	-	-	-	**3,572,701**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Net income (loss) for the period	1,386,025	-	1,386,025	-78,850	-1,307,174	-	-	-	-	-	-	-	-6,792,038	**-6,792,038**
Equity	**190,163,865**	**-**	**190,163,865**	**-**	**-1,307,174**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-7,570,669**	**181,286,022**

STATEMENT OF CHANGES IN 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 result		Change for the year	Transaction booked to equity							Equity on 31.12.2014
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Total comprehensive income (loss) 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**
- statutory reserves[31]	54,057,818	-	54,057,818	42,533	-	-	-	-	-	-	-	-	-	**54.100.351**
- other profit reserves[32]	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) cash 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 reval. Law no. 413/91	745,631	-	745,631	-	-	-	-	-	-	-	-	-	-	**745,631**
- property reval. Law no. 342/2000	3,572,701	-	3,572,701	-	-	-	-	-	-	-	-	-	-	**3,572,701**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Net income (loss) for the period	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**

31 The item also includes the undistributable reserve pursuant to art. 6 paragraph 2 of Legislative Decree 38/2005.

32 "Other profit reserves" include the reserve from the first-time application of IAS/IFRS (including therein provisions for general bank risks and loan risks).

CASH FLOW STATEMENT (INDIRECT METHOD)

A. OPERATING ACTIVITIES		2015	2014
1.	**Operations**	**+7,537,502**	**+16,899,322**
-	profit (loss) for the year	-6,792,038	+1,386,025
-	capital gains/losses on financial assets held for trading and on assets/liabilities at fair value	-23,077	-19,156
-	capital gains/losses on hedging activities	-	-
-	net adjustments /write-backs due to impairment	+17,483,707	+15,109,411
-	net adjustments/write-backs to property, plant and equipment and intangible assets	+738,129	+769,066
-	net provision for risks and charges and other costs/revenues	+702,790	+136,685
-	unpaid duties, taxes and tax credits	-3,389,849	+1,247,843
-	other adjustments	-1,182,160	-1,730,552
2.	**Cash flow generated/absorbed by financial assets**	**+386,295,487**	**+72,132,320**
-	financial assets held for trading	-	-
-	financial assets at fair value	-	-
-	financial assets available for sale	+281,637,613	+40,984,998
-	loans and advances to banks: on demand	+19,847,140	-12,480,145
-	loans and advances to banks: other receivables	+65,600,449	-25,645,508
-	loans and advances to customers	+23,434,518	+75,134,553
-	other assets	-4,224,233	-5,861,578
3.	**Cash flow generated/absorbed by financial liabilities**	**-392,184,582**	**-87,637,289**
-	due to banks: on demand	-3,000,000	+9,000,000
-	due to banks: other payables	-365,399,842	+66,425,162
-	due to customers	-29,219,905	-2,549,653
-	debt certificates in issue	+3,447,372	-159,265,322
-	financial liabilities held for trading	-	-
-	financial liabilities at fair value	-	-
-	other liabilities	+1,987,793	-1,247,476
	Net cash flow generated/absorbed by operating activities	**+1,648,407**	**+1,394,353**

B.	INVESTING ACTIVITY		
1.	**Cash flow generated by**	**+12,548**	**+855**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of financial assets held to maturity	-	-
-	sale of property, plant and equipment	+12,548	+855
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-357,296**	**-206,349**
-	purchase of equity investments	-213,738	-100,000
-	purchase of financial assets held to maturity	-	-
-	purchase of property, plant and equipment	-117,934	-55,429
-	purchase of intangible assets	-25,624	-50,920
-	purchase of company divisions		
	Net cash flow generated/absorbed by operating activities	**-344,748**	**-205,494**

C.	FINANCING ACTIVITY	2015	2014
-	issue/purchase of treasury shares	-	-
-	issue/purchase of equity instruments	-	-
-	distribution of dividends and other objectives	-1,307,174	-1,184,704
	Net liquidity generated/absorbed by financing activities	**-1,307,174**	**-1,184,704**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**-3,514**	**+4,154**

RECONCILIATION

Balance sheet items	2015	2014
Cash and cash equivalent at the beginning of the period	**6,162**	**2,008**
Net liquidity generated/absorbed during the period	-3,514	+4,154
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	**2,648**	**6,162**

NOTES TO THE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 GENERAL PART

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

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

SECTION 2 – GENERAL PRINCIPLES OF PREPARATION

General aspects

The financial statements comprise the Statement of financial position, the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Cash flow statement[33] and Notes to the financial statements. They are also accompanied by a Board of Directors' report on operations, the economic results and the Bank's financial position.
The financial statements are drawn up in Euros, while data in the Notes to the financial statements are 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), consistency 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 illustrated in Part A.2 in the Notes to the financial statements.
There were no departures from the application of the IAS/IFRS.

For completeness, with regard to the formats defined by the Bank of Italy, the Notes to the financial statements 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 IAS/IFRS with document no. 2 of 6 February 2009 "Disclosure in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties on the use of estimations", and also with document no. 4 of 3 March 2010 "Disclosure in financial reports on impairment of assets, clauses in debt contracts, debt restructuring and on the "fair value hierarchy" require directors to make an especially accurate assessment of whether the going concern assumption is appropriate.

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33 The cash flow statement is drawn up by applying the "indirect" method on the basis of which the cash flows from operating activities are represented by the result for the year adjusted for the effects of non-monetary transactions. The cash flows are subdivided into those deriving from operating, investing and financing activities.

To this end, paragraphs 23-24 of IAS 1 state that: "When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intend to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In making its assessment, when management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern".
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 2015 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 REPORTING DATE

In the period following the closure of the 2015 financial year and the date of approval of these financial statements, it is worth highlighting that:
- in the first quarter of 2016, the Bank reimbursed bond loans of €60m and placed deposits with maturities of between 1 and 4 years for €110m at Cooperative Credit Banks;
- in January 2016, Moody's confirmed the Bank's rating at Ba1 with outlook stable, however improving the component of the rating linked to deposit risk;
- in January 2016, the amounts of the transfer were defined for some doubtful positions for a total of around €2.9m, through the subscription of shares of the closed-end real estate investment fund Finint Fenice.

SECTION 4 – OTHER ASPECTS

Parent company

Exemption from the obligation to prepare consolidated financial statements: the Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (assets as at 31/12/2015 of €8.4m) is not deemed significant to the improvement of the disclosures provided *(IAS 8 and paragraphs 26, 29, 30 and 44 of the "Systematic framework for the Preparation and Presentation of Financial Statements" or "Framework")*. The subsidiary owns a building whose value, appropriately estimated, corresponds to market values and the equity investment is booked in the financial statements of the Bank at equity.

Auditing

The Bank as an Entity of Public Interest is subject to statutory auditing according to Legislative Decree No. 39 of 27 January 2010, in implementation of directive 2006/43/EC, and the appointed auditing company is PricewaterhouseCoopers S.p.A.. Said company had been entrusted with the task of auditing the financial statements of the Bank for the nine-year period 2010-2018, by means of resolution of the Shareholders' Meeting of 26 April 2010.

Pursuant to art. 2427, paragraph 1, 16-bis, the agreed fees for 2015 are indicated below:

- Auditing: €38,184 plus VAT and expenses;
- Independent report on the accuracy of the data reported, in relation to targeted long-term refinancing operations (TLTRO): €12,800 plus VAT and expenses.

Risk and uncertainties due to the use of estimates

The Bank has completed the estimation processes which support the book value of the most significant valuation-related items booked to the financial statements as at 31 December 2015, as set out in the current accounting standards and reference regulations. These 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 based on the going concern assumption, i.e. leaving aside hypotheses regarding 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 the financial statements, part E.

Checks carried out support the book values of items mentioned on 31 December 2015, although the valuation processes, mostly linked to the loan portfolio, are still particularly complex due to the ongoing difficulties of the economic and market context.

A.2 ILLUSTRATION OF THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

SECTION 1 - FINANCIAL ASSETS HELD FOR TRADING

1.1 Classification criteria

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

1.2 Recognition criteria

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

1.3 Measurement criteria

Subsequent to initial recognition, financial assets held for trading are measured at fair value. If the fair value of a financial asset becomes negative, said asset is treated as a financial liability.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, and values posted in recent comparable transactions.
Where the fair value of equity securities and the correlated derivative instruments may not be accurately determined according to the above guidelines, these are carried at cost.
For more details, please refer to the section on general criteria for measuring fair value (Part A.4).

1.4 Derecognition criteria

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

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 early in a lump-sum.
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 income/loss from 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 identify 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" in the income statement. 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 the income statement) and fair value.

A significant or lasting loss of value of an equity instrument below its cost 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 is more than 30% below the initial book value 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 re-adjustment 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 identify 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 rewards.

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 reasons for the loss of value no longer apply as a result of an event that occurs after impairment has been recorded, value re-adjustments are carried out and entered to the income statement. The amount of re-adjustment 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 subscription 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 a financial approach, allows the economic impact of costs/income to be distributed throughout the loan's expected residual life.
Measurement of the loan portfolio is performed on the date the annual and half yearly financial statements are closed in order to verify 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 in subsequent financial years to the extent the reasons that led to the adjustment no longer apply and provided that the measurement 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, banking counterparties and unlikely to pay loans. The calculation of the associated percentages of loss over one year is estimated on the basis of 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 rewards.
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 rewards 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 rewards.

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 early in a lump-sum.
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 materialise.
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 life of the hedge.
Consequently, it becomes necessary to verify that the hedge | 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 neutralise 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 stabilise 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 ineffectiveness 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 portion of the hedge, and to the income statement, for the ineffective portion 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 rewards.
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 portion) 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 ineffective portion of said capital gains and losses is entered to item 90. of the income statement, "Net hedging gains (losses)".

SECTION 7 – EQUITY INVESTMENTS

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". This item also includes any future value re-adjustments where the reasons for the previous write-downs no longer apply.

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 rewards.

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 on a straight-line basis over their useful life.
Land is not depreciated and is entered separately even when acquired with annexed buildings.
IAS 16 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 re-adjustment 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 re-adjustments 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 amortisation, accumulated impairment losses, and value re-adjustments are allocated to item 180. "Net adjustments to intangible assets".

SECTION 10 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The item includes non-current assets held for sale and assets and liabilities related to groups held for sale, 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 sale.
They are entered under the items 140. "Non-current assets and groups of assets held for sale" and 90. "Liabilities associated with assets held for sale", respectively.
Assets and liabilities that fall into this category are measured at the lesser of their book value and fair value less costs to sell.
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 sale, 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".
Deferred tax assets on tax losses are booked to the extent it is deemed likely that a future taxable income will be achieved against which the tax losses can be utilised.

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, actuarial income/expenses on defined benefit plans (severance indemnities).

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 resources 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, by estimating the average duration of legal proceedings of this kind, and other risks for ongoing disputes;
– 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 (previous 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, such as: methods based on the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, and values posted in recent comparable transactions.
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 early in a lump-sum.
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 – CURRENCY TRANSACTIONS

16.1 Classification criteria

Currency transactions consist of all assets and liabilities denominated in currencies other than the Euro.

16.2 Recognition criteria

Transactions in foreign currencies are entered at the exchange rate on the date of the transaction.

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 at the closing of the year;
- 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 at the closing of the year; 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 31 December 2006 remain under the management of the Bank while amounts accruing starting from 1 January 2007 must either be paid into supplementary pension schemes or to the fund managed by INPS (according to the choice expressed by the employee).

The coming into force of the above mentioned reform made for a change in the way the fund was recorded both with regard to amounts accrued as at 31 December 2006 and to amounts accruing starting from 1 January 2007.

In detail:

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

Classification, recognition, derecognition and measurement criteria

The provision for severance indemnities – for the amount accrued as at 31 December 2006 – is entered at the value calculated according to actuarial criteria provided in IAS 19 for defined-benefit programmes for employees and is certified by independent actuaries.

The Projected Unit Credit Method is used for discounting; this method involves predicting future disbursements according to historical and statistical analyses and the demographic curve and then discounting these flows according to a market interest rate. The discount rates are calculated according to the term structure of interest rates as obtained, by a bootstrap procedure, from the swap rate curve for the dates of measurement.

The amount that started accruing from 1 January 2007 is not added to the severance indemnities fund but rather it is paid into the pension funds and/or the treasury fund managed by INPS.

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 31 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 5 June 2012, the new version of IAS 19 "Employee Benefits" was approved. Such regulation, applicable as per mandatory requirements, for accounting periods beginning on or after 1 January 2013, provides a single method for accounting of actuarial gains/losses, which have to be included immediately in the calculation of net liabilities to employees, as contra-entry 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 the financial statements.

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 amortisation 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 detail:

- 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 in the income statement when their distribution is resolved, 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 amortisation, 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 are met (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 amortisation process. The determination of amortised cost is different depending on whether 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 amortisation 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 relating 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 2015, 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 levels for the measurement of the fair value.

- 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 techniques 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 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.

<u>Bonds under FVO</u>

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.

<u>Bonds classified under the available for sale portfolio</u>

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.

<u>Bonds and interest rate derivatives entered into a hedged portfolio using hedge accounting</u>

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 valuation 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[34].
For the evaluation of the fair value of the fixed rate component we use a model that takes 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 credit 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 the policy.

Interest rate trading derivatives

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 based on financial or similar 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 and advances 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, also considering the general worsening of the risk differentials recorded under 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

34 The Cash Flow Hedge system envisages that the hedged instrument adheres to the rules of the IAS category in which it is classified.

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 1%) of total assets. The quantitative impact of unobservable inputs used in measuring fair value is therefore deemed insignificant.

A.4.2 Processes and sensitivity of valuations

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 the method for determining the fair value, for each type of product.

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 S.p.A. by considering the most recent bond issue placed with retail counterparties.

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 (Report "European Corporate default and Recovery rates", table "European and global issuer-weighted cumulative default rates – Europe").
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 levels

	2015			2014		
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		478			696	
2. Financial assets at fair value						
3. Financial assets available for sale	77,120	416	13,197	359,189	416	14,655
4. Hedging derivatives						
5. Property, plant and equipment						
6. Intangible assets						
Total	**77,120**	**894**	**13,197**	**359,189**	**1,112**	**14,655**
1. Financial liabilities held for trading		463			709	
2. Financial liabilities at fair value		-			-	
3. Hedging derivatives		-			-	
Total		**463**			**709**	

In 2015 the Bank did not carry out transfers of financial 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			**14,655**			
2. Increases			**2,580**			
2.1 Purchases[1]			1,035			
2.2 Profits in:			1,544			
2.2.1 Income statement			1,445			
- of which: capital gains [2]			1,445			
2.2.2 Equity[3]			99			
2.3 Transfers from other levels			-			
2.4 Other increases			-			
3. Decreases			**4,039**			
3.1 Sales [2]			3,000			
3.2 Redemptions			67			
3.3 Losses in:			289			
3.3.1 Income statement			219			
- of which: capital losses[3]			219			
3.3.2 Equity [5]			70			
3.4 Transfer to other levels			-			
3.5 Other decreases[2]			683			
4. Closing balance			**13,197**			

1 The amount is made up of €1.023 million of shares in the closed-end fund Assietta Private Equity III and €13 thousand for the payment to Trentino Volley to re-establish the share capital and cover losses.

2 This is the capital gain generated by the sale for €3.0 million (see item 3.1 "Sales") of the subsidiary Piteco S.p.A. (item 3.5. "Other decreases" include the reversal to the income statement of the associated positive valuation reserve for the amount in place as at 31.12.2014 of €683 thousand).

3 This refers to the revaluation of the equity investment in the Fund MC^2 Impresa amounting to €28 thousand, the equity investment in Alto Garda Servizi S.p.A. amounting to €33 thousand and the equity investment in P.B. S.r.l. amounting to €38 thousand.

4 This relates to the loss relating to the Clesio Fund for €206 thousand and the equity investment Trentino Volley for €13 thousand.

5 This relates to the negative change in the fair value of the closed-end fund Assietta Private Equity III of €70 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	2015				2014			
	BV	FV			BV	FV		
		Lev 1	Lev 2	Lev 3		Lev 1	Lev 2	Lev 3
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Loans and advances to banks	61,484	-	29,884	31,323	147,933	-	51,159	96,770
3. Loans and advances to customers	1,162,021	-	1,010,219	161,467	1,202,604	-	1,053,461	171,305
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	**1,223,621**	**-**	**1,040,103**	**192,906**	**1,350,653**	**-**	**1,104,620**	**268,191**
1. Due to banks	392,317	-	335,291	47,928	766,585	-	614,558	149,297
2. Due to customers	156,767	-	37,138	119,399	185,998	-	43,324	142,556
3. Debt securities in issue	600,071	-	599,927	-	594,827	-	601,739	-
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**1,149,155**	**-**	**972,356**	**167,327**	**1,547,410**	**-**	**1,259,621**	**291,853**

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

There are no items for the table A.5 Information on "day one profit/loss", set forth by the Bank of Italy.

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

	2015	2014
a) Cash	3	6
b) Demand deposits with Central Banks	-	-
Total	**3**	**6**

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: breakdown by type:

Items/amounts	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Cash 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 agreements						
4.2 Others						
Total A						
B Derivative instruments						
1. Financial derivatives		478			696	
1.1 trading [1]		478			696	
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		**478**			**696**	
Total (A+B)		**478**			**696**	

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 in-depth description. The fair value takes into account the CVA for €9 thousand in 2015 and €10 thousand in 2014.

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

Items/amounts	2015	2014
A. Cash 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	**478**	**696**
a) Banks	478	696
- fair value	478	696
b) Customers	-	-
- fair value	-	-
Total B	**478**	**696**
Total (A+B)	**478**	**696**

Financial assets held for trading: annual changes

	Trading derivatives	Trading derivatives relating to the fair value option	Total
A. Opening balance	**696**	**-**	**696**
B. Increases	**66**	**-**	**66**
B1. Purchases	-	-	-
B2. Positive changes in fair value	66	-	66
B3. Other changes	-	-	-
C. Decreases	**284**	**-**	**284**
C1. Sales	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	284	-	284
C4. Transfers to other portfolios	-	-	-
C5. Other changes	-	-	-
D. Closing balance	**478**	**-**	**478**

The items "other changes", if present, 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 type:

Items/amounts	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	77,094	416	-	359,132	416	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	77,094	416	-	359,132	416	-
2. Equity securities	26	-	7,112	56	-	9,345
2.1 Measured at fair value	26	-	6,783	56	-	9,013
2.2 Carried at cost [2]	-	-	329	-	-	332
3. Investments in UCITS	-	-	6,085	-	-	5,311
4. Loans	-	-	-	-	-	-
Total	**77,120**	**416**	**13,197**	**359,189**	**416**	**14,655**

1 These consist of €75.0m of government securities and €0.5m of bonds issued by banks (Level 1) and €0.4m of bonds issued by banks (level 2), of which €75.0m purchased by the Bank to create reserves of readily liquid assets eligible for refinancing with the ECB and €0.9 million for other purposes.

2 Unlisted equity securities carried at cost amounted to €0.3m in both years: 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	2015	2014
1. Debt securities	**77,511**	**359,548**
a) Governments and Central Banks	76,575	356,536
b) Other public entities	-	-
c) Banks	936	3,012
d) Other issuers	-	-
2. Equity securities	**7,137**	**9,401**
a) Banks	50	50
b) Other issuers	7,087	9,351
- insurance companies	-	-
- financial corporations	2,975	3,041
- non-financial corporations	4,112	6,310
- others	-	-
3. Investments in UCITS [1]	**6,085**	**5,311**
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**90,733**	**374,260**

1 This item is made up (€4.4m) of shares of the closed-end investment fund "MC2 Impresa" which invests mainly in unlisted financial instruments in regulated markets i.e. in shares, convertible bonds and other securities – mainly minority shareholdings but also majority shareholdings; it also includes shares in limited liability companies; furthermore it includes shares of the closed-end real estate investment fund Clesio (€0.4m), the closed-end fund Assietta Private Equity III (€1.3m) and the real estate fund Leopardi (€0.1m).

Financial assets available for sale: annual changes

	Debt securities	Equity securities	Investments in UCITS	Loans	Total
A. Opening balance	**359,548**	**9,401**	**5,311**	**-**	**374,260**
B. Increases	**338,186**	**1,537**	**1,051**	**-**	**340,774**
B1. Purchases	335,252	13	1,023	-	336,288
B2. Positive changes in fair value	293	71	-	-	364
B3. Write-backs	-	-	28	-	28
- through profit or loss	-		-	-	-
- in equity	-	-	28	-	28
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	2,641[1]	1,453[3]	-	-	4,094
C. Decreases	**620,223**	**3,801**	**277**	**-**	**624,301**
C1. Sales	522,350	3,008	-	-	525,358
C2. Redemptions	92,500	67	-	-	92,567
C3. Negative changes in fair value	117	-	70	-	187
C4. Write-downs due to impairment	-	43	207	-	250
- through profit or loss	-	*43*	*207*	-	*250*
- in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	5,256[2]	683[4]	0	-	5,940
D. Closing balance	**77,511**	**7,137**	**6,085**	**-**	**90,733**

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

1 This originates from the capital gain realised on the sale of government bonds for €2.640m and from the positive change in amortised cost for €0.001m.
2 This originates for €460 thousand from the reversal of the positive reserve following the sale of government bonds and for €4.796m the negative change in amortised cost.
3 This relates to the capital gain on the sale of the equity investment in Piteco (€1.445m) and in the profit (€8 thousand) on the sale of the option rights during the share capital increase of Aedes SIIQ S.p.A..
4 This originates, for the entire amount, from the reversal of the positive reserve following the sale of Piteco S.p.A..

Commitments relating to equity investments classified in the available for sale portfolio

Subsidiary	2015	2014
Investments in UCITS	4,467	2,610

The amount refers to the residual commitment to subscribe the shares in the closed-end real estate investment fund Assietta Private Equity III (€1.587m) and subscribe the shares in the closed-end real estate investment fund Finint Fenice (€2.880m).

SECTION 6 – LOANS AND ADVANCES TO BANKS – ITEM 60

6.1 Loans and advances to banks: breakdown by type:

Type of transaction/Amount	2015				2014			
	BV	FV			BV	FV		
		Lev 1	Lev 2	Lev 3		Lev 1	Lev 2	Lev 3
A. Deposits with central banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposit	-				-			
2. Mandatory reserve	-				-			
3. Repurchase agreements	-				-			
4. Other	-				-			
B. Loans and advances to banks	**61,484**	**-**	**29,884**	**31,323**	**147,933**	**-**	**51,159**	**96,770**
1. Loans	61,484	-	29,884	31,323	147,933	-	51,159	96,770
1.1 Current accounts and demand deposits	31,323				51,159			
1.2 Time deposits	0				45,611			
1.3 Other loans:	30,161				51,163			
- Repurchase agreements	-				-			
- Finance lease	-				-			
- Other	30,161				51,163			
2. Debt securities	-	-	-	-	-	-	-	-
2.1 Structured securities	-				-			
2.2 Other debt securities	-				-			
Total (book value)	**61,484**	**-**	**29,884**	**31,323**	**147,933**	**-**	**51,159**	**96,770**

Mediocredito has met its mandatory reserve obligations to the Bank of Italy indirectly through Cassa Centrale Banca S.p.A., with which it holds a deposit made for this purpose equal to €37 thousand as at 31 December 2015 (€214 thousand as at 31 December 2014) 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	2015						2014					
	Book value			Fair value			BOOK VALUE			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**1,006,230**	**-**	**152,493**	**-**	**1,006,600**	**161,467**	**1,039,440**	**-**	**162,121**	**-**	**1,052,315**	**171,305**
1. Current accounts	8,974	-	0				9,185	-	0			
2. Repurchase agreements	-	-	-				-	-	-			
3. Mortgages	789,996	-	131,819				814,043	-	132,949			
4. Credit cards, personal loans including "salary-backed loans"	-	-	-				-	-	-			
5. Finance Lease[1]	37,271	-	5,943				38,545	-	8,210			
6. Factoring	-	-	-				-	-	-			
7. Other loans[2]	169,989	-	14,731				177,667	-	20,962			
Debt securities	**3,298**	**-**	**-**	**-**	**3,620**	**-**	**1,043**	**-**	**-**	**-**	**1,146**	**-**
8 Structured securities	-	-	-				-	-	-			
9 Other debt securities	3,298	-	-				1,043	-	-			
Total (book value)	**1,009,528**	**-**	**152,493**	**-**	**1,010,220**	**161,467**	**1,040,483**	**-**	**162,121**	**-**	**1,053,461**	**171,305**

1 The amount is net of the portion disbursed in relation to third-party funds, which is included in the item "other loans" for an amount of €7.8m in 2015 and €8.8m in 2014.

2 Thy also include building leasing turnkey operations for €3.7m in 2015 and €1.9m in 2014.

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 €59.0m of funding provided from funds made available by the Autonomous Province of Trento for €2.0m, the Autonomous Province of Bolzano for €44.3m and the Veneto Region, directly or through the instrumental company Veneto Sviluppo, for €12.8m.
All of the above funds, intended for particular funding operations as envisaged and governed by specific legislation[35], require Mediocredito to fully assume the risk.

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

Type of transaction/Amount	2015			2014		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**3,298**			**1,043**		
a) Governments						
b) Other public entities						
c) Other issuers	3,298			1,043		
- non-financial corporations	3,298			1,043		
- financial corporations						
- insurance companies						
- others						
2. Loans to:	**1,006,230**		**152,493**	**1,039,440**		**162,121**
a) Governments	-		-	-		-
b) Other public entities	88,542		-	89,912		-
c) Other debtors	917,688		152,493	949,528		162,121
- non-financial corporations	825,310		146,661	876,584		157,636
- financial corporations	60,085		2,114	40,371		2,064
- insurance companies	-		-	-		-
- others	32,293		3,718	32,573		2,421
Total	**1,009,528**		**152,493**	**1,040,483**		**162,121**

7.4 Finance lease

Items/amounts	31/12/2015			31/12/2014		
	Minimum future payments	Present value of minimum future payments	Deferred financial income	Minimum future payments	Present value of minimum future payments	Deferred financial income
Within 1 year	6,810	5,258	1,552	8,427	6,680	1,746
1 - 5 years	29,241	24,122	5,119	30,520	24,699	5,821
Over 5 years	17,926	16,116	1,810	21,819	19,473	2,346
Total	**53,977**	**45,496**	**8,481**	**60,766**	**50,852**	**9,913**

	Gross	Adjust.	Net	Gross	Adjust.	Net
Receivables in the statement of financial position	52,872	1,815	**51,057**	58,226	2,663	**55,563**

35 In particular:
- for the Autonomous Province of Trento: Regional Laws RR. 21/93 and 3/91, Provincial Law 6/99;
- for the Autonomous Province of Bolzano: Regional Laws 21/93 and 3/91, Provincial Law 9/91 and Law 817/71;
- for the Veneto Region: Regional Law 18/94, 598/94, 6/96, 1/99, 5/2001, 33/2002 and 40/2003.

SECTION 10 – EQUITY – ITEM 100

10.1 Equity investments: information on equity relations

Names	Registered office	Operating office	% stake	% of votes available
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 S.r.l.	Trento	Trento	31.869	31.869
2. Biorendena S.r.l.	Pinzolo (TN)	Pinzolo (TN)	20.000	20.000

10.4 Insignificant equity investments: accounting information [1]

Names	Book value of equity investments	Total assets	Total equity and liabilities	Total revenues	Profit (Loss) from current operations after 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	**79**	**8,440**	**8,462**	**277**	**(127)**	**-**	**(127)**	**-**	**(127)**
1. Paradisidue S.r.l.	79	8,440	8,462	277	(127)	-	(127)	-	(127)
B. Joint ventures									
C. Companies under significant influence	**128**	**798**	**816**	**216**	**(164)**	**-**	**(164)**	**-**	**(164)**
1. Essedi Strategie d'Impresa S.r.l.	64	647	729	216	(160)	-	(160)	-	(160)
2. Biorendena S.r.l.	64	151	87	0	(4)	-	(4)	-	(4)

1 Statement of Financial Position data as at 31.12.2015 for the subsidiary Paradisidue S.r.l., and as at 31.12.2014 for Essedi Strategie d'Impresa Srl and for Biorendena S.r.l..

10.5 Equity investments: annual changes

	2015	2014
A. Opening balance	**123**	**171**
B. Increases	**213**	**100**
B.1 Purchases	213	100
B.3 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**129**	**148**
C.1 Sales	-	-
C.2 Value adjustments	129	148
C.3 Other changes	-	-
D. Closing balance	**207**	**123**
E. Total revaluations	-	-
F. Total adjustments	509	379

Commitments relating to equity investments in subsidiaries

The Bank has granted the subsidiary Paradisidue S.r.l. a loan account with a credit limit of €9.0m – for which the amount of €8.304m was drawn as at 31.12.15 for the purpose of acquiring and renovating a building as part of bankruptcy proceedings.

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	2015	2014
1. Assets owned	**10,040**	**10,589**
a) land[1]	1,950	1,950
b) buildings[2]	6,614	6,951
c) furniture	626	755
d) IT equipment	120	132
e) others	729	801
2. Assets purchased under finance lease	**-**	**-**
a) land	-	-
b) building	-	-
c) furniture	-	-
d) IT equipment	-	-
e) others	-	-
Total	**10,040**	**10,589**

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 thousand 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 held for investment purposes: breakdown of assets valued at cost

Items/Amount	2015				2014			
	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%
Telephone systems 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**	**2,179**	**566**	**2,071**	**18,988**
A.1 Total net decreases	-	5,271	1,424	434	1,270	8,399
A.2 Net opening balance	**1,950**	**6,951**	**755**	**132**	**801**	**10,589**
B. Increases:	-	**-**	**18**	**42**	**151**	**211**
B.1 Purchases		-	17	35	66	118
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 differences						
B.6 Transfers from property held for investment purposes						
B.7 Other changes			1	7	85	93
C. Decreases:	**-**	**336**	**147**	**54**	**223**	**760**
C.1 Sales [1]			1	6	85	93
C.2 Depreciation		336	146	47	138	667
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 differences						
C.6 Transfers to:						
a) property held for investment purposes						
b) assets held for sale						
C.7 Other changes [2]				1		1
D. Net closing balance	**1,950**	**6,614**	**626**	**120**	**729**	**10,040**
D.1 Total net write-downs	-	5,607	1,569	474	1,323	8,973
D.2 Gross closing balance	**1,950**	**12,222**	**2,195**	**594**	**2,052**	**19,013**
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 €12.5 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" item refer to the sale of assets, totally or partially depreciated. For balancing purposes (for item "Net decreases") the change in the accumulated depreciation relating to such assets was shown in the item "B.7 - Other changes". The capital loss generated by these operations amounted to €31 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 25 June 2014, the Bank undertook 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	2015		2014	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets	**115**	**-**	**174**	**-**
A.2.1 Assets carried at cost:	115	-	174	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	115	-	174	-
A.2.2 Assets carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**115**	**-**	**174**	**-**

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: others		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	**-**	**-**	**-**	**3,023**	**-**	**3,023**
A.1 Total net decreases	-	-	-	2,849	-	2,849
A.2 Net opening balance	**-**	**-**	**-**	**174**	**-**	**174**
B. Increases	**-**	**-**	**-**	**25**	**-**	**26**
B.1 Purchases	-	-	-	25	-	26
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	**-**	**-**	**-**	**84**	**-**	**84**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	84	-	84
- Amortisation		-	-	84	-	84
- Write-downs:	-	-	-	-	-	-
+ 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	**-**	**-**	**-**	**115**	**-**	**115**
D.1 Net adjustment values	-	-	-	2,933	-	2,933
E. Gross closing balance	**-**	**-**	**-**	**3,048**	**-**	**3,048**
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 government concessions;
- 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

	2015	2014
	14,267	**11,109**
A. With contra-entry to income statement	**14,119**	**10,953**
Payroll	-	41
Adjustments to loans deductible in future years	12,102	10,695
Tax loss - 2015	1,543	-
Depreciation of buildings for operational use	52	46
Other	422	171
B. With contra-entry to equity	**148**	**156**
Financial assets held for sale at fair value	79	74
Other	69	82

13.2 Deferred tax liabilities: breakdown

	2015	2014
	6,571	**6,711**
A. With contra-entry to income statement	**6,402**	**6,402**
Provision for loan risks	5,530	5,530
Adjustments to loans exceeding the tax deductibility limit	741	741
Depreciation of buildings for operational use	108	108
Change in employee leaving indemnity	23	23
B. With contra-entry to equity	**169**	**309**
Financial assets held for sale at fair value	169	309

Percentages used in the calculation of deferred taxes:

for IRES: 27.50%;

for IRAP[36]: 4.65% for 2016
5.57% for 2017 and 2018
4.65% for the years 2019 and onwards

[36] Provincial Law no. 21 of 30 December 2015 establishes the temporary 0.92% increase in the rate applicable to banks for the tax period following the one in progress as at 31 December and for the next one.

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

	2015	2014
1. Opening balance	**10,953**	**8,847**
2. Increases	**3,218**	**3,785**
2.1 Deferred tax assets recognised during the period	3,217	3,772
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) write-backs	-	-
d) other	3,217	3,772
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	-	13
3. Decreases	**52**	**1,679**
3.1 Deferred tax assets derecognised during the period	43	1,640
a) reversals	43	1,640
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	9	39
a) transformation of tax credits pursuant to Law no. 214/2011	-	-
b) other [1]	9	39
4. Final balance	**14,119**	**10,953**

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.

The deferred tax assets deriving from tax losses that can be carried forward to subsequent years totalled €1.543m, relating entirely to IRES on the 2015 tax loss.

13.3.1 Change in deferred tax assets pursuant to Law 241/2011 (with contra-entry in income statement)[37]

	2015	2014
1. Opening balance	**10,695**	**8,670**
2. Increases	**1,407**	**3,628**
3. Decreases	**-**	**1,613**
3.1 Reversals	-	-
3.2 Transformation to tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	1,613
4. Final balance	**12,102**	**10,695**

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

	2015	2014
1. Opening balance	**6,402**	**6,539**
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**
3.1 Deferred tax liabilities derecognised during the period	-	137
a) reversals	-	137
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**6,402**	**6,402**

37 In the 2014 financial statements, there were no deferred tax assets pursuant to Law 241/2011 given that they should only include changes to deferred tax assets already transformed to tax credits.

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

	2015	2014
1. Opening balance	**156**	**65**
2. Increases	**22**	**122**
2.1 Deferred tax assets recognised during the period	22	122
a) related to previous periods		-
b) due to change in accounting policies	-	-
c) others	22	122
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**30**	**31**
3.1 Deferred tax assets derecognised during the period	30	31
a) reversals	30	31
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	**148**	**156**

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

	2015	2014
1. Opening balance	**309**	**481**
2. Increases	**74**	**194**
2.1 Deferred tax liabilities recognised during the period	70	194
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	70	194
2.2 New taxes or increases in tax rates	4	-
2.3 Other increases	-	-
3. Decreases	**214**	**366**
3.1 Deferred tax liabilities derecognised during the period	205	327
a) reversals	205	327
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases [1]	9	39
4. Final balance	**169**	**309**

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" amounted to €2.604m and refers to receivables due from the Tax Authorities for IRES and IRAP; in 2014, the imbalance, represented under "current tax assets", totalled €1.800m (receivables of €5.490m and payables of €3.690m).
Prepaid taxes relating to the tax loss booked under deferred tax assets amounted to €1.543m. These were recognised on the basis of[38] a specific "*probability test*" which made it possible to verify the future tax income capacity of the Bank (estimate made for the years 2016-2020) to permit the absorption of the above deferred tax assets in the years in which they will be reversed.

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38 IAS 12, art. 34, sets forth that "*a deferred tax asset for tax losses (…) must be recognised to the extent it is probable that taxable profit will be available against which (…) the tax losses they can be utilised*".

In relation to the deferred tax assets pursuant to Law no. 214/2014 of €12.1m, relating entirely to adjustments to receivables deductible in future years, by contrast it should be noted that, in compliance with the contents of the joint Bank of Italy/Ivass/Consob document of 15 May 2012, the so-called "probability test" is considered automatically satisfied given there is substantial certainty as to their full recovery.

SECTION 15 – OTHER ASSETS – ITEMS 150

15.1 Other assets: breakdown

	2015	2014
Illiquid assets	485	764
Tax assets (indirect taxes and substitute tax)	449	72
Various prepayments and advances	308	207
Amounts due for unpaid commissions	205	203
Accrued income and prepayments	195	102
Items in processing[1]	149	198
Amounts due in relation to invoices – issued or not	19	18
Leasehold improvements	-	0
Other liabilities	5	3
Total	**1,815**	**1,567**

1 The amount refers mainly to transfers arranged but pending charge.

LIABILITIES

SECTION 1 – DUE TO BANKS – ITEM 10

1.1 Due to banks: breakdown by type

Type of transaction/Amount		2015	2014
1.	**Amounts due to central banks**	**179,656**	**440,780**
2.	**Due to banks**	**212,661**	**325,805**
2.1	Current accounts and demand deposits	6,008	9,008
2.2	Time deposit	6,920	20,289
2.3	Loans	199,733	296,508
	2.3.1 Repurchase agreements	-	-
	2.3.2 Other	199,733	296,508
2.4	Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5	Other debts	-	-
	Total	**392,317**	**766,585**
	Fair value – level 1	-	-
	Fair value – level 2	335,291	614,558
	Fair value – level 3	47,928	149,297
	Total fair value	**383,219**	**763,855**

1.4 Due to banks: payables subject to micro-hedging

Among the Bank's liabilities, there are no amounts due to banks that are subject to micro-hedging, neither in 2015 nor in the previous year.

SECTION 2 – DUE TO CUSTOMERS – ITEM 20

2.1 Due to customers: breakdown by types

Type of transaction/Amount	2015	2014
1. Current accounts and demand deposits	10,505	28,828
2. Time deposit	49,865	56,635
3. Loans	37,368	43,442
3.1 Repurchase agreements	-	-
3.2 Others	37,368	43,442
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other amounts due [1]	59,029	57,094
Total	**156,767**	**185,998**
Fair value – level 1	-	-
Fair value – level 2	37,138	43,324
Fair value – level 3	119,399	142,556
Total fair value	**156,537**	**185,880**

1 The item "Other amounts due" includes funds managed on behalf of third parties amounting to €59,011 thousand in 2015 and €57,016 thousand in 2014, 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	2015				2014			
	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	600,041	-	599,897	-	594,797	-	601,709	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	600,041	-	599,897	-	594,797	-	601,709	-
2. Other securities	30	-	30	-	30	-	30	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others [1]	30	-	30	-	30	-	30	-
Total	**600,071**	**-**	**599,927**	**-**	**594,827**	**-**	**601,739**	**-**

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 at least two recent executable prices continuously available with a bid-ask spread under an interval deemed to be consistent.

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amount	2015					2014				
	NV	FV			FV *	NV	FV			FV *
		Lev.1	Lev.2	Lev.3			Lev.1	Lev.2	Lev.3	
A. Cash 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	**31,741**		**463**		**487**	**31,854**		**709**		**709**
1.1 Held for trading			463					709		
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	**31,741**		**463**		**487**	**31,854**		**709**		**709**
Total (A+B)	**31,741**		**463**		**487**	**31,854**		**709**		**709**

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 cash liabilities held for trading (excluding "uncovered short positions"): annual changes

	Trading derivatives	Financial derivatives relating to the fair value option	Total
A. Opening balance	**709**	**-**	**709**
B. Increases	**63**	**-**	**63**
B1. Issues	-	-	-
B2. Sales	-	-	-
B3. Positive changes in fair value	63	-	63
B4. Other changes	-	-	-
C. Decreases	**309**	**-**	**309**
C1. Purchases	-	-	-
C2. Redemptions	-	-	-
C3. Negative changes in fair value	305	-	305
C4. Other changes	4	-	4
D. Closing balance	**463**	**-**	**463**

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

	2015	2014
Amounts due to suppliers	1,049	695
Items in processing	810	642
Amounts due to third parties [1]	649	1,012
Withholdings made as tax collection agent	368	384
Withholdings on employee compensation	244	236
Commission fees to be paid	199	222
Accrued liabilities and deferred income	60	110
Provision for risks for guarantees issued	18	5
Other liabilities	0	1
Total	**3,397**	**3,307**

1 They relate mostly to the payable for the monetisation of holidays and leave time not used for €287 thousand and to the amount due for the recognition of the extra time of managerial staff of €59 thousand.

SECTION 11 – PROVISION FOR SEVERANCE INDEMNITIES – ITEM 110

11.1 Provision for severance indemnities: annual changes

	2015	2014
A. Opening balance	**1,546**	**1,405**
B. Increases	**5**	**190**
B.1 Provisions for the period [1]	5	5
B.2 Other changes	-	185
C. Decreases	**43**	**49**
C.1 Indemnities paid	11	49
C.2 Other changes [2]	32	-
D. Closing balance	**1,508**	**1,546**

1 The amount corresponds to the 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 gains recognised as a contra-entry in the specific equity reserve. In 2014, actuarial losses were recognised under "B.2 Other increases"

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, the 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 structured into 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 discount rate adopted 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	2015	2014
1 Post-retirement benefit obligations	-	-
2. Other provisions for risks and charges	1,503	1,128
2.1 legal disputes	763	92
2.2 personnel expenses	-	150
2.3 others	740	886
Total	**1,503**	**1,128**

12.2 Provisions for risks and charges: annual changes

	Post-retirement benefit obligations	Other provisions	Total
A. Opening balance	**-**	**1,128**	**1,128**
B. Increases	**-**	**771**	**771**
B.1 Provisions for the period [1]	-	701	701
B.2 Changes over time	-	0	0
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other changes [2]	-	70	70
C. Decreases	-	**396**	**396**
C.1 Use during the period [3]	-	393	393
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other changes [4]	**-**	3	3
D. Closing balance	**-**	**1,503**	**1,503**

1 This amount relates entirely to the provision for legal disputes underway.
2 This amount relates to the portion of the net income for 2014 that is at the disposal of the Board of Directors for undertakings as per Article 21 of the By-laws.
3 This amount is made up of €216 thousand for donations as for article 21 of the By-laws, for €150 thousand in provision to fund the personnel incentive scheme and for €28 thousand for the payment for a legal dispute that was settled against the Bank.
4 The amount related to the write-back on the provision for a legal dispute that was settled in favour of the Bank.

12.4 Provisions for risks and charges – other provisions

Item "legal disputes" is made up of sums set-aside for uncertain expenses in connection with revocatory actions and other ongoing disputes.
The item "other provisions" covers the total amount of the provision 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.
The provision for "personnel expenses" is made up, if present, 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 "Share capital" and "Treasury shares": breakdown

The fully paid up share capital is €58,484,608.00 represented by 112,470,400 ordinary shares of a nominal €0.52 each.

14.2 Share capital – 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 combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- others	-	-
- on a free basis:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- others	-	-
B.2 Sale 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

For the breakdown, 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	of which distributable portion
Capital reserves:	**29,841**		**29,841**	**29,841**
- Additional paid-in capital [1]	29,841	A-B-C	29,841	29,841
Profit reserves:	**94,791**		**76,302**	**73,647**
- Legal reserve unavailable [2]	11,697	B	-	-
- Available legal reserve	7,396	A-B-C	7,396	7,396
- Statutory reserves [3]	54,107	A-B-C	47,315	47,315
- Reserve under Legislative Decree no. 38/2005	2,655	A-B	2,655	-
- Unavailable reserve under article 6 Legislative Decree no. 38/2005	-		-	-
- Other reserves	18,936	A-B-C	18,936	18,936
Valuation reserves:	**4,961**		**4,961**	
- Valuation reserve under Laws 413/91 and 342/2000	4,318	A-B	4,318	-
- Valuation reserve under Leg. Decree 38/2005: revaluation of AFS securities	1,086		1,086	-
- Valuation reserve under Leg. Decree 38/2005: pension plans	(443)		(443)	-
Total	**129,593**		**111,104**	**103,488**

Legend:

A: for share capital increases
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 only be distributed on the 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 unavailable portion is equal to 20% of share capital.

3 Statutory reserves are considered available and distributable for their entire amount net of the loss for the year of €6.792m.

Proposed coverage of net loss

The net loss for 2015 amounts to €6,792,037.81.
That said, the Board of Directors proposes to carry forward the entire amount of the loss.
The Shareholders' Meeting, as a partial adjustment to the Board of Director's proposal, unanimously approves the proposal of the public shareholders to fully cover the loss by using the statutory reserves.

OTHER INFORMATION

1. Guarantees issued and commitments

Transactions	2015	2014
1) Financial guarantees issued	**1,034**	**1,051**
a) Banks [1]	1,034	1,051
b) Customers	-	-
2) Commercial guarantees issued	**4,580**	**1,054**
a) Banks	-	-
b) Customers	4,580	1,054
3) Irrevocable commitments to disburse funds	**13,313**	**12,926**
a) Banks	-	-
i) certain usage	-	-
ii) uncertain usage	-	-
b) Customers	13,313	12,926
i) certain usage	4,467	2,610
ii) uncertain usage	8,846	10,316
4) Commitments underlying credit derivatives: sales of protection	-	-
5) Assets pledged as collateral for third-party debts	-	-
6) Other commitments	**-**	**-**
Total	**18,927**	**15,031**

1 In 2014, the item also included the commitment to the Interbank Deposit Protection Fund for estimated initiatives not yet approved (€18 thousand); this amount is presented under 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

Portfolios	2015	2014
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	50,082	248,390
4. Financial assets held to maturity	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	321,122	354,012
7. Property, plant and equipment	-	-

Eurosystem credit operations

Securities not reported in the statement of financial position to guarantee borrowings

Loans and advances to customers to guarantee mortgage borrowings

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).

4. Management and intermediation on behalf of third parties

Type of services	2015	2014
1. Execution of orders on behalf of customers	**-**	**-**
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Asset management	-	-
a) individual	-	-
b) collective	-	-
3. Safekeeping and administration of securities	**273,698**	**632,306**
a) third party securities on deposit: connected with performance as custodian bank (excluding asset management)	-	-
1. securities issued by the Bank that prepares the financial statements	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding portfolio management): other	45,675	46,341
1. securities issued by the Bank that prepares the financial statements	27,854	27,907
2. other securities	17,821	18,434
c) third-party securities on deposit with third parties	10,821	11,434
d) own securities on deposit with third parties [1]	228,023	585,965
4. Other transactions	**1,268**	**1,640**
of which Transactions on behalf of the Autonomous Provinces	*901*	*1,274*
Risk provisions set up by various entities	*262*	*262*
Management of state contributions under Law no. 488/92	*105*	*104*

[1] This item includes Senior and Junior securities originating from the securitisation operation and deposited with Montetitoli S.p.A. for the overall amount of €131,390 thousand in 2015 and €158,789 thousand in 2014.

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 transactions	Total 2015	Total 2014
1	Financial assets held for trading	-	-	-	-	-
2	Financial assets available for sale	1,062	-	-	1,062	4,438
3	Financial assets held to maturity	-	-	-	-	-
4	Loans and advances to banks	-	509	-	509	2,054
5	Loans and advances to customers	116	32,467	-	32,583	37,159
6	Financial assets at fair value	-	-	-	-	-
7	Hedging derivatives			-	-	-
8	Other assets			-	-	-
	Total	**1,178**	**32,976**	**-**	**34,154**	**43,651**

Changes in connection with interest income – with respect to the results of the period of comparison (2014) – are shown in the Report on Operations in the section "Income statement dynamics", to which reference should be made.
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 relating to the item loans and advances to banks includes €482 thousand in fees accrued on current accounts and deposits (credit) whose balances are outlined in table 6.1 of part B – Section 6 of assets, and €26 thousand in fees accrued on current accounts and deposits (debit), whose balances are outlined in table 1.1 of part B – Section 1 of Liabilities.

Interest on impaired positions, calculated with reference to the interest accrued over the entire year on positions held by customers classified as at 31 December 2015 as impaired loans (doubtful, unlikely to pay, past due loans) amounted to €2.105m (€2.568m in 2014).

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in currency

	2015	2014
Interest income from financial assets denominated in currency	21	23

1.3.2 Interest income on finance lease transactions

	2015	2014
Deferred financial income	8,481	9,914
Potential rent recorded as revenues for the period	(544)	(600)

1.4 Interest expense and similar charges: breakdown

Items/Technical Forms	Debits	Securities[1]	Other Transactions	Total 2015	Total 2014
1. Amounts due to central banks	211		-	211	738
2. Due to banks	3,371		-	3,371	5,638
3. Due to customers	2,693		-	2,693	2,965
4. Debt securities in issue		13,729	-	13,729	14,575
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions			-	-	-
8. Hedging derivatives			-	-	-
Total	**6,275**	**13,729**	**-**	**20,004**	**23,916**

Changes in connection with interest expense – with respect to the results of the period of comparison (2014) are shown in the Report on Operations in the section "Income statement dynamics", to which reference should be made.
We also state that:

1 Interest expense accrued on securities relates to bonds issued by the Bank and classified under item 30 of liabilities in the Statement of Financial Position. Interest expense has been calculated – in relation to items recognised at amortised cost – using the effective interest rate method.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in currency

	2015	2014
Interest expense on liabilities denominated in currency	3	4

SECTION 2 - FEES & COMMISSIONS – ITEMS 40 & 50

2.1 Commission income: breakdown

Type of service/Amounts	2015	2014
a) guarantees issued	16	10
b) credit derivatives		
c) management, brokerage and consultancy services:	-	25
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
8.1 investments		
8.2 structured finance	-	25
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	1	0
j) other services [1]	1,722	1,338
Total	**1,740**	**1,374**

Changes of single items against the data for the accounting period 2014 are illustrated and motivated in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

1 This item is mainly made up of various commissions on loans granted for €1.101m and of commissions for corporate finance activities for €617 thousand.

2.3 Commission expense: breakdown

Services/Amounts	2015	2014
a) guarantees received[1]	91	1,037
b) credit derivatives		
c) management and brokerage services:	22	25
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	22	25
5. placement of financial instruments		
6. door-to-door distribution of financial instruments, products and services		
d) collection and payment services	1	2
e) other services[2]	171	192
Total	**285**	**1,256**

Changes of single items with respect to the data for the period of comparison (2015) are adequately illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

1 In 2014, these related mainly to commissions recognised to the State for the issuing of a guarantee on bank-issued bonds of €1.015m (€26 thousand in 2015).

2 Of which €59 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	2015		2014	
	Dividends	Income from investments in UCITS	dividends	Income from investments in UCITS
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	230	-	228	-
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-		-	
Total	**230**	**-**	**228**	**-**

The amount of €230 thousand consists mainly of dividends received from Enercoop S.r.l. (€118 thousand), Assietta Private Equity SGR S.p.A. (€62 thousand) and Alto Garda Servizi S.p.A. (€38 thousand).

SECTION 4 – NET TRADING INCOME – ITEM 80

4.1 Net trading income: breakdown

Transactions/Income items	Capital gains (A)[1]	Trading profits (B)[2]	Capital losses (C)[3]	Trading losses (D)[4]	Net 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	**370**	**85**	**347**	**70**	**38**
4.1 Financial derivatives:	370	85	347	70	38
- On debt securities and interest rates	370	85	347	70	38
- On equity securities and share indices					
- On currencies and gold					
- Other					
4.2 Credit derivatives					
Total	**370**	**85**	**347**	**70**	**38**

1 The item "Capital gains" includes positive fair value changes at 31.12.2015, accrued on IRS classified as "held for trading" for €8 thousand, the positive fair value changes on Cap options purchased by banks for €66 thousand and the negative fair value changes on Cap options sold to customers for €297 thousand.

2 The item "Trading profits" 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 purchased by banks for €284 thousand and the positive fair value changes on Cap options sold to customers for €63 thousand.

4 The item "Trading losses" includes premiums paid in relation to Cap options purchased from banks for €62 thousand and, conventionally, negative differentials accrued on swap contracts classified as "held for trading" (see Circular of the Bank of Italy 262/2005 chapter 2 – paragraph 3) for €8 thousand.

SECTION 6 – GAINS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items/Income items	2015			2014		
	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
3. Financial assets available for sale	4,093	-	4,093	7,435	-	7,435
3.1 Debt securities [2]	2,640	-	2,640	6,837	-	6,837
3.2 Equity securities [3]	1,453	-	1,453	598	-	598
3.3 Investments in UCITS	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**4,093**	**-**	**4,093**	**7,572**	**-**	**7,572**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

1 In 2014, the amounts recorded under item 2. of the financial assets relate to the capital gain resulting from the sale of doubtful loans.

2 The amounts recorded under item 3.1. of the financial assets relate to the capital gains realised on the sale of Government securities.

3 The amounts recorded under item 3.2. of the financial assets relate to the capital gain realised on the disposal of the investee company Piteco S.p.A. for €1.445m and on the sale of the rights to subscribe shares and warrants of Aedes SIIQ S.p.A. for €8 thousand.

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS – ITEM 130

8.1 Net value adjustments for impairment of loans: breakdown

Transactions/Income items	Adjustments (1)			Write-backs (2)				Total 2015	Total 2014
	Specific		Portfolio [3]	Specific [4]		Portfolio			
	Write-offs[1]	Other [2]		A	B	A	B		
A. Loans and advances to banks									(7)
- loans									(7)
- debt securities									-
B. Loans and advances to customers	(131)	(24,450)	(364)	3,518	4,414	-	-	(17,013)	(14,099)
Purchased impaired loans									
- loans									
- debt securities									
Other loans	(131)	(24,450)	(364)	3,518	4,414	-	-	(17,013)	(14,099)
- loans	(131)	(24,450)	(364)	3,518	4,414	-	-	(17,013)	(14,099)
- debt securities								-	-
C. Total	**(131)**	**(24,450)**	**(364)**	**3,518**	**4,414**	**-**	**-**	**(17,013)**	**(14,106)**

Legend

A= from interests

B= other write-backs

1 The item "adjustments – specific - write-offs" (€131 thousand) coincides with the "loan losses" item in the table Details of item 130. Net impairment adjustments" shown in the report on operations.

2 The item "adjustments - specific - other" (€24,450) coincides with the sum of the amounts shown in the Report on Operations, in the paragraph dedicated to income statement dynamics, table "Details of item 130. Net impairment adjustments", the items "case-by-case measurement - adjustments" (€24.450m) and the "initial FV of loans with interest" rate lower than the market rate" (€51 thousand).

3 The amount shown under the item "Loans and advances to customers – loans – portfolio adjustments" (€364 thousand), differs from what is displayed in the Report on operations in the paragraph dedicated to the income statement dynamics, Table "Details of item 130. Net impairment adjustments" – portfolio measurement - net effect (€984 thousand of write-backs) – (we refer to the amount shown in the column "net effect" because in the table shown in the Report on operations portfolio adjustments/write-backs are shown on the basis of the portfolios while in this table the amounts shown are those based on the classification of customers by category) for €1.348m related to the net portfolio adjustments to unlikely to pay and impaired past due loans which, as shown in Circular 262/2005 of the Bank of Italy were recognised under "Specific adjustments - other".

4 The total value of specific write-backs of €7.932 thousand differs from the sum of values reported in the Report on Operations in the paragraph dedicated to the income statement dynamics, table "Details of item 130. Net impairment adjustments", to the items "case-by-case measurement – write-backs" (€6.567m) and "collections on transactions completed in previous years" (€17 thousand) for an amount of €1.348m described in note 3.

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

Transactions/Income items	Adjustments (1)		Write-backs (2)		Total 2015 (3)=(1)-(2)	Total 2014 (3)=(1)-(2)
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities						-
B. Equity securities		(43)			(43)	(578)
C. Investments in UCITS		(207)			(207)	(183)
D. Loans and advances to banks						
E. Loans and advances to customers						
F. Total		**(250)**			**(250)**	**(761)**

Legend

A= from interests

B= other write-backs

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

Transactions/Income items	Adjustments (1)			Write-backs (2)				Total 2015 (3)= (1)-(2)	Total 2014 (3)= (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs [1]	Other		A	B	A	B		
A. Guarantees issued	(2)	-	(12)	-	-	-	-	(14)	(3)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other assets	-	-	-	-	-	-	-	-	-
E. Total	**(2)**	**-**	**(12)**	**-**	**-**	**-**	**-**	**(14)**	**(3)**

Legend

A= from interests

B= other write-backs

1 The item "adjustments - specific - write-offs" (€1,874.02) refers to the provisions in favour of the national guarantee fund for initiatives already resolved.

SECTION 9 – ADMINISTRATIVE COSTS – ITEMS 150

9.1 Payroll: breakdown

Type of expenses/Amounts	Total 2015	Total 2014
1) Employees	6,267	6,170
a) wages and salaries	4,264	4,307
b) social insurance	1,164	1,153
c) severance indemnities [1]	253	236
d) social security contributions	-	-
e) provision for severance indemnities	8	8
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g)) payments to external supplementary pension funds:	155	148
- defined contribution [2]	155	148
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	423	318
2) Other personnel currently employed	-	-
3) Directors and Auditors	500	457
4) Retired personnel	-	-
5) Cost recovery in relation to employees seconded to other companies	-	-
6) Cost recovery in relation to third party employees seconded to the company	-	-
Total	**6,767**	**6,628**

1 As per the instructions 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 external defined contribution funds.
2 The amount includes contributions to supplementary pension funds.

9.2 Average number of employees by category[1]

	2015	2014
Employees:	**75**	**74**
a) executives	3	3
b) total managerial staff	37	36
- of which: 3rd and 4th level	20	19
c) remaining employees	35	35
Other personnel	-	-

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

In order to give a better representation of the Bank's workforce, the table below shows the average number of employees calculated taking into account the actual number of hours for each part-time contract.

	2015	2014
Employees:	**80.5**	**78.6**
a) executives	3.0	3.0
b) total managerial staff	38.5	36.4
- of which: 3rd and 4th level	20.0	19.2
c) remaining employees	39.0	39.2
Other personnel	-	-

9.4 Other employee benefits

	2015	2014
Insurance policies	139	134
Training courses and travel expenses	78	46
Lunch vouchers	71	68
Costs for early termination of employment	50	-
Benefits in kind	19	20
Other short-term benefits	66	50
Total	**423**	**318**

9.5 Other administrative costs: breakdown

	2015	2014
1. IT costs	**655**	**631**
- outsourcing costs	421	414
- Other EDP (Electronic Data Processing) costs	234	217
2. Property related expenses	**446**	**437**
a) rental expenses	119	121
- property rental expenses	*119*	*121*
b) other expenses	327	316
- office cleaning	*81*	*88*
- building service charges	*24*	*37*
- maintenance and repair costs	*63*	*45*
- electricity, heating, water	*82*	*72*
- motor vehicles maintenance	*77*	*74*
3. Purchase of non-professional goods and services	**327**	**309**
- books, magazines, subscriptions	36	35
- information and cadastral services	78	73
- stationery, printing supplies, storage media	8	11
- surveillance	90	89
- databases and value-added networks	82	62
- post and telephones	33	39
4. Purchase of professional services	**1,071**	**975**
- legal and procedural costs	636	563
- professional fees	435	412
5. Insurance premiums	**34**	**36**
- other insurance policies	34	36
6. Advertising expenses	**184**	**202**
- advertising and sponsorships	163	179
- entertainment and gifts	21	23
7. Indirect taxes and duties	**195**	**142**
- substitute tax	74	20
- registration tax and dues	20	20
- local tax on real estate	59	58
- other taxes and duties (advertising, tosap - tax on occupation of public property -, stamp duty)	42	44
8. Other	**2,198**	**345**
- contributions to the banking crisis resolution fund	1.852	-
- membership fees [1]	235	228
- other expenses	111	117
Total	**5,110**	**3,077**

1 It is mainly due to the subscription to ABI (Italian Banking 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 2015	Total 2014
Provision for personnel incentive schemes	-	(100)
Net provisions for legal disputes underway	(698)	(31)
Total	**(698)**	**(131)**

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	(667)			(667)
A.1 Owned	(667)			(667)
- For operational use	(667)			(667)
- For investments				
A.2 Assets purchased under finance lease				
- For operational use				
- For investments				
Total	**(667)**			**(667)**

SECTION 12 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – ITEM 180

12.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets	(84)			(84)
A.1 Owned	(84)			(84)
- Generated internally by the company				
- Others	(84)			(84)
A.2 Purchased under finance lease				
Total	**(84)**			**(84)**

SECTION 13 – OTHER OPERATING CHARGES/INCOME – ITEM 190

13.1 Other operating charges: breakdown

	Total 2015	Total 2014
Securitisation costs refunded to the SPV	(334)	(429)
SPV ongoing operating expenses	(59)	(83)
Amortisation of leasehold improvement	(0)	(4)
Sundry operating expenses	(35)	(11)
Total	**(428)**	**(527)**

13.2 Other operating income: breakdown

	Total 2015	Total 2014
Recovery of procedural expenses	474	492
Servicer commission income in relation to securitisation	334	429
Tax refund/recovery	132	82
Sundry operating income	60	50
Total	**1,000**	**1,053**

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

14.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	2015	2014
A. Income	**-**	**-**
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	**(129)**	**(148)**
1. Write-downs[1]	(129)	(72)
2. Adjustments due to impairment [2]	-	(76)
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**(129)**	**(148)**

1 Expenses deriving from the application of the equity method to the valuation of equity investments refer entirely to the affiliated company Biorendena S.r.l. and subsidiary Paradisidue S.r.l..

2 In 2014, the charges from the adjustments 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	2015	2014
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	13	(4)
- Gains on disposal [1]	13	0
- Losses on disposal [2]	(0)	(4)
Net result	**13**	**(4)**

1 This item relates to gains on the sale of fully depreciated property, plant and equipment for a modest value of €13 thousand in 2015 and €855 in 2014.

2 This item relates to losses on the disposal of partially depreciated property, plant and equipment for a modest value of €31 thousand in 2015 and €3.5 thousand in 2014.

SECTION 18 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 260

18.1 Income taxes on current operations: breakdown

	Items/Amounts	Total 2015	Total 2014
1.	Current taxes (-)	215	(3,530)
2.	Change in current taxes of previous periods (+/-)	-	-
3.	Decrease in current taxes of the period (+)	-	-
3.bis	Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)[1]	+3,175	+2,145
5.	Change in deferred tax liabilities (+/-)	-	+137
6.	**Income taxes for the period (-) (-1+/-2+3+/-4+/-5)**	**3,390**	**(1,248)**

1 The amount shown under the item "change in deferred tax assets" (€3.175m) differs from what was shown in table 13.3 "Change in deferred tax assets (with contra-entry to the income statement)" as the balance of items "2. Increases" (€3.218m) and "3. Decreases" (€0.052m) amounting to €9 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 of 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. 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		Taxable	Tax	Rates
Loss from current operations profit before taxes **(item 250 IS)**		**(10,182)**		
Corporate income tax (IRES) – theoretical values:		**-**		**27.50%**
IRES variation due to decreases in the taxable income		(1,761)	-	
IRES variation due to increases in the taxable income		6,333	-	
Tax loss - 2015		**(5,610)**	**-**	
Surplus on 2014 IRES and reimbursement for 10% IRAP deduction			190	
Other components			(2)	
A. Actual tax charge – current corporate income tax (IRES)			**188**	
Increases in deferred tax assets			2,968	27.50%
Decreases in deferred tax assets			(43)	27.50%
Increases in deferred tax liabilities			-	
Decreases in deferred tax liabilities			-	
B. Total effect of deferred corporate income tax (IRES)			**2,925**	
C. Total actual IRES charge (A+B)			**3,113**	**-30.56%**
Regional tax on industrial activities IRAP – application of nominal tax rate **(difference between net interest and other banking income and deductible expenses)**		**1,816**		**4.65%**
IRAP variation due to a decrease in production value		(6,163)		
IRAP variation due to an increase in production value		1,432		
Net value of production - 2015		**(2,915)**	**-**	
Surplus on 2014 IRAP			27	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)			**27**	
Increases in deferred tax assets			250	4.65%
Decreases in deferred tax assets			-	
Increases in deferred tax liabilities			-	
Decreases in deferred tax liabilities			-	
E. Total effect of deferred regional tax on industrial activities (IRAP)			**250**	
F. Total actual IRAP charge	**(D+E)**		**277**	**-2.72%**
Total current taxes IRES/IRAP **(item 260 CE)**	**(A+D)**		**217**	
Total actual tax charges IRES/IRAP **(item 260 IS)**	**(C+F)**		**3.390**	**-33.28%**

SECTION 20 – OTHER INFORMATION

Parent company: exemption from the requirement of drawing up the consolidated financial statements

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 wholly-owned real estate company Paradisidue S.r.l. 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 31/12/2015 of €8.4m) 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 whose value, appropriately estimated, corresponds to market values and the equity investment is booked in the financial statements of the Bank at equity.
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 statistical reports under the existing supervisory regulations.

SECTION 21 – EARNINGS PER SHARE

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

During the year 2015 there was no dilution of Mediocredito's share capital as neither the number of its shares nor their nominal value changed. The average number of shares is therefore, 112,470,400, equal to the exact value.

21.2 Other information

Taking into the loss for the year of €6.792m, the loss per share is €0.0604.

Earnings per share

	2015	2014
Earnings (loss) per share	(0.0604)	0.0123
Diluted earnings (loss) per share	(0.0604)	0.0123

PART D

COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Income tax	Net amount
10.	INCOME (LOSS) FOR THE YEAR			**(6,792)**
Other comprehensive income without reversal to income statement				
40.	DEFINED BENEFIT PLANS	**32**	**(9)**	**23**
Other comprehensive income with reversal to income statement				
100.	FINANCIAL ASSETS AVAILABLE FOR SALE:	**(938)**	**136**	**(802)**
	a) fair value changes	205	(53)	152
	b) reversal to income statement	(1,143)	189	(954)
	- adjustments due to impairment	-	-	-
	- capital gains/losses	(1,143)	189	(954)
	c) other changes	-	-	-
130.	TOTAL OTHER INCOME COMPONENTS	**(906)**	**127**	**(779)**
140.	TOTAL COMPREHENSIVE INCOME (Item 10+130)			**(7,571)**

PART E

INFORMATION ON RISKS AND RELATED HEDGING POLICIES

PREMISE

As mentioned earlier, given its size and its business model that is primarily focused on medium to long-term credit, the Bank's 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 report on operations dedicated to these issues.
In 2015, the Bank maintained its system of controls, planning and management of risks to comply with the innovations included in Bank of Italy Circular no. 285/2013. 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 risk to which the Bank is exposed derives mainly from the typical activity of granting medium to long term loans to businesses, in different technical forms and largely secured by the necessary suitable guarantees.
However, we point out that at the date of these financial statements the Bank was not exposed either directly or indirectly to the structured credit products of the ABS (Asset Backed Securities) and CDO (Collaterised Debt Obligation) type linked to sub-prime and Alt-A loans or to financial products that the market perceives as risky.

2. CREDIT RISK MANAGEMENT POLICY

2.1 Organisational aspects

Credit Risk is defined as the risk of facing an unexpected loss/impairment of value/earnings because of the default 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.

In the light of the provisions contained in Part One, Title IV, Chapter 3 of the Bank of Italy Circular 285/2013 regarding internal controls and the significance attached to the efficiency and effectiveness of the credit process and associated control system, 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 proxies and the signing powers concerning credit disbursement;
- define the criteria for the assessment of creditworthiness;
- define the methods for the renewal of loans;
- define the methods of performance monitoring and credit risk measurement and the types of actions to be taken in the event anomalies are detected.

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 management organisational process is based on the principle of separation between its own preliminary 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 macro areas:

- credit planning: carried out in accordance with the development and risk/reward policies as defined by the Board of Directors as part of the Risk Appetite Statement;
- 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 constantly checking 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 Department.

The process of assumption and control of credit risk, incorporated in an internal policy, is monitored 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 plans, the evaluation of guarantees (supplemented, for industrial and commercial companies, by the assignment of an internal score/rating).
The loan portfolio is monitored by the Monitoring and Restructuring Department and the most impaired loans in the portfolio by the Legal Department. The Risk Management Office cooperates with the Management, also as part of the Credit Risk Management Committee, to define and monitor risk policies and for the assessment of lending.

2.2 Management, measurement and control systems

Policies aimed at maintaining portfolio integrity are implemented through an intense and systematic monitoring action, above all with regards to exposures most at risk (performed by the Monitoring and Restructuring Department) through direct relations with customers and/or the acquisition and assessment of financial statements, accounts or other documents, sometimes also jointly with Regional Units. These policies are summarised at the frequent meetings of the Credit Risk Management Committee, a body responsible for defining the relevant guidelines and examining the outcome of specific operations carried out by the Offices in charge.
Operational methods, already introduced to the monitoring process a few years ago, designed to increase the speed of identification and efficiency of managing loans characterised by a deteriorated

risk profile, allow the advance submission of positions that are believed could deteriorate in the future (despite regular repayments) to the attention of the Credit Risk Management Committee.
Reporting to the Credit Risk Management Committee is structured into:
- loan control and monitoring activities;
- analysis of past due loans and/or characterised by concessions (forborne);
- analysis and control of potentially problematic performing loans;
- collection of adjusted doubtful loans.

Within the context of loan control and monitoring activities, the following are also shown:
- the yearly outcome of the appraisal by the Monitoring and Restructuring Department (generated with the help of 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, targeted at examining signs that could indicate a possible worsening of the risk profile of the debtor, aimed at performing loans that fall within a marked perimeter, focused primarily on the analysis of data of the Centrale Rischi (central credit register) and the main company 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 Planning and Control Function and Risk Management fall within the scope of credit risk monitoring. In particular, the aforementioned functions conduct quarterly and half-yearly analyses on the evolution and trend in credit risk, periodically reporting to the top management and the Board of Directors.
For the purpose of determining the internal capital to cover the credit risk, the Bank uses the standardised approach adopted for the determination of prudential requirements in respect of credit risk. In its interim check of the internal capital adequacy assessment process (ICAAP) and monitoring of the actual risk profile as part of the Risk Appetite Statement (RAS), it calculates, on a quarterly basis, the absorbed internal capital to cover the credit risk, also by carrying out stress testing.

2.3 Credit risk mitigation techniques

In accordance with the Bank’s specific fields of operation, Credit Risk Mitigation techniques consist mainly of "Exposures secured by real estate”.
The relative process of the policies for the eligibility of guarantees and the mapping of business processes related to the management of real estate as collateral for loans has been defined, and approved by the Board of Directors.

Regarding the size of guarantees securing the loan portfolio, a large portion of the risk is secured 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 are full bank guarantee) or normal (liens on company assets, ownership of real estate in the case of leasing operations, other operations that accompany various types of collateral and / or guarantee fund initiatives); such guarantees are often supplemented by 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 secured by guarantees, at least partial, or by covenants) amounted to €83.2m (€83.5m in 2014). At 31 December 2015 the ratio of the operations to loans due to expire came to 25.8% (25.1% at the end of 2014), a ratio lower than the limits set for the year (26.5%).
Operations within the construction sector remained very low. In the whole of 2015, disbursements came to just €1.6m (€1m in 2014, €4m in 2013 and €2.6m in 2012) equal to 6.0% of the total loans

at 31 December (down compared to 6.8% in December 2014, 7.5% in December 2013 and 9.3% in December 2012 - excluding doubtful loans) and below the set limits for the financial year 2015 (7%).
A breakdown by geographical area of the initiatives shows that the concentration profile of the activities in the target areas remains substantially unchanged (the loan portfolio is concentrated for 46.6% in Trentino-South Tyrol, 23.8% in Veneto, 10.0% in Emilia Romagna, 11.3% in Lombardy and 8.3% in other areas).
In relation to "significant risk", at 31.12.2015 we highlight just two loans: one exposure to central governments (Italian government securities), and the other to a supervised local intermediary.

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 implements all timely management actions with the aim of achieving a return to normality.
In the event of a particular deterioration in the relationship, the position is transferred to the Legal Department, which manages the re-entry phase, if necessary through the launch of enforcement proceedings. The Legal Department therefore presides over a part of unlikely to pay loans and all doubtful loans.
The detailed analysis of significant positions is bought to the attention of the Credit Risk Management Committee, which meets at least every two months, evaluates the actions to be taken and decides whether to alter the status of the impaired loans.
Reporting to the Credit Risk Management Committee relating to the analysis of the situation of past due loans is broken down by risk severity and duration into:

- Past due Status "Normal";
- Past due Status "Past due 90";
- Past due Status "Past due 180";
- Past due status "Unlikely to pay".

Every six months, the organisational units of the Credit Risk Management Committee, in coordination with the General Management, carry out an evaluation on the positions in question, to verify the existence of objective evidence of possible impairment losses (impairment test). The evaluation process makes provision for an analytical examination of impaired positions by applying the methodologies and criteria set out in Part A – Accounting Policies. In 2015, in compliance with the amendments introduced by the updates of the supervisory provisions that acknowledge the ITS EBAs of January 2015 regarding non-performing loans, the appropriate policy for the classification, measurement and management of impaired loans was updated; it requires, in particular, the determination of recovery forecasts to be formalised in detail for each position analysed to allow the evaluation and calculation process to be traced and reconstructed.
Verification of 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 work of the operating and credit recovery units, ensuring the correct classification of the impaired exposures and the adequacy of the related degree of unrecoverability.
As regards the risk indicator of the portfolio developed by the Bank of Italy[39] it is reported that when analysing the historical performance of the most significant aggregate for our operations (non-financial corporations in North-eastern Italy), the Bank's average value is below the result of the System. In the last five years, in particular, as is well known, characterised by a severe economic

39 Data updated as at 30 September 2015

crisis, the average (2.4% calculated on amounts) is below that of the system (3.3%), with a figure that clearly improved during 2011-2012 and was essentially in line from 2013 to 2015.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purpose of quantitative disclosure on credit quality and in compliance with the provisions of the Bank of Italy, the expression "credit exposures" does not include equity securities and Investments in UCITS, while the expression "exposures" does include them.

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

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

Portfolio/quality	Doubtful loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Performing assets	Total
1. Financial assets available for sale					77,510	**77,510**
2. Financial assets held to maturity						
3. Loans and advances to banks				-	61,484	**61,484**
4. Loans and advances to customers	90,695	54,415	7,383	21,926	987,602	**1,162,021**
5. Financial assets at fair value						
6. Financial assets to be sold						
Total 2015	**90,695**	**54,415**	**7,383**	**21,926**	**1,126,596**	**1,301,015**
Total 2014	**82,469**	**57,306**	**17,035**	**36,587**	**1,516,689**	**1,710,086**

Details of loans and advances to customers subject to concessions (forborne)

Portfolio/quality	Doubtful loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Performing assets	Total
4. Loans and advances to forborne customers	6,973	23,808	529	4,577	27,718	**63,605**

Detailed information on performing loans

Net exposure of performing loans by period overdue

Portfolio/quality	Regular loans	Period overdue			
		Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year
4. Loans and advances to banks	61,484	-	-	-	-
5. Loans and advances to customers	987,602	12,451	9,297	128	50
Subject to renegotiation under collective agreements [1]	-	-	-	-	-
Other exposures	*987,602*	*12,451*	*9,297*	*128*	*50*

Details of amounts overdue for performing loans by period overdue

Portfolio/quality	Net exposure	Period overdue			
		Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year
4. Loans and advances to banks	61,484	-	-	-	-
5. Loans and advances to customers	1,009,528	285	55	2	0
Subject to renegotiation under collective agreements [1]	-	-	-	-	-
Other exposures	*1,009,528*	*285*	*55*	*2*	*0*

1 The Bank no longer holds exposures that benefit from renegotiations granted under agreements between ABI and the trade associations.

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

	Impaired assets			Performing assets			
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	Total (net exposure)
1. Financial assets available for sale				77,510		77,510	**77,510**
2. Financial assets held to maturity							
3. Loans and advances to banks				61,522	38	61,484	**61,484**
4. Loans and advances to customers	233,309	80,816	152,493	1,015,838	6,310	1,009,528	**1,162,021**
5. Financial assets at fair value							
6. Financial assets to be sold							
Total 2015	**233,309**	**80,816**	**152,493**	**1,154,870**	**6,348**	**1,148,522**	**1,301,015**
Total 2014	**223,235**	**66,426**	**156,810**	**1,559,387**	**6,110**	**1,553,276**	**1,710,086**

The Bank did not carry out partial cancellations of any impaired financial assets in the portfolio.

	Assets of clearly low credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	478
2. Hedging derivatives	-	-	-
Total 2015	**-**	**-**	**478**
Total 2014	**-**	**-**	**696**

A.1.3 Balance sheet and off-balance sheet credit exposures to banks: gross values, net values and past due brackets

Type of exposure/Amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Impaired assets				Performing assets			
	Up to 3 months	more than 3 months to 6	more than 6 months to 1	Over 1 year				
A. CASH EXPOSURES								
a) Doubtful loans	-	-	-	-		-		-
- of which exposures subject to concessions	-	-	-	-		-		-
b) Unlikely to pay	-	-	-	-		-		-
- of which exposures subject to concessions	-	-	-	-		-		-
c) Impaired past due exposures	-	-	-	-		-		-
- of which exposures subject to concessions	-	-	-	-		-		-
d) Performing past due exposures					-		-	-
- of which exposures subject to concessions					-		-	-
e) Other performing exposures [1]					62,457		38	62,419
- of which exposures subject to concessions					-		-	-
TOTAL A	**-**	**-**	**-**	**-**	**62,457**	**-**	**38**	**62,419**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	-	-	-	-		-		-
b) Performing					1,512		-	1,512
of which Derivatives					*478*		-	*478*
Guarantees issued					*1,034*		-	*1,034*
TOTAL B	**-**	**-**	**-**	**-**	**1,512**	**-**	**-**	**1,512**
TOTAL A+B	**-**	**-**	**-**	**-**	**63,969**	**-**	**38**	**63,931**

1 Other performing exposures include €934 thousand in bank bonds that do not satisfy the requirements for eligibility for ECB refinancing. For details, please refer to the report on operations chapter "The securities portfolio".

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

Type of exposure/Amounts	Gross exposure – Impaired assets – Up to 3 months	Gross exposure – Impaired assets – From more than 3 months to 6 months	Gross exposure – Impaired assets – From more than 6 months	Gross exposure – Impaired assets – Over 1 year	Gross exposure – Performing assets	Specific adjustments	Portfolio adjustments	Net exposures
A. CASH EXPOSURES								
a) Doubtful loans	2,126	3,516	2,659	147,174		64,780		90,695
- of which exposures subject to concessions	2,126	202	627	5,442		1,424		6,973
b) Unlikely to pay	20,123	2,168	14,442	33,484		15,802		54,415
- of which exposures subject to concessions	17,295	168	7,595	4,882		6,132		23,808
c) Impaired past due exposures	1,781	2,241	1,528	2,067		234		7,383
- of which exposures subject to concessions	20	-	424	128		43		529
d) Performing past due exposures					22,214		287	21,926
- of which exposures subject to concessions					4,604		27	4,577
e) Other performing exposures [1]					1,070,199		6,023	1,064,177
- of which exposures subject to concessions					28,020		302	27,718
TOTAL A	**24,030**	**7,925**	**18,629**	**182,725**	**1,092,413**	**80,816**	**6,310**	**1,238,596**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	32	-	-	-		-		32
b) Performing					13,411		17	13,394
of which Commitments					*8,814*		-	*8,814*
Guarantees issued					*4,597*		*17*	*4,580*
TOTAL B	**32**	**-**	**-**	**-**	**13,411**	**-**	**17**	**13,426**
TOTAL A+B	**24,062**	**7,925**	**18,629**	**182,725**	**1,105,824**	**80,816**	**6,327**	**1,252,022**

1 These are securities issued by the Italian Government eligible for ECB refinancing (€76.6m). For details, please refer to the report on operations chapter "The securities portfolio".

Information on exposures subject to concessions which, in the "cure period" were not past due (of which past due bracket "up to 3 months")

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposures
Doubtful loans subject to concessions	2,119	410	-	1,709
Unlikely to pay subject to concessions	16,784	2,621	172	13,991
Impaired past due exposures subject to concessions	20	-	0	20

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

	Reasons/Categories	Doubtful loans	Unlikely to pay	Past due exposures	Substandard loans	Restructured exposures
A.	**Gross closing balance 2014**	**133,563**	**-**	**10,854**	**68,863**	**15,424**
	Reclassified to performing loans				(2,769)	(2,698)
	Reclassified to other categories of impaired exposures				(66,094)	(12,725)
	Reclassified to other impaired categories		72,472	6,347	-	
A.	**Gross opening balance 2015**	**133,563**	**72,472**	**17,201**	**-**	**-**

	Reasons/Categories	Doubtful loans	Unlikely to pay	Past due exposures
A.	**Gross opening balance**	**133,563**	**72,472**	**17,201**
	- of which: exposures sold and not derecognised	-	-	-
B.	**Increases**	**31,299**	**32,277**	**10,094**
B.1	transfers from performing loans	1,338	14,821	9,455
B.2	transfers from other categories of impaired exposures	28,692	15,803	-
B.3	other increases [1]	1,269	1,653	639
C.	**Decreases**	**9,387**	**34,532**	**19,678**
C.1	transfers to performing loans	118	2,406	1,883
C.2	derecognitions	2,364	35	-
C.3	collections [1]	6,721	3,621	1,230
C.4	sale proceeds	-	150	-
C.5	losses on disposal	-	4	-
C.6	transfers to other categories of impaired exposures	-	27,963	16,532
C.7	other decreases	184	353	33
D.	**Gross closing balance**	**155,475**	**70,217**	**7,617**
	- of which: exposures sold and not derecognised	-	-	-

1 The column doubtful loans also includes €17 thousand related to collections of doubtful loans completed in the previous years as per the clarifications of the Bank of Italy (Letter "Budget and Supervision reports" - February 2012).

A.1.7*bis* Credit exposures to customers: trend in gross exposures subject to concessions broken down by credit quality

	Reasons/Categories	Exposures subject to concessions: impaired	Exposures subject to concessions: performing
A.	**Gross opening balance**	**-**	**-**
	- of which: exposures sold and not derecognised		
B.	**Increases**	**41,083**	**38,704**
B.1	transfers from performing loans not subject to concessions	8,197	9,310
B.2	transfers from performing loans subject to concessions	3,033	
B.3	transfers from impaired loans subject to concessions		635
B.3	other increases	29,853	28,759
C.	**Decreases**	**2,174**	**6,080**
C.1	transfers to performing loans not subject to concessions		-
C.2	transfers to performing loans subject to concessions	635	
C.3	transfers to impaired loans subject to concessions		3,033
C.4	derecognitions	-	-
C.5	collections	1,403	3,047
C.6	sale proceeds	-	-
C.7	losses on disposal	-	-
C.8	other decreases	136	-
D.	**Gross closing balance**	**38,909**	**32,624**
	- of which: exposures sold and not derecognised	-	-

The balance in the 2014 financial statements relating to existing positions as at said date that, were reclassified in 2015 as "exposures subject to concessions", in compliance with the new regulations, was restored to item B.3 "other increases", amounting to €28.955m for impaired positions and €28.759m for performing positions.

A.1.8 Impaired credit exposures to customers: trend in overall impairment

	Reasons/Categories	Doubtful loans	Unlikely to pay	Past due exposures	Substandard loans	Restructured exposures
A.	**Overall closing adjustments 2014**	**51,094**	**-**	**105**	**12,160**	**3,223**
	Reclassified to performing loans				(11)	(145)
	Reclassified to other categories of impaired exposures				(12,149)	(3,078)
	Reclassified from other impaired categories		15,166	61	-	
A.	**Overall opening adjustments 2015**	**51,094**	**15,166**	**166**	**-**	**-**

	Reasons/Categories	Doubtful loans		Unlikely to pay		Past due exposures		Performing loans	
		Total	Of which: exposures subject to concessions	Total	Of which: exposures subject to concessions	Total	Of which: exposures subject to concessions		
A.	**Overall opening adjustments**	**51,094**	**-**	**15,166**	**-**	**166**	**-**	**6,072**	
	- of which: exposures sold and not derecognised	-	-	-	-	-	-	-	
B.	**Increases**	**20,456**	**1,872**	**7,427**	**7,480**	**181**	**108**	**365**	
B.1	value adjustments	17,009	1,148	7,391	3,456	181	45	365	
B.2	losses on disposal	-	-	-	-	-	-	-	
B.3	transfers from other categories of impaired exposures	3,430	659	36	30	-	-	-	
B.4	other increases [1 2]	17	65	-	3,994	-	63	-	
C.	**Decreases**	**6,770**	**448**	**6,791**	**1,348**	**113**	**65**	**127**	
C.1	write-backs from valuation	4,176	448	3,184	689	73	35	127	
C.2	write-backs from collection [1]	230	-	142	-	0	-	-	
C.3	profit on disposal	-	-	-	-	-	-	-	
C.4	derecognitions	2,364	-	35	-	-	-	-	
C.5	transfers to other categories of impaired exposures	-	-	3,426	659	40	30	-	
C.6	other decreases	-	-	4	-	-	-	-	
D.	**Overall closing adjustments**	**64,780**	**1,424**	**15,802**	**6,132**	**234**	**43**	**6,310**	
	Losses due to below market rates	-		-		-		-	
	Total net credit adjustments	**12,603**	**700**	**4,065**	**2,767**	**107**	**10**	**238**	**17,013**[3]

1 The column doubtful loans includes €17 thousand related to the collection of doubtful loans completed in the previous years as per the clarifications of the Bank of Italy (Letter "Financial statements and Supervisory reports" - February 2012).

2 In relation to loans subject to concessions, the adjustments in the 2014 financial statements relating to the existing positions as at said date which, in 2015, were reclassified as "exposures subject to concessions", in compliance with the new regulations, were restored to item B.4 "other increases".

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

A.2 Classification of exposures based on external and internal ratings

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

Exposures	External rating classes							
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-	No rating	Total
A. Balance sheet exposures	**-**	**-**	**76,990**	**520**	**-**	**-**	**1,223,505**	**1,301,015**
B. Derivatives	**-**	**-**	**478**	**-**	**-**	**-**	**-**	**478**
B.1 Financial derivatives	-	-	478	-	-	-	-	478
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**5,615**	**5,615**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**8,846**	**8,846**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**77,468**	**520**	**-**	**-**	**1,237,966**	**1,315,954**

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

Rating class	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 balance sheet exposures with counterparties with a rating relate entirely to Government or Bank bonds classified in the available for sale portfolio.
With regard to the loan portfolio of the Bank, mainly made up of loans to small and medium sized enterprises, the amount of exposures attributed an external rating are rather negligible, for which the entire exposure is presented under the column "no rating".
With regard to financial derivatives the overall notional amount is €31.7m and is distributed as follows: €31.3m with counterparties rated Baa2, €0.4m with counterparties rated Baa3.

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

At present, the Bank does not have internal ratings of its lending portfolio: however, the Bank traditionally performs an in-depth monographic analysis of the economic, financial and sector 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

	Value of exposure	Collaterals (1)				Personal guarantees (2) – Credit derivatives					Personal guarantees (2) – Endorsement loans				Total (1)+(2)
							Other derivatives								
		Properties - mortgages	Properties – finance lease	Securities	Other collaterals	Credit linked notes	Government & central banks	Other public entities	Banks	Others	Government & central banks	Other public entities	Banks	Others	
1. Secured Balance sheet credit exposures															
1.1 fully secured	688,570	541,369	45,565	5,085	2,476							4,405	19,018	70,652	688,570
- of which impaired	127,433	123,808	451	27										3,147	127,433
1.2 partially secured	190,292	33,513		2,372	4,056							1,992	51,330	9,083	102,346
- of which impaired	19,611	15,172			215							1,992	806	35	18,220
1. Secured off-Balance sheet credit exposures															
1.1 fully secured	4,154	1,551		720	288								340	1,258	4,157
- of which impaired															
1.2 partially secured															
- 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			Insurance companies			Non-financial corporations			Others		
	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	Net exposures	Specific adjustments	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Doubtful loans							1,580	3,905					87,481	60,369		1,634	505	
of which exposures subject to concessions													5,967	1,093				
A.2 Unlikely to pay							535	541					51,905	14,898		1,975	362	
of which exposures subject to concessions							534	541					23,135	5,572		139	19	
A.3 Impaired past due exposures													7,274	234		109	0	
of which exposures subject to concessions													529	43				
A.4 Performing exposures	76,575			88,542		133	60,085		87				828,609		6,049	32,293		41
of which exposures subject to concessions							663		1				31,344		328	288		1
Total A	**76,575**			**88,542**		**133**	**62,200**	**4,446**	**87**				**975,269**	**75,501**	**6,049**	**36,011**	**867**	**41**
B. Off-balance sheet exposures																		
B.1 Doubtful loans																		
B.2 Unlikely to pay													32					
B.3 Other impaired assets																		
B.4 Performing loans													13,394		17			
Total B													**13,426**		**17**			
Total (A+B) (2015)	**76,575**			**88,542**		**133**	**62,200**	**4,446**	**87**				**988,695**	**75,501**	**6,066**	**36,011**	**867**	**41**
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**

B.2 Breakdown of balance sheet and off-balance-sheet credit exposures to customers by area (book value) [40]

Exposures/Geographic areas	Italy		*of which North-East*		*of which other areas*		Other European Countries	
	Net exposures	Total value adjustments	*Net exposures*	*Total value adjustments*	*Net exposures*	*Total value adjustments*	Net exposures	Total value adjustments
A. Balance sheet exposures								
A.1 Doubtful loans	90,695	64,780	*61,813*	*42,175*	*28,882*	*22,605*		
A.2 Unlikely to pay	52,273	15,689	*34,938*	*11,516*	*17,335*	*4,173*	2,142	113
A.4 Impaired past due exposures	7,383	234	*6,969*	*189*	*414*	*45*		
A.5 Performing exposures	1,083,515	6,306	*865,359*	*5,311*	*218,566*	*995*	2,588	4
Total A	**1,233,866**	**87,009**	***969,079***	***59,191***	***264,787***	***27,818***	**4,730**	**117**
B. Off-balance sheet exposures								
B.1 Doubtful loans								
B.2 Unlikely to pay	32				*32*			
B.3 Other impaired assets								
B.4 Performing loans	13,394	17	*11,493*	*15*	*1,902*	*2*		
Total B	**13,426**	**17**	***11,493***	***15***	***1,934***	***2***	**-**	**-**
Total (A+B) 2015	**1,247,292**	**87,026**	***980,571***	***59,206***	***266,720***	***27,820***	**4,730**	**117**
Total (A+B) 2014	**1,554,951**	**72,268**	***1,012,218***	***48,483***	***542,734***	***23,425***	**15,558**	**234**

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 value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Balance sheet exposures										
A.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Performing exposures	62,419	-	-	-	-	-	-	-	-	38
Total A	**62,419**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38**
B. Off-balance sheet exposures										
B.1 Doubtful loans										
B.2 Unlikely to pay										
B.3 Other impaired assets										
B.4 Performing loans	1,512									
Total B	**1,512**								**-**	**-**
Total (A+B) 2015	**63,931**								**-**	**38**
Total (A+B) 2014	**149,680**								**-**	**38**

B.4 Significant exposures

	2015	**2014**
a) Amount (book value)	130,063	466,771
b) Amount (weighted value)	53,488	121,018
c) Number	2	2

40 The data represented here are slightly different from the data 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 notes to the financial statements 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.

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 S.p.A. pursuant to Law 130/99 called "Cassa Centrale Finance 3" as well as "BCC SME Finance 1" started in 2009 and 2012 respectively. The sole purpose of the transaction is to enable financial assets to be eligible for refinancing operations with 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 financial statements 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 a contained number of financial instruments classified in the regulatory trading portfolio, with regard to both numbers and amount: these relate, in particular, to 38 cap options on interest rates, of which 19 contracts with ordinary customers and 19 corresponding contracts with banking counterparties. The measurement of the interest rate risk of these operations is carried out in the context of the Asset & Liability Management process of the overall portfolio.
It is highlighted that in keeping with its risk profile the Bank was not exposed either directly or indirectly to the credit products of the ABS (Asset Backed Securities) and CDO (Collaterised Debt Obligation) type linked to sub-prime and Alt-A loans or to financial products that the market perceives as risky, at the date of these financial statements.
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 and price risk

The interest risk incurred 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 the amortisation plan 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 "Planning and control" function is the organisational 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 net interest income and in particular highlights "base risk" exposure) and to Simulation Analysis (which measures changes to cash flows and to the economic results for the period in scenarios characterised by diversified forward interest rates). The management of this financial risk in question is carried out monthly other quarterly and at least through the quarterly meetings of the ALCO Committee (Asset/Liability Committee) are convened; a periodic 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 2015 the Bank did not initiate any cash flow hedging transactions.

Quantitative information

Banking book: internal models and other sensitivity analysis methods

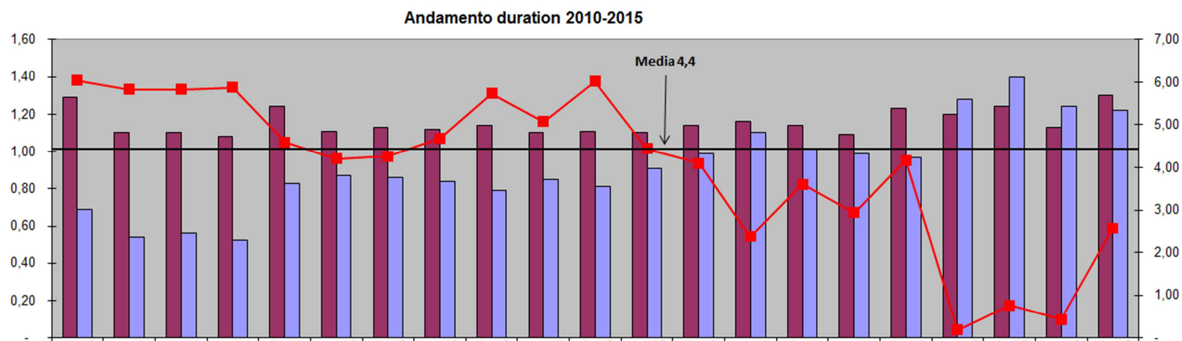
As we have already mentioned, the Bank uses asset liability management techniques to measure the impact ("sensitivity") that changes in the interest rates structure could have on the expected financial margin and on the market value of equity in relation to the overall portfolio of the Bank.
The Asset/Liability 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 all the assets and liabilities into a series of time intervals (initially shorter and then increasingly longer intervals) according to the repricing timescales. The algebraic sum of the items of each "time bucket" of one year is the basis for simulating the effect on the interest margin of a rate shock (specifically given an instantaneous, unique and parallel shift in general market rates of plus/minus 100 basis points). 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 sensitive asset and liability transactions.
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	+2,878	-2,878
Net income change	+ 1,952	-1,952

The analysis of the effect on the margin shows greater volatility with respect to the previous year (-/+ 298 thousand in 2014). This increase is the result of the volumes of assets subject to repricing over the year higher than the volumes of liabilities over the reference time horizon. The main cause of this mismatching is the use of largely fixed-rate forms of funding, not accompanied by as many fixed-rate loans. As highlighted by the model, any increase in interest rates would have hugely positive effects on the annual margin accruing.
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 sensitive asset and liability transactions.

The main sensitivity data relative to the financial years 2010 – 2015 are shown below:



	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	mar-15	giu-15	set-15	dic-15
Attivo	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	1,20	1,24	1,13	1,30
Passivo	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	1,28	1,40	1,24	1,22
Portafoglio	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	0,18	0,76	0,44	2,57

The indicator stands at 2.57, lower than the figure of 31.12.2014 (4.17), sitting below the limits envisaged by the 2015 risk profiles. It should be noted that the fixed-rate, medium-term bond issue of € 200 million completed in January 2015, reduced the indicator to almost zero, bringing it down to all-time lows for the bank. During the year, the indicator recorded an increase, the result, in particular, of the use of fixed-rate loans in the last quarter of the year (in addition to a normal "rebound" of the duration of assets in the presence of significant variable rate volumes that reprice in June and December in particular - so-called “drift effect”) and the natural shortening of funding, mostly fixed rate, remaining however at lower levels than the average observed in the period (4.4).

The stress test of +/-100 b.p shows a clear reduction in the effect on equity, which fell from -/+ €5.7m in December 2014 to -/+ €2.0m in December 2015 (-65%), therefore representing a lower sensitivity of equity to a change in interest rates.

Volatility of the market value of equity (thousands of Euro)

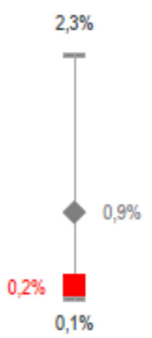
Instantaneous and parallel shift in the interest rate yield curve	+100 bp	-100 bp
Change in the value of equity	- 1,977	+1,977

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, mostly 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 specialised organisational units created on an ad-hoc basis and subject to review by the Investment Committee. Lastly, investment transactions are resolved by the Board of Directors after ascertaining that they comply with the prudential limitations set forth by the Supervisory Authority.
Every six months, just like for other financial statement items, an in-depth valuation process is conducted, subject to validation by the Investment and Committee and adequately documented, aimed at verifying the existence of objective evidence of impairment (impairment test).
Specific procedures are implemented for managing the price risk of debt securities classified mainly in the portfolio of assets available for sale. The Bank purchased Government and bank bonds that are eligible for refinancing with the European Central Bank. For the evaluation of such assets, 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 31/12/2015	0.150
Minimum (28/12/2015)	0.131
Maximum (05/01/2015)	1.941
Average	0.672



Both the actual data at year-end and the average show a limited risk presented by the securities portfolio. As regards the trend in the indicator over the 12 months analysed, in a context of a constantly falling VaR (the maximum and minimum values were verified at the start of January and end of December respectively), only one significant deviation was identified with respect to the average, attributable to portfolio trading. As confirmation of the low risk of the Bank's securities portfolio, it should be noted that the VaR expressed as a percentage of the value of the portfolio itself, stayed at levels clearly below the banking system average (0.2% as at 31.12.2015 compared to the system’s 0.9%).

2.3 EXCHANGE RISK

Qualitative information

Foreign currency lending transactions pertain to the Bank's main non-trading activity and are marginal items with respect to the overall portfolio: they are financed with short-term foreign currency deposits with correspondent banks essentially for 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 2015.

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					**1,085**	
A.1 Debit securities						
A.2 Equity securities						
A.3 Loans and advances to banks						
A.4 Loans and advances to customers					1,085	
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities					**865**	
C.1 Amounts due to banks					865	
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					**1,085**	
Total liabilities					**865**	
Difference (+/-) [1]					**+220**	

1 The difference of €220 thousand between assets and liabilities is due to a time mismatch in the first few months of 2016 of the renewal of part of the funding in foreign currency.

2.4 FINANCIAL DERIVATIVES

A. Financial derivatives

A.1 Regulatory trading portfolio: notional values at end of the period

Underlying assets/Types of derivative	2015		2014	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rates	63,481		63,327	-
a) Options [1]	63,481		62,946	
b) Swaps[2]			381	
c) Forwards				
d) Futures				
e) Others				
2. Equity instruments and share indices				-
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Others				
3. Currencies and gold				-
a) Options				
b) Forward				
c) Futures				
d) Cross currency swaps				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**63,481**		**63,327**	**-**

1 These relate to cap options sold to ordinary customers and the associated counter-hedges purchased from bank counterparties.
2 These are interest rate swaps, in 2014, related to lending operations but classified in the trading portfolio.

A.3 Financial derivatives: gross positive fair value – breakdown by product

Underlying assets/Types of derivative	Positive Fair value			
	2015		2014	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	478		696	-
a) Options[1]	478		696	
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
B. Banking portfolio – hedging derivatives	-		-	-
a) Options				
b) Interest rate swaps	-		-	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
C. Banking portfolio – other derivatives	-			-
a) Options				
b) Interest rate swap				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
Total	**478**	**-**	**696**	**-**

1 These relate to cap options purchased from bank counterparties to counter-hedge corresponding options sold to ordinary customers.

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

Underlying assets/Types of derivative	Positive Fair value			
	2015		2014	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	463		709	-
a) Options[1]	463		696	
b) Interest rate swaps[2]			13	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
B. Banking portfolio – hedging derivatives				-
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
C. Banking portfolio – other derivatives				-
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
Total	**463**		**709**	**-**

1 These are cap options sold to ordinary customers.
2 These are interest rate swaps, in 2014, related to lending operations but classified in the trading portfolio.

A.5 OTC financial derivatives- regulatory trading portfolio: notional values, gross 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	Insurance companies	Non-financial corporations	Others
1) Debt securities and interest rates							
- notional values			31,741			31,741	
- positive fair value			478			-	
- negative fair value			-			463	
- future exposure			476			476	
2) Equity securities and share indices							
- 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	**4,164**	**19,078**	**40,240**	**63,481**
A.1 Financial derivative contracts on debt securities and interest rates	4,164	19,078	40,240	63,481
A.2 Financial derivative contracts on equity securities and share indices				
A.3 Financial derivative contracts on exchange rates and gold				
A.4 Financial derivatives on other values				
B. Banking portfolio				
B.1 Financial derivatives on debt securities and interest rates				
B.2 Financial derivatives on equity securities and share indices				
B.3 Financial derivatives on exchange rates and gold				
B.4 Financial derivatives on other values				
Total 2015	**4,164**	**19,078**	**40,240**	**63,481**
Total 2014	**4,078**	**16,958**	**42,291**	**63,327**

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 incur 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/Funding 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 adequate balance between liabilities and assets in the medium/long-term (over 1 year) in order to avoid pressures on current and future sources 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.

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 the associated 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 resistance); therefore, the Bank has decided to emphasise stress tests, in light of current market scenarios.
The preliminary analysis activities for the definition of the scenarios were carried out by evaluating the following factors:
- objectives for the 2016 budget;
- the current economic climate and possible changes in the time frame of reference;
- difficulty in accessing stable forms of funding in the medium/long-term;
- a rating downgrade with simultaneous increase in the cost of funding;
- changes in the shareholding structure and/or shareholders' agreements;
- increase in unpaid amounts and default positions.

We also evaluated other factors not exclusively related to liquidity risk, in particular those considered as a trigger for liquidity risk in the short-term and also the possible impact of organisational/operational malfunctions that do not allow the use of short-term forms of funding such as MID.
Operationally speaking, we therefore prepared a Maturity Ladder with a highly stressed scenario in which all flows of liabilities falling due are considered non-renewable and simultaneously we assume a freeze on new volumes of assets (with the exception of commitments). We also conservatively consider 10% of expected cash flows on loans are unpaid.
Regarding the transformation of maturities, the Bank has always employed a careful policy of mismatching offsetting with the primary objective of keeping cash inflows and outflows under control and the transformation of maturities within sustainable areas. This objective is achieved by correlating the average duration of funding with that of loans.
The results of the analyses are periodically examined in the ALCO Committee which submits the tolerance thresholds and risk indicators to adopt and the amount of cash reserves to maintain to the Board of Directors on an annual basis.

The year 2015 was characterised by an essentially stable trend in spreads on bank issues, combined with a refinancing rate frozen at 0.05% and the full-allotment confirmed until 31.12.2017. By contrast, as regards Government bonds, the QE (Quantitative Easing) project continued, which promoted a reduction in the cost of public debts.
At 31.12.2015, the Bank had a negative net exposure on the short-term market (within 1 year) for €71m. 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.
The exposure to the ECB as at 31 December 2015 was €180m (-60% compared to €444m as at 31.12.2014), composed of TLTRO with a theoretical expiry in 2018 (€145m) and weekly auctions (€35m).
Funding flows for 2015 were essentially represented by bond issues (€206.0m) predominantly as part of the EMTN programme, and by medium/long-term loans for €142.2m (of which €77.4m as part of the Targeted Long-Term Refinancing Operation - TLTRO - launched by the European Central Bank, €14.0m from the EIB, €30.0m from co-operative system banks and €20.8m from Cassa Depositi e Prestiti.
The use of MID funding, solely on Overnight expiries, made it possible to optimise the treasury, benefitting from rates close to zero or negative rates for a large part of the year.
To cover liquidity risk, throughout 2015, the Bank maintained sufficient margins of eligible collateral. As at 31.12.2015, the cash available from the Central Bank for refinancing operations amounted to roughly €280m, of which €185m already drawn down and €95m still available to be drawn down. The Bank also has available margins on credit lines with credit institutions, mostly shareholders, as well as those on MID.

With respect to the liquidity requirement (LCR) pursuant to EU Delegated Regulation 2015/61, as at 31.12.2015, the Bank recorded a ratio of 2.424%, well above the minimum set, which was 60% in 2015.

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 for 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, characterised by a historically low level of risk, to a Special Purpose Vehicle: the loan portfolio mainly consisted of agricultural loans secured by first mortgages and subsidies from the Autonomous Province of Trento plus a portion of some commercial loans to primary resident counterparties and secured just the same.
The Special Purpose Vehicle in 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 to guarantee its funding at the ECB through refinancing operations.
The Bank acts as a servicer in this operation in the collection of securitised loans.
According to IAS 39 § 15-23 and AG 34-52, this operation is not of a "non-recourse" nature for accounting purposes (so-called no derecognition), with the Bank maintaining all risks and rewards of the securitised portfolio. The securitised loans therefore remain in the Bank's financial statements and until this condition is met, all corresponding capital and income relations of the operation are netted off from an accounting point of view, including derivative contracts stipulated between the Bank and the SPV.
The operation in question involved, as mentioned, the repurchase by the Bank of 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 respect of these, Senior notes in the amount of €368.5m and Junior notes in the amount of €56.8m were issued (€93.3m and €23.3m respectively in relation to the Bank). The table below sums up the main features of the notes.

Notes	Classes	Rating	ISIN Code	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	Chg.

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 for an amount proportional to the amount of the loans that were respectively transferred by each individual bank. The transferring banks have fully 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 subsequent 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 transaction is also secured by liquidity line of €25.7m, of which €10.4m relating to the Bank. To cover interest rate risk the SPV signed a basis swap contract with J. P. Morgan Securities LTD to hedge the portfolio with indexed rate and signed an interest rate swap with Mediocredito Trentino Alto Adige S.p.A. to hedge 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 based on the monthly, quarterly and half-yearly reports prepared for the SPV company and the counterparties of the transaction, showing the status of the loans and the trend in collections;
- in relation to its disclosures to the SPV company, the Bank has published an assignment notice on the Insertion Sheet of the Official Gazette no. 144 of 15 December 2009;
- in relation to the privacy law, the Bank has informed the individual assigned debtors with a specific notification.

The following subjects were involved in their respective roles:
- *Arranger*: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa.
- *Vehicle company*: Cassa Centrale Finance 3 S.r.l., a 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 general register pursuant to art. 106 of the Consolidated Law on Finance at no. 39334, ABI code 33370. We confirm that the Bank does not hold any interest nor do its employees hold any corporate positions in the SPV Cassa Centrale Finance 3 S.r.l. whose shares are entirely held by the Dutch foundation "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
- Law Firm: 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 required the Bank to transfer to a Special Purpose Vehicle a portfolio of performing loans secured by a first mortgage.

The Special Purpose Vehicle in 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 to guarantee its funding at the ECB through refinancing operations.
The Bank acts as a servicer in this operation in the collection of securitised loans.
According to IAS 39 § 15-23 and AG 34-52, this operation is not of a "non-recourse" nature for accounting purposes (so-called no derecognition), with the Bank maintaining all risks and rewards of the securitised portfolio. The securitised loans therefore remain in the Bank's financial statements and until this condition is met, all corresponding capital and income relations of the operation are netted off from an accounting point of view.
The operation in question involved, as mentioned, the repurchase by the Bank of 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, of which €150.3m refer to the Bank; in respect of these, Senior notes in the amount of €1,533.0m and Junior notes in the amount of €656.7m were issued (€105.2m and €45.1m respectively in relation to the Bank).
The table below sums up the main features of the notes.

Notes	Classes	Rating	ISIN Code	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	Chg.

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 for an amount proportional to the amount of the loans that were respectively transferred by each individual bank. The transferring banks have fully 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 transaction is also secured by liquidity line of €65.9m, of which €4.5m relating to the Bank. To cover interest rate risk the SPV signed a basis swap contract with J. P. Morgan Securities LTD to hedge the portfolio with indexed rate.

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 based on the monthly, quarterly and half-yearly reports prepared for the SPV company and the counterparties of the transaction, showing the status of the loans and the trend in collections;

- in relation to its disclosures to the SPV company, the Bank has published an assignment notice on the Insertion Sheet of the Official Gazette no. 93 of 9 August 2012;
- in relation to the privacy law, the Bank has informed the individual assigned debtors with a specific notification.

The following subjects were involved in their respective roles:

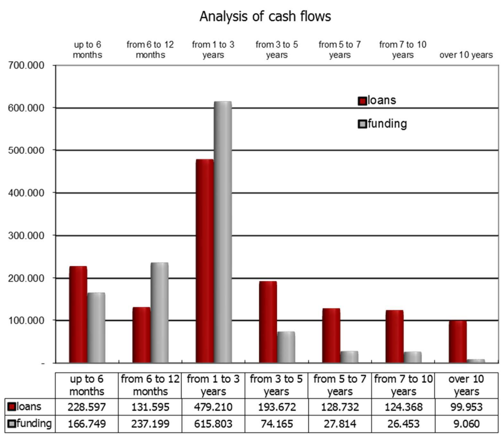
- Arranger: Cassa Centrale Banca - Credito Cooperativo del Nord Est Spa.
- Vehicle company: BCC SME Finance 1 S.r.l., a company incorporated under Law no. 130/99 on Securitisations, with its registered office in Rome - Largo Chigi 5; the company is registered with the Business Register of Rome (registration number 06646750965) and enrolled in the general register of securitisation SPVs, ABI code 35037. We confirm that the Bank does not hold any interest nor do its employees hold any corporate positions in the SPV BCC SME Finance 1 S.r.l., whose shares are fully held by the Dutch foundation "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
- Law Firm: Orrick, Herrington & Sutcliffe – Rome
- Portfolio Auditors: Reconta - Ernst & Young Spa.
- SPV's Auditors: Crowe Horwath AS S.r.l.

Quantitative information

1. Time distribution by residual contractual duration of financial assets and liabilities[41]

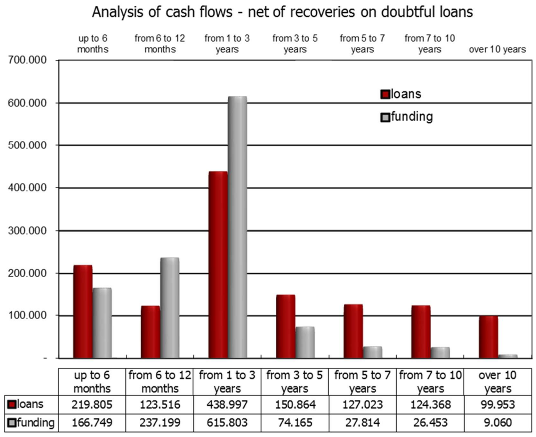
Items/Maturities	on demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Undetermined duration
Cash assets	**71,912**	**136**	**7,916**	**3,058**	**36,151**	**109,425**	**131,597**	**672,882**	**353,052**	**0**
A.1 Government securities	-	-	-	-	-	417	417	75,000	-	-
A.2 Other debt securities	-	-	-	533	-	66	199	2,530	1,015	-
A.3 Investments in UCITS	6,085	-	-	-	-	-	-	-	-	-
A.4 Loans	65,827	136	7,916	2,525	36,151	108,942	130,981	595,352	352,037	0
- banks	31,361	-	-	-	5,069	-	25,187	-	-	0
- customers	34,466	136	7,916	2,525	31,082	108,942	105,794	595,352	352,037	-
Cash liabilities	**17,726**	**38,075**	**-**	**2,600**	**72,592**	**35,755**	**237,198**	**689,968**	**63,326**	**-**
B.1 Deposits and current accounts	17,568	38,075	-	-	-	5,865	46,036	-	781	-
- banks	7,063	35,000	-	-	-	5,865	-	-	-	-
- customers	10,505	3,075	-	-	-	-	46,036	-	781	-
B.2 Debt securities	57	-	-	2,600	64,619	16,645	103,039	419,500	-	-
B.3 Other liabilities	101	-	-	-	7,973	13,245	88,123	270,468	62,545	-
Off-balance sheet transactions	**9,880**	**-**	**-**	**-**	**-**	**-**	**158**	**2,601**	**6,751**	**-**
C.1 Financial derivatives with exchange of capital										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	0	156	508	-
- long positions	-	-	-	-	-	-	0	78	254	-
- short positions	-	-	-	-	-	-	0	78	254	-
C.3 Deposits and loans to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds	8,846	-	-	-	-	-	158	2,445	6,243	-
- long positions	-	-	-	-	-	-	158	2,445	6,243	-
- short positions	8,846	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,034									
C.6 Financial guarantees received										
C.7. Credit derivatives with exchange of capital										
- long positions										
- short positions										
C.8. Credit derivatives without exchange of capital										
- 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 time distribution of cash assets and liabilities, adopting the number and scope of the most significant bands.
In particular, we highlight the following points in the graph below:



41 The data are presented solely in Euro given that the overall weight of assets, liabilities and "off-balance sheet" transactions denominated in foreign currencies (Swiss Francs) is irrelevant with respect to the total of the Bank's assets, liabilities and "off-balance sheet.

- a positive gap of €62m in the short-term band (up to 6 months) despite the presence of the maturity of €76m of bonds issues;



- a negative gap of around €106m in the 'within 1 year' band (€114m net of estimated doubtful loan flows) characterised by the maturity of €98 of bonds issued in September;
- a negative gap in the "1 to 3 year" band of €137m (€177m net of estimate flows of doubtful loans) characterised by the maturity of two T-LTRO operations expiring in 2018 for a total of €145m;
- the other bands show positive gaps also net of flows of doubtful loans, due to the scarcity of maturities for long-term funding.

Disclosure on balance sheet assets pledged as a guarantee[42]

Technical forms	Pledged		Not pledged		Total 2015	Total 2014
	Book value	Fair value	Book value	Fair value		
1. Cash and cash equivalents	-		3		3	6
2. Debt securities	50,082	50,082	30,727	31,048	80,809	360,591
3. Equity securities	-	-	7,344	7,344	7,344	9,523
4. Loans [1]	354,500		865,706		1,220,206	1,349,496
5. Other financial assets	-		6,563		6,563	6,007
6. Non-financial assets	-		10,271		10,271	10,878
Total 2015	**404,582**	**50,082**	**920,614**	**38,392**	**1,325,196**	
Total 2014	**657,321**	**248,390**	**1,079,180**	**121,828**		**1,736,501**

1 In addition to the loans pledged as guarantees for liabilities, loans also include assets sold to the SPV and not derecognised from the balance sheet for €33.4m (€54.9m in 2014).

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

Technical forms	Pledged	Not pledged	Total 2015	Total 2014
1. Financial assets	62,994	68,396	131,390	218,789
- Securities	62,994	68,396	131,390	218,789
- Others				
2. Non-financial assets				
Total 2015	**62,994**	**68,396**	**131,390**	
Total 2014	**150,393**	**68,396**		**218,789**

Eurosystem credit operations

The Bank has entered into three liability-funding operations with ECB for a total face value of €179.5m, guaranteed by securities classified as financial assets available for sale (Table 2. Item 2.), in addition to other securities not reported under assets as specified below, of which:

– €67.1m for a transaction concluded on 17/12/2014 (minimum and maximum expiry 29/09/2016 and 26/09/2018 respectively[43]);

42 Assets are split into "pledged" and "not pledged" based on the provisions of the legislation in force for the reporting of "Restricted assets on an individual basis" (so-called Asset Encumbrance – EY information base)

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

- €77.4m for a transaction concluded on 25/03/2015 (minimum and maximum expiry 29/09/2016 and 26/09/2018 respectively[43]);
- €35.0m for a transaction concluded on 30/12/2015 (expiry 06/01/2016).

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 to the ownership of the counterparty, to guarantee the full right, with their full value and related appurtenances, the exposure of the same, and any other credit or other right due to the counterparty arising from the financing operation, although not liquid or payable, including arising before or after disbursement of the financing;
b) the value of the guarantee deposit is determined by deducting from the market value, the haircut defined by the European Central Bank for the specific activities, as well as an additional haircut defined by Cassa Centrale Banca for the loan brokered.

Securities not reported in assets in the statement of financial position to guarantee borrowings

At year-end, the Bank deposited a nominal €63.0m in securities at the Bank of Italy that are not reported in the statement of financial position assets. Such securities serve in part as a guarantee for the €179.5m financing (see paragraph "Eurosystem credit operations" for details).

Loans and advances to customers to guarantee borrowings

At year-end, the Bank tied with the Bank of Italy, through the ABACO procedure, a loan portfolio with a book value of €330.4m, as part guarantee for the €179.5.m financing (see paragraph "Eurosystem credit operations" for details).

Loans and advances to customers to guarantee mortgage borrowings

The Bank has, as assets pledged to guarantee its own liabilities and commitments, entered into loan assignment contracts relating to public works financing in favour of the EIB with 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 book value of the financial assets pledged as collateral amounts to €26.1m in relation to the contract signed on 28 November 2005 and to €45.3m 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 fulfilment of all the pecuniary obligations assumed by the Bank based on the loan agreement with the EIB. The credit assignments amount 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 loans would take effect only in the case of the Bank's non-fulfilment of its obligations to the EIB arising from the said loan contract (which is recorded under the Bank's liabilities); the loan assignment contracts are therefore "subject to conditions precedent";
    2. according to the contract signed on 9 December 2008 the assignment of the loans, for the sole purpose of guarantee, takes effect immediately and remains valid until the guaranteed obligations are fully 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 collection.

In November 2012, the Bank obtained a new credit facility 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 recourse transfer 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 guarantee amounted to €10.5m;
b. with the contract referred to above, the Bank transferred irrevocably with recourse to the European Investment Bank, the receivables of any nature due from the final beneficiaries, to guarantee the full and punctual fulfilment of all the obligations of a pecuniary nature assumed by the Bank under the loan agreement with the EIB. The credit assignments amount 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 collection.

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 utilised entirely. The surety from the Autonomous Region of Trentino-South Tyrol is counter-secured by the sale with 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 guarantee amounted to €20.1m;
b. through the aforesaid guarantee contract the Bank transferred with recourse to the Autonomous Region of Trentino-South Tyrol the receivables of any nature, including reimbursement or repayment, due from 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 assignment 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 more loans on a ceiling amount to be used for granting loans to SMEs. Loans for a residual amount of €34.0m had been granted as at 31 December 2015.

These loans will be guaranteed by the transfer with 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 guarantee amounted to €34.0m;
b. by signing the above-mentioned contract, the Bank transferred with 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 in relation to all receivables.

   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 fulfilment 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 collection.

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 dysfunctional internal processes, human resources 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, within the scope of internal control systems, 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 targeted not only at risk monitoring but at spreading a corporate ethos based on the principles of honesty, fairness and compliance with the rules;
- the review of the composition and activity of the Control Committee: in addition to the corporate control functions, the General Manager and the manager responsible for preparing the financial documents of the Bank also take part in the Committee. The Committee constantly 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 Statutory Auditors in cooperation with the internal structures;
- the creation of the anti-money laundering function dedicated to overseeing regulations under Legislative Decree 231/07;
- the continuation of the traditional assessment of the risk profiles, also on the themes of organisation and IT technologies, as part of the preparation and revision of the Risk Appetite Framework;
- the 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 Circular no. 285 of 17 December 2013 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 compliance functions and internal audit to enhance the interaction between the two structures and make the functioning of internal controls more efficient, 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 supervision and management functions) in order to ensure maximum autonomy of action, hierarchical independence and freedom of 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-critical 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 functional to the constant adjustment of the compliance process with the supervisory regulations, which will see gradual improvement with the support of operational and coordination initiatives to make it possible to gradually apply the best practices on the subject of operational risk management more effectively.

Legal risks

The risks associated with litigation that involves the Bank are constantly monitored by the Legal Department. Where a legal and accounting analysis shows the possibility of a negative outcome with a probable outflow of financial 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 settlement policies, if possible.
In particular it is noted that:

- following the court summons in 2008, the extraordinary administration of Giacomelli Sport Spa, had proposed a revocation action against the group of pooled banks, 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.
  As regards the action brought by the extraordinary administration of Giacomelli Sport, on 18 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 update to the discounting of the amount at risk led to an adjustment of €258 in the income statement (item 160), due to the passing of time:
- in 2014, the existence of a contingent liability related to the claim for damages by the plaintiff on the Carolina Srl position for a total of €3.6m was the subject of evaluation. To date, there is no concrete evidence that would support the acceptance of the claims of bankruptcy. For this reason, the creation of a special provision dedicated to litigation risks is not considered justifiable at the current state of play;
- in conclusion of a dispute with the Autonomous Province of Trento relating to a mortgage agreement, in relation FRAM funds, stipulated with the company Manifattura di Trento S.p.A., the Bank was ordered to reimburse, to the public entity, the amounts relating to the late repayment of funding. Pending a formal request from the Province, the amounts to be reimbursed were set aside, estimated at €485 thousand in interest on FRAM funds repaid late, plus €115 thousand in interest on arrears on said amounts.

PART F

INFORMATION ON EQUITY

SECTION 1 - EQUITY

A. QUALITATIVE INFORMATION

The equity is composed of share capital (ordinary shares) and additional paid-in capital and reserves. The reserves are the aggregate of the legal reserve, the extraordinary reserve, and the reserves created in application of IAS/IFRS. The valuation reserves are the aggregate of fair value reserves related to assets available for sale, reserves from actuarial gains/losses related to defined benefit plans (severance indemnities) and those 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 Equity: breakdown

Items/amounts	2015	2014
1. Share capital	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	94,791	94,712
- profits	94,791	94,712
a) legal	19,093	19,021
b) statutory	54,107	54,100
c) treasury shares	-	-
d) other	21,591	21,591
- others	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	4,961	5,740
- Financial assets available for sale	1,086	1,887
- 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 benefit plans	(443)	(466)
- Valuation reserves from investments accounted for	-	-
using the equity method	-	-
- Special revaluation laws	4,318	4,318
7. Net income (loss) for the year	(6,792)	1,386
Total	**181,286**	**190,164**

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

Assets/Amount	2015		2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	208	-	441	38
2. Equity securities	989	192	1,564	192
3. Investments in UCITS	227	146	211	99
4. Loans	-	-	-	-
Total	**1,424**	**338**	**2,216**	**329**

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

	Debt securities	Equity securities	Investments in UCITS	Loans
1. Opening balance	**403**	**1,372**	**112**	**-**
2. Positive changes	**196**	**67**	**16**	**-**
2.1 Fair value increases	196	67	16	-
2.2 Reclassification through profit or loss of positive reserves	-	-	-	-
- due to impairment	-	-	-	-
- following disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**391**	**642**	**47**	**-**
3.1 Fair value decreases	79	-	47	-
3.2 Adjustments due to impairment	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves:	-	-	-	-
following disposal	312	642	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**208**	**798**	**81**	**-**

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

	2015	2014
A. Opening balance	**(466)**	**(332)**
B. Increases	**-**	**(134)**
B.1 Actuarial losses	-	(134)
C. Decreases	**23**	**-**
C.1 Actuarial gains	23	-
D. Closing balance	**(443)**	**(466)**

SECTION 2 - OWN FUNDS AND CAPITAL RATIOS

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.

2.1 OWN FUNDS

A. Qualitative information

1. Common Equity Tier 1 capital – CET1

Mediocredito's common equity 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, the reserves as per special revaluation laws and the reserve created at the time of application/review of IAS/IFRS) for an overall amount of €99.0m and was reduced by the loss of €6.792m[44].
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 €890 thousand (positive) and the actuarial gains/losses on defined benefit plans (severance indemnities) amounting to €443 thousand (negative).
It is adjusted by negative elements attributable to intangible fixed assets for €115 thousand, supplementary value adjustments to regulatory capital for €6.6 thousand and the impact of the regulations set forth for the transitory period (2014-2017) relating, for €534 thousand, to the deduction of 60% of the amount of the valuation reserves relating to equity securities, investments in UCITS and solely debt securities issued by banking counterparties classified as available for sale.

2. Additional Tier 1 Capital (AT1)

The capital structure of the Bank does not present elements included in the Additional Tier 1 capital[44].

3. Tier 2 capital (T2)

Tier 2 capital amounts to €267 thousand and corresponds entirely to the effects of the rules set out for the transitory period. More specifically, the amount refers to 60% 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[45].

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44 During the transitory period (2014-2017), the deduction from CET1 of the loss relating to the year in progress is admitted, in accordance with articles 469, parag. 1, letter a) and 478, parag. 1 CRR, only to the extent equal to the applicable percentage set by the Bank of Italy, for the year 2015, at 40%. Based on the provisions of art. 472, parag. 3, letter A) CRR, the remaining 60% of the loss should be deducted, given significant, from AT1; however, given this is insufficient (equal to zero for Mediocredito), this amount is also deducted from CET1 (art. 36, parag. 1, letter j) CRR).
The effects of the regulations summarised above are represented in the CET1 in the items "D. Elements to be deducted from CET1" for €4.1m (negative) and "D. Transitory regime impact on CET1" for €4.1m (positive); by contrast, in the AT1, they are represented in the items "H. Elements to be deducted from AT1" for €4.1m (positive) and "I. Transitory regime – impact on AT1" for €4.1m (negative).

45 According to the regulations previously in force, the valuation reserves of assets allocated to the available for sale portfolio were included in Tier 2 capital according to the asymmetric approach which made provision for the partial inclusion (50%) of capital gains.

B. Quantitative information

	2015	2014
A1. CET 1 before the application of prudential filters	**181,090**	**188,473**
of which CET1 instruments subject to transitory provisions	6,345	1,504
B. Prudential filters of the CET1 (+/-)	-21	-1
C. CET1 gross of the elements to be deducted and of the effects of the transitory regime (A+/- B)	**181,069**	**188,472**
D. Elements to be deducted from CET1	**+4,190**	**+174**
E. Transitory regime – Impact on CET1 (+/-)	**+3,541**	**-1,504**
F. Total CET 1 (C-D+/-E)	**180,420**	**186,794**
G. AT1 gross of the elements to be deducted and of the effects of the transitory regime	-	-
of which AT1 instruments subject to transitory provisions	-	-
H. Elements to be deducted from AT1	**-4,075**	**-**
I. Transitory regime - impact on AT1 (+/-)	**-4,075**	**-**
L. Total AT1 (G-H+/-I)	**-**	**-**
M. T2 gross of the elements to be deducted and of the effects of the transitory regime	-	-
of which T2 instruments subject to transitory provisions	-	-
N. Elements to be deducted from T2	**-**	**-**
O. Transitory regime - Impact on T2 (+/-)	**+267**	**+601**
P. Total T2 (M-N+/-O)	**+267**	**+601**
Q. Total own funds (F+L+P)	**180,686**	**187,396**

The Bank availed itself of the right, granted by art. 467, parag. 2 of CRR, not to include any element of own funds – unrealised profits or losses relating to exposures to central administrations classified in the category "financial assets available for sale". In 2015, the amount of these changes was a positive €196 thousand, therefore the impact on CET1 would have totalled a positive €78 thousand, zero impact on AT1, positive impact of €59 thousand on T2 and negative impact of €137 thousand on total own funds.

2.2 CAPITAL ADEQUACY

A. Qualitative information

The Own Funds are the first safeguard against risks that a bank has to deal with and, looking forward, the level of capitalisation is a crucial lever for developing the typical business of the Bank whilst simultaneously preserving its stability.
The statement included in part B. details the single items which contribute to determining the "risk-weighted assets", for the purposes of calculating the "solvency ratios", applying the standard method, as per the rules laid down by Basel III regulations;
In particular:

- 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.

In acknowledgement in Italy of Directive 2013/36/EU (CRD) and in compliance with the provisions of the EBA with the Guidelines on common SREP, the Bank of Italy – in conclusion of the periodic process of prudential review (SREP) – revised Mediocredito's capital ratios, requesting additional capital with respect to the minimum regulatory requirements. In particular, starting from, 31.12.2015, Mediocredito is required to constantly meet the following capital requirements:

- CET1 ratio of 7%, including capital conservation buffer of 2.5%. This ratio is binding at 6.9% (minimum of 4.5% and 2.4% of additional SREP requirements);

- Tier 1 ratio of 9.2%, including capital conservation buffer of 2.5%. This ratio is binding at 9.2% (minimum of 6.0% and 3.2% of additional SREP requirements);
- Total Capital ratio of 12.3%, including capital conservation buffer of 2.5%. This ratio is binding at 12.3% (minimum of 8.0% and 4.3% of additional SREP requirements).

At 31 December 2015 these ratios (respectively equal to 17.84%, 17.84% and 17.86%) were adequate in relation to the supervisory limits for separate financial statements, as an indicator of the capital adequacy in relation to the size of the Bank and of the characteristics of its activities.

In the course of May 2015, the Bank prepared and published the report required by Basel III Pillar 3, i.e. public disclosure as at 31 December 2014. The disclosure is issued on an annual basis by publishing on the Bank's website (www.mediocredito.it) the information required by Title II "Technical criteria on transparency and disclosure" of Part 8 "Disclosures by entities" of EU Regulation 575/2013 on the basis of the articles included therein related to information deemed relevant for the Bank.

B. Quantitative information

Category/amounts	Non-weighted amounts		Weighted amounts	
	2015	2014	2015	2014
A. RISK-WEIGHTED ASSETS				
A.1 Credit risk and counterparty risk				
1. Standardised approach	1,405,447	1,810,189	971,995	1,095,934
2. Internal ratings-based approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			77,760	87,675
B.2 Credit valuation adjustment risk				
B.3 Settlement risk				
B.4 Market risk				
1. Standardised approach				
2. Internal models				
3. Concentration risk				
B.5 Operational risk				
1. Basic approach			3,155	3,760
2. Standard approach				
3. Advanced approach				
B.6 Other calculation elements				
B.7 Total prudential requirements			**80,915**	**91,434**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,011,435	1,142,931
C.2 CET1/Risk-weighted assets (CET1 capital ratio)			17.84	16.34
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			17.84	16.34
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			17.86	16.40

PART H

RELATED PARTY TRANSACTIONS

1. Information on remuneration of managers with strategic responsibilities

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 2015, as per IAS 24 paragraph 17.
The remuneration paid to members of the Board of Directors and to the Board of Statutory Auditors is established in the appropriate Shareholders' Meeting resolution.

	Emoluments and social security contributions	Bonuses and other short-term benefits	Severance indemnities and pension fund
Directors	291		
General manager and managers with strategic responsibilities	580	24	48
Statutory Auditors	163		

2. Related party transaction disclosure

The following tables were prepared according to IAS 24 and in particular, the breakdown of transactions performed with related parties was carried out in accordance with the instructions outlined in paragraphs 18 and 19 of the same standard.

Receivables and payables

Related parties	Assets available for sale	Loans and advances to banks	Loans and advances to customers	Other assets	Due to banks	Due to customers	Debt securities in issue	Derivatives (notional)	Sundry payables
Entities that have joint control and significant influence over the Company	-	53,970	13,773	6,366	865	93,211	30,181	425	26
Subsidiary companies			8,304						
Affiliated companies									
Joint ventures									
Managers with strategic responsibilities			13						
Other related parties									
Total	**-**	**53,970**	**22,090**	**6,366**	**865**	**93,211**	**30,181**	**425**	**26**

Loans and advances to banks

These are made up for €23.8m of cash on current accounts and for €30.2m of deposits with counterparty Cassa Centrale Banca SpA.

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 loans and advances 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 S.r.l. (based in Trento - Via Paradisi 2, Tax Code 01856850225), for the acquisition and renovation of properties in the context of bankruptcy proceedings. The loan was granted for €9.0m with revocable maturity, with remuneration at the 1-month Euribor.

Other assets

These relate mostly illiquid assets in a bank account with Cassa Centrale Banca for €6.3m.

Due to banks
This item is made up of currency deposits.

Due to customers
It consists of €46.4m of deposits from a functional company in the Autonomous Province of Trento and for €46.9m of the funds of the Autonomous Province of Bolzano under administration.

Debt securities in issue
These are bank-issued securities subscribed by a functional company of the Autonomous Province of Trento.

Derivatives
These relate to cap options booked to the financial statements for a positive fair value of €4 thousand.

Costs and revenues

Related parties	Interest income	Fee and commission income	Dividends/ other revenues	Interest expense	Fee and commission expenses	Trading expenses	Other expenses
Entities that have joint control and significant influence over the Company	638	3	3	3,264	81	-	25
Subsidiary companies	37						
Affiliated companies							
Joint ventures							
Managers with strategic responsibilities	0						
Other related parties							
Total	**675**	**3**	**3**	**3,264**	**81**	**-**	**25**

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, also due to agreements between the parties. Transactions with these shareholders were carried out under equivalent conditions 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 for €1.536m; the Bank pays a commission every six months to both Provinces equal to 0.08% per year.
The Autonomous Region of Trentino-South Tyrol also provides a surety in the interest of the Bank to the EIB for €34.0m; the Bank pays a commission of 0.4% per annum to the Region.
It should also be noted that €600 thousand was allocated to the provision for risks, relating to the already mentioned dispute with the Autonomous Province of Trento.

PART L

SEGMENT REPORTING

In spite of the essential single sector character of the Bank's business operations and the associated geographic concentration of activities predominantly in North-eastern Italy, segment disclosures are provided, as the Bank belongs to the category of listed issuers pursuant to transparency regulations.
The present disclosure was prepared according to the requirements of IFRS 8, based on internal reports for the management and the Board of Directors: it makes reference primarily to the classification of activities originated from commercial regional units and, secondarily, the breakdown of business by product. Consequently, the primary reporting basis is by geographical segments and the secondary reporting basis is by economic sector. Less significant data are also reported to observe the management approach to reporting.
Income statement/statement of financial position results are determined on the basis of the following principles:

- the net interest income is obtained by applying the internal transfer rates consistent with 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 for the primary reporting basis, in keeping with internal management data processed;
- central services costs (Management, Auditing, Planning and Control, Compliance, Risk Management, Administration,…) have been charged to Head Office;
- statement of financial position components relate to volumes administered by the respective organisational units and are expressed in terms of interest-bearing balances at the end of the period.

SEGMENT REPORTING (notes)

The tables that are provided, prepared on the basis of internal management reports and applying the above-mentioned criteria, show a homogeneous distribution of margins among the main regional units.
The Veneto area recorded a greater incidence of costs, characterised by a larger loan portfolio than the other areas. In relation to the cost of risk, the Lombardy and Veneto areas show higher absolute values, although the South Tyrol area recorded the most marked increase. From a sector perspective, the cost of risk is concentrated mostly in the real estate and construction sectors.
The primary reporting basis recorded a reduction in the headquarters' contribution to the results, also due to the aforementioned contribution to the banking crisis resolution fund.
By contrast, the notable contribution to the results of "other activities" (secondary reporting basis) was confirmed, owing to the presence of significant trading income on the securities portfolio, the lower cost of risk of operations managed by the head office and to a lesser extent, to the maturity transformation performed by the treasury pool.

PRIMARY SEGMENT REPORTING BASIS

A.1 Distribution by geographical area of activity: income statement data as at 2015

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Over all amount
Net interest income	**3,461**	**3,004**	**2,997**	**1,517**	**1,193**	**1,952**	**14,124**
Net commissions	665	217	114	38	18	429	**1,481**
Dividends and other trading and hedging gains						4,361	***4,361***
Net interest and other banking income	**4,126**	**3,221**	**3,111**	**1,555**	**1,211**	**6,742**	**19,965**
Write-backs/Adjustments to fin. assets	(2,768)	(3,145)	(3,720)	(3,992)	(2,881)	(902)	**(17,406)**
Net income from financial activities	**1,358**	**76**	**(609)**	**(2,437)**	**(1,669)**	**5,840**	**2,559**
Total operating costs	(1,126)	(984)	(1,384)	(694)	(453)	(8,100)	**(12,740)**
Profit before income taxes	**232**	**(908)**	**(1,993)**	**(3,131)**	**(2,122)**	**(2,260)**	**(10,182)**

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

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Over all amount
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**
Write-backs/Adjustments to fin. assets	(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.2 Distribution by geographical area of activity: statement of financial position Dec. 2015

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amount
Lending operations	314,897	299,243	231,235	147,445	88,960	319,828	**1,401,608**
Borrowing operations						1,149,155	**1,149,155**

A.2 Distribution by geographical area of activity: statement of financial position Dec. 2014

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amount
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**

SECONDARY SEGMENT REPORTING BASIS

B.1 Distribution by economic sector: income statement data as at 2015

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other activities	Total
Net interest income	**10,247**	**982**	**626**	**1,747**	**522**	**14,124**
Net commissions	*992*	*51*	*17*	*382*	*39*	***1,481***
Dividends and similar income					4,361	**4,361**
Net interest and other banking income	**11,239**	**1,033**	**642**	**2,129**	**4,922**	**19,965**
Write-backs/Adjustments to fin. assets	(12,688)	(3,995)	(25)	(305)	(393)	**(17,406)**
Net income from financial activities	**(1,449)**	**(2,962)**	**617**	**1,824**	**4,529**	**2,559**

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

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	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**
Write-backs/Adjustments to fin. assets	(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.2 Distribution by economic sector: statement of financial position Dec. 2015

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other activities	Total
Lending operations	844,901	90,207	56,533	207,821	202,146	**1,401,608**
Borrowing operations						**1,149,155**

B.2 Distribution by economic sector: statement of financial position Dec. 2014

	Securities	Building	Leasing	Agricultural, discounts and facilitated loans	Other activities	Total
Lending operations	856,711	103,504	60,156	222,144	554,819	**1,797,334**
Borrowing operations						**1,547,411**

ANNEXES

ANNEX 1

COUNTRY BY COUNTRY REPORTING

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

Reference date for the information	31 December 2015
Country of establishment	Italy
Companies established	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)	€19,964,976
Number of employees (full-time equivalent)	80.5
Loss before taxes	(10,181,887)
Taxes on loss	(3,389,849)
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 management and coordination of Mediocredito Trentino-Alto Adige S.p.A. with registered office in Trento – Via Paradisi, 1 – Tax code and Trento Register of Companies no. 00108470220 – Bank register no. 4764

- ASSETS
- EQUITY AND LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION

(in Euro)

ASSETS	31/12/2015	31/12/2014
A. SUBSCRIBED UNPAID CAPITAL	**-**	**-**
B. FIXED ASSETS	**-**	**-**
I. Intangible assets	**1,334**	**2,667**
a) cost	*4,000*	*4,000*
b) accumulated amortisation	*-2,666*	*-1,333*
II. Property, plant and equipment	**763**	**884**
a) cost	1,004	1,004
b) accumulated depreciation	-241	-120
III. Financial assets	**-**	**-**
C. CURRENT ASSETS	**8,430,031**	**8,148,013**
I. Stocks	7,534,967	7,328,695
- properties – closing stocks	5,722,701	5,538,783
- properties for commercial use – closing stocks	1,733,522	1,733,522
- advance payments to suppliers	78,744	56,390
II. Receivables payable within one year	892,164	818,047
- loans and advances to customers	1,283	-
- VAT credit and tax prepayment	890,801	817,478
- security deposits	80	569
III. Financial assets - current assets	-	-
IV. Cash and cash equivalents	2,900	1,271
- Unicredit Banca c/a 40066549	2,900	1,271
D. ACCRUED INCOME AND PREPAYMENTS	**8,126**	**3,900**
TOTAL ASSETS	**8,440,254**	**8,155,464**

EQUITY AND LIABILITIES	31/12/2015	31/12/2014
A. EQUITY	**(22,230)**	**54,858**
I. Share capital	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	93,310	111,237
VIII. Losses carried forward	-	-
IX. Income (Loss) for the year	(127,087)	(67,926)
B. PROVISIONS FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. PAYABLES	**8,462,484**	**8,100,606**
Payables due within one year	**8,458,307**	**8,100,606**
- prepayments received	10,000	-
- sundry payables	18,664	-
- suppliers and incoming invoices	120,282	622,719
- amounts due from Parent Company	8,303,858	7,471,698
- tax payables due within one year	3,341	5,089
- INPS payables due within one year	2,162	1,100
Payables due after one year	**4,177**	**-**
- security deposits from customers	1,890	-
- prepayments from customers	2,287	-
E. ACCRUED LIABILITIES AND DEFERRED INCOME	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**8,440,254**	**8,155,464**

GUARANTEES AND COMMITMENTS

(in Euro)

GUARANTEES AND COMMITMENTS	31/12/2015	31/12/2014
Personal guarantees given/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

INCOME STATEMENT

(in Euro)

INCOME STATEMENT	31/12/2015	31/12/2014
A. PRODUCTION VALUE	**277,004**	**2,723,415**
1) Revenues from sales and services	92,020	-
2) Variation in stocks of finished goods and in work in progress	183,918	2,723,415
3) Variation in stocks of contract work in progress		
4) Increases in own work capitalised		
5) Other revenues and income	1,066	-
B. PRODUCTION COSTS	**367,344**	**2,754,025**
6) Raw materials, subsidiary materials, consumables and goods	208,678	2,652,192
7) Services	138,149	90,557
8) Use of third parties' assets		
9) Staff costs		
10) Amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	*1,333*	*1,333*
b) depreciation of property, plant and equipment	*157*	*120*
c) write-down of receivables included under current assets and cash and cash equivalents		
11) Variation in stocks of raw materials, subsidiary materials, consumables and goods		
12) Provision for risks		
13) Other provisions		
14) Other operating charges	19,027	9,823
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	*(90,340)*	*(30,610)*
C. FINANCIAL INCOME AND CHARGES	**(36,747)**	**(37,316)**
15) Income from equity investments		
16) Other financial income	1	-
17) Interest and other financial charges	36,748	37,316
D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations		
19) Write-downs		
E. EXTRAORDINARY INCOME AND CHARGES		
20) Extraordinary income		
21) Extraordinary charges		
RESULT BEFORE TAXES	*(127,087)*	*(67,926)*
INCOME TAXES	-	-
NET INCOME (LOSS) FOR THE YEAR	**(127,087)**	**(67,926)**

ANNEX 2

GLOSSARY OF RATIOS

COST TO INCOME RATIO

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

The amount of operating costs that are used in the calculation of the ratio shown in the Report on Operations and precisely in the section "Income statement dynamics" (€12.740m) corresponds to the amount shown in item 200. of the income statement (€12.753m), augmented by the net gains on the sale of investments for €13 thousand (see item 240. of the income statement).
Net interest and other banking income was calculated at €19.965m, equal to the amount reported in the financial statements.

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 the financial statements in tables 2.1.B "Own Funds – Quantitative information" (€180.686m) and 2.2.B "Capital adequacy – Quantitative information" (€1.011.435m) respectively.

GROSS DOUBTFUL LOANS TO GROSS LOANS

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

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 €155.475m and €1.310.668m respectively.

NET DOUBTFUL LOANS TO NET LOANS

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

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 €90.695m and €1.223.505m respectively.

GROSS DOUBTFUL LOANS TO OWN FUNDS

$$\frac{\textit{gross doubtful loans}}{\textit{own funds}}$$

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 €155.475m.
The amount relating to own funds which is used in the calculation of the ratio is shown in part "F – Information on Equity" of the notes to the financial statements in tables 2.1.B "Own funds – Quantitative information" and comes to €180.686m.

NET DOUBTFUL LOANS TO OWN FUNDS

$$\frac{\textit{net doubtful loans}}{\textit{own funds}}$$

The amount of net doubtful loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, in section "Impaired loans and country risk" and comes to €90.695m.
The amount relating to own funds which is used in the calculation of the ratio is shown in part "F – Information on equity" of the Notes to the financial statements in tables 2.1.B "Own funds – Quantitative information" and comes to €180.686m.

GROSS IMPAIRED LOANS TO GROSS LOANS

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

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 €233.346and €1.310.668m respectively.

NET IMPAIRED LOANS TO NET LOANS

$$\frac{\textit{net impaired loans}}{\textit{net loans}}$$

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 €152.493m and €1,223.505m respectively.

GROSS IMPAIRED LOANS TO OWN FUNDS

$$\frac{\textit{gross impaired loans}}{\textit{own funds}}$$

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 €233.346m.
The amount relating to own funds which is used in the calculation of the ratio is shown in part "F – Information on Equity" of the notes to the financial statements in tables 2.1.B "Own funds – Quantitative information" and comes to €180.686m.

NET IMPAIRED LOANS TO OWN FUNDS

$$\frac{\textit{net impaired loans}}{\textit{own funds}}$$

The amount of net 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 €152.493m.
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 €180.686m.

PAY OUT RATIO

$$\frac{\textit{dividends}}{\textit{net income for the year}}$$

The amounts used in calculating the ratio are shown in the Report on Operations in the chapter relating to the proposed allocation of net income.

PAYROLL TO NET INTEREST AND OTHER BANKING INCOME

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

The amounts of payroll (€6.767m) used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics" correspond to the amounts shown in the Income statement in item 150.a.
Net interest and other banking income was calculated at €19.965m, equal to the amount reported in the financial statements.

AVERAGE COST PER EMPLOYEE

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

The payroll cost, used for the calculation in the Report on Operations in the section dedicated to the dynamics in the income statement in the year, amounted to €6.267m and is found in Table 9.1 of the "C - Information on the Income Statement" in item 1 of the notes to the financial statements).
The average number of employees (80.5) 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

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

Net interest and other banking income was calculated at €19.965m, equal to the amount reported in the financial statements.
The average number of employees (80.5) 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 €1,343,883m, as shown in the financial statements.
The average number of employees (80.5) 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

$$\frac{\textit{net income for the year}}{\textit{equity (excluding net income for the year)}}$$

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 statement dynamics" and comes to €-6.792m, as shown in item 290. of the Income Statement.
Equity (excluding net income for the year) amounts to €188.078m and is the sum of items 130. "Valuation reserves", 160. "Reserves", 170. "Additional paid-in capital" and 180. "Share capital" of Statement of Financial Position liabilities.

RESOLUTION OF THE SHAREHOLDERS' MEETING

with the presence of 111,518,400 shares of 112,470,400 shares that make up the Company's share capital, the ordinary Shareholders' Meeting of 22 April 2016 unanimously

approved

- the report on operations presented by the Board of Directors for the year ended as at 31 December 2015;
- the financial statements for the year ended as at 31 December 2015 (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements);
- the coverage of the loss for the year by using the statutory reserves.