Consolidated Half-Year Financial Report at 30 June 2014

BANCA POPOLARE DI CIVIDALE
A cooperative joint-stock company – founded in 1886
Registered office and headquarters: Via Sen. Guglielmo Pelizzo 8-1;
33043 Cividale del Friuli;
Bank of Italy Register No. 5758.8.0; Italian Banking Association Code 05484;
Registration in the Banking Groups Register No. 05484.1;
Taxpayer ID, VAT reg. no. and Udine Companies Register no. 00249360306;
Share capital at 31 December 2013: €51,067,947, fully paid-in
A member of the Interbank Deposit Protection Fund

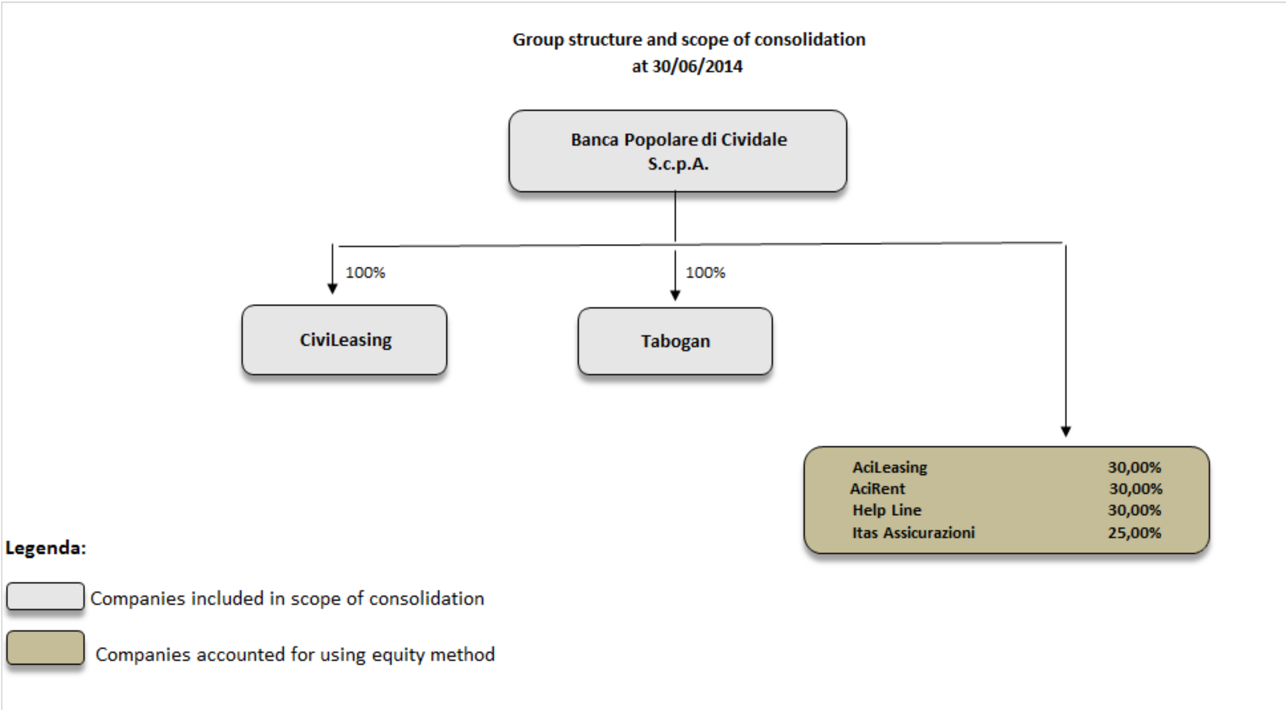
Contents

Corporate officers and senior management

Board of Directors	
Chairman	Graziano Tilatti
Deputy Chairman	Carlo Devetak Adriano Luci
Directors	Francesca Bozzi Anna Cracco Michela Del Piero Massimo Fuccaro Renzo Marinig Guglielmo Pelizzo
Board of Statutory Auditors	
Chairman	Renato Bernardi
Standing Members	Giovanni Dal Mas Gianluca Pico
Substitute Members	Pietro Cicuttini Andrea Volpe
Board of Arbitrators	
Standing Members	Mario Cicuttini Aldo Del Negro Giampaolo Piccoli Eugenio Scarbolo Ugo Gangheri
Substitute Members	Alessandro Rizza Giuseppe Bertolo
Senior management	
General Manager	Mario Leonardi
Assistant General Managers	Gianluca Picotti Federico Fabbro
Manager responsible for preparing financial reports	Gabriele Rosin
Independent auditors	Reconta Ernst & Young S.p.A.

Structure of the Banca Popolare di Cividale Group at 30 June 2014

At 30 June 2014, the Banca Popolare di Cividale Group was organised as follows:



The branch network of the Banca Popolare di Cividale Group

The Group's branch network consisted of 75 operational branches at 30 June 2014.

The Group has a presence in six provinces in the regions of Friuli Venezia Giulia and Veneto, distributed as follows:

- 41 in the province of Udine;
- eight in the province of Gorizia;
- eleven in the province of Pordenone;
- three in the province of Trieste;
- six in the province of Treviso;
- five in the province of Venice; and
- one in the province of Belluno.

Consolidated half-year financial highlights and balance sheet ratios at 30 June 2014

Income statement data (€ thousands)	30/06/2014	30/06/2013	Change	%
Net interest income (including result of hedging)	35.223	44.575	(9.352)	-21,0%
Net commissions	10.529	11.957	(1.428)	-11,9%
Dividends and net income (loss) of equity investments accounted for using equity method (1)	1.033	996	38	3,8%
Net trading income	23.749	35.495	(11.746)	-33,1%
Altri proventi (oneri) di gestione	143	150	(7)	-4,9%
Operating income	70.678	93.174	(22.496)	-24,1%
Operating cost	(33.408)	(34.241)	833	2,4%
Income (loss) from operating	37.270	58.933	(21.663)	-36,8%
Charges/write-backs on impairment of loans and other assets	(23.904)	(89.784)	65.880	73,4%
Profit (loss) on equity investments	(549)	-	(549)	-
Net provisions for risks and charges	(703)	(539)	(164)	-30,5%
Charges/write-backs on impairment of goodwill and equity investments	-	(1.049)	1.049	100,0%
Tax on income from continuing operations	(6.525)	3.342	(9.867)	-295,3%
Net income for the period attributable to the parent company	**5.588**	**(23.723)**	**29.312**	**123,6%**

BALANCE SHEET DATA	30/06/2014	31/12/2013	Change	%
Loans to customers	2.839.519	3.113.834	(274.315)	-8,8%
Net financial assets and liabilities held for trading	2.348	2.547	(200)	-7,8%
Financial assets available for sale	1.463.125	1.472.132	(9.007)	-0,6%
Invetments held to maturity	70.487	105.413	(34.926)	-33,1%
Investments in associates and companies subject to joint	7.642	7.529	112	1,5%
Property, plant and equipment and intangible assets (1)	102.815	106.377	(3.562)	-3,3%
Total net assets	4.608.110	4.932.544	(324.433)	-6,6%
Direct funding	3.358.893	3.698.696	(339.803)	-9,2%
Indirect funding	899.104	874.087	25.017	2,9%
- of wich: Assets under management	577.120	544.303	32.817	6,0%
Debiti verso banche netto	812.581	847.113	(34.532)	-4,1%
Shareholders' equity	280.417	261.309	19.108	7,3%

OPERATING STRUCTURE	30/06/2014	31/12/2013
N° of employees	591	593
Branches	75	74

Profitability ratios	30/06/2014	30/06/2013
Net interest income/Operating Income	49,84%	47,84%
Net commision income/Operating Income	14,90%	12,83%
Cost/income	47,27%	36,75%
Net income for the period/Total Assets	0,12%	-461,19%
Net income for the period/RWA	0,25%	-0,86%

Structure ratios	30/06/2014	31/12/2013
Loans to customers / Total net assets	61,62%	63,13%
Direct funding / Total net assets	72,89%	74,99%
Assets under management / Indirect funding from customers	64,19%	62,27%
Loans to customers / Direct funding from customers	84,54%	84,19%
Total assets / Shareholders' equity	1703,13%	1950,67%

CREDIT RISK INDICATORS (thousands of euros)	30/06/2014	31/12/2013
Net non-performing loans	12,67%	11,07%
Other net impaired loans	5,62%	5,10%
Net non-performing loans / Loans to customers	0,8%	3,82%
Other net impaired loans / Loans to customers	66,0%	147,97%
Total net impaired loans / Loans to customers	59,3%	59,18%
Non performing loans hedging	12,60%	11,64%
Other impaired loans hedging	46,92%	44,65%
Cost of credit (*)	1,37%	3,82%

(*) Calculated as the ratio of net impairment losses on loans to total estimated loans at year-end.

Interbank position	30/06/2014	31/12/2013	VAR	%
Cash and cash equivalents	16.638	20.021	(3.382)	-16,9%
Loans to banks	166.855	163.750	3.105	1,9%
Due to banks	(979.436)	(1.010.863)	31.426	3,1%
NET INTERBANK POSITION	**(795.943)**	**(827.092)**	**31.149**	**3,8%**

SOLVENCY RATIOS	30/06/2014	31/12/2013 *
Common Equity Tier1	10,12%	8,37%
Total capital ratio	11,81%	10,31%

* Legislation in force at 31 December 2013

Interim report on operations

The first half of 2014[1]

Executive summary

After coming to a halt in the first quarter, the expansion of global economic activity seems to have gained momentum once more, particularly in the United States, where growth has resumed, and in China, where the slowdown has come to an end.

In the Eurozone, growth remains modest, intermittent and uneven from one country to the next. Inflation continued to decline to a greater degree than anticipated, even when considered net of the most volatile components, such as energy and food. According to the most recent projections prepared by the staff of the Eurosystem, inflation is expected to remain low over the next two years, at a level not consistent with the definition of price stability.

The ECB's Executive Board took action by further loosening monetary conditions and supporting access to credit.

For the first time, the interest rate applied to deposits held by banks with the Eurosystem was lowered into negative territory as an incentive to provide liquidity and combat the appreciation of the euro. Banks will enjoy access to new long-term refinancing operations, provided at beneficial conditions, contingent upon the expansion of credit to families and businesses. The Board has also reiterated that it is ready to launch additional stimulus measures, such as a securities purchasing programme, should the inflation outlook in the medium term render it necessary to do so.

These monetary policy measures had an immediate impact: interest rates fell, the euro depreciated and capital inflows to many countries in the region, including Italy, intensified. The gradual recourse by banks to the new refinancing operations may yield a further contribution to expansion.

Italy is struggling to return to growth. In the winter months, economic activity was affected by energy production, partly tied to climatic factors, as well as the persistent weakness of construction. In May, industrial production declined unexpectedly throughout the Eurozone, owing in part to calendar-related effects. The available information suggests that activity also remained essentially stagnant in the second quarter.

The continuing stagnation of economic activity is in contrast to economic indicators concerning business and family confidence, which underwent further improvement in the spring. Some favourable signs for national demand were also seen early in the year. Household consumption increased for the first time since the beginning of 2011, albeit to marginal extent. Investments in machinery and equipment also increased, responding swiftly to the changed demand prospects. Qualitative observations in recent months indicate that investment plans have improved, most markedly in industry.

Inflation also declined further in Italy, reaching 0.2% in June (according to the harmonised index). The fall in energy and food prices was accompanied by a slowdown in the rise in the prices of core components, which continued to be affected by the considerable unused capacity.

The Italian administration introduced measures aimed at permanently reducing taxes on labour (cuts to personal income tax for low-income workers, as well as to production tax for companies). The resources are believed to have been obtained largely through expense reviews.

In conclusion, it is essential that these early signs of improvement be consolidated, given that the economic scenario remains fragile. There is a need for lasting growth and more innovation by companies in order to ensure that unemployment is gradually reduced, especially among young people, who have been most severely affected by the crisis. Economic policies must sustain consumer and business confidence, continue to implement reforms and ensure the reduction of debt in relation to GDP, a process the speed of which depends not only on prudent management of the government's finances, but also on the expansion of economic activity. In the Eurozone, combating the excess of deflation remains a priority.

Emerging economies and markets[2]

For emerging economies, cyclical indicators for the first few months of 2014 point to an economic performance essentially in line with that observed in the fourth quarter of 2013.

In a climate of heightened attention to risks and unforeseen losses in emerging markets, investors have begun to differentiate between countries and industries. One example is the case of Mexico, which with its popular, reformist government, robust growth and deficit below 2% of GDP has won the favour of investors, who have distanced themselves from Brazil and its exposure to political risk.

Three of the largest emerging markets - India, China and Russia - find themselves facing a variety of challenges. India is suffering from an abrupt slowdown of its growth; the Russian economy had undergone a slowdown even before the Kremlin's destabilising incursion into Crimea; whereas China is relatively well protected against the volatility of short-term flows, although investors' moods regarding China express themselves in countless forms. There are concerns relating to slowing growth, excessive increase in debt and possible defaults in the shadow-banking sector.

Many institutional investors have set objectives for diversifying their holdings in emerging market assets. It is likely that the coming months will be characterised by volatility in capital inflows to emerging markets, with considerable pressure on vulnerable countries. Nonetheless, a general, long-term withdrawal from these markets by global investors is improbable.

The banking system[3]

In the first quarter of 2014, the resumption of economic activity and trade flows, which had continued in the fourth quarter of 2013, weakened slightly. However, according to the IMF's most recent projections, the global recovery is expected to regain vigour later in the year. Monetary policies remain expansionary in the major advanced economies. The effect of geopolitical tensions, which have intensified

in recent months, represents a risk.

In Friuli Venezia Giulia, local banks have traditionally played a leading role. During the crisis period, the loans provided to businesses by local banks almost constantly outperformed those of other intermediaries. Loans to families have shown a stronger performance amongst local banks since the second half of 2008.

At the end of 2013, local banks had market share of 30.5% for loans to families, of which 19.0% was attributable to cooperative banks. In further detail, local banks accounted for 45.8% of loans to small businesses, of which 30.8% was attributable to cooperative banks. Since 2007, the share of loans to local banks has increased by nearly four percentage points. The increase has affected both families and businesses, although it has proved more intense for the latter.

In comparison to other intermediaries, the composition of the loan portfolios of local banks is distinguished by its greater focus on agricultural and construction companies and its lesser emphasis on loans to manufacturing firms.

The continuation of the unfavourable economic scenario has had a similar influence on credit risk levels for both types of banks. From 2007 to 2013, the impairment rate (loans reclassified as non-performing as a percentage of performing loans) for loans issued by local banks increased from 1.3% to 3.4%, with a sharp rise over the last year. During that same period, the rate increased from 1.1% to 3.7% for non-local banks. During the period under analysis, the rate for account credit facilities (revocable loans) applied to businesses by local banks was lower than that applied by other banks, reflecting the greater incidence of loans secured by collateral. From the end of 2007 to the end of 2013, the spread widened from slightly more than 80 to nearly 250 basis points. If only smaller companies are considered, that gap was even more significant: it had reached approximately 370 basis points at the end of 2013.

Financial markets[4]

Italian financial market conditions improved in the second quarter. Following the announcement of new expansionary measures by the ECB, sovereign risk premiums further declined, as did risk premiums for private bonds, resulting in a further decrease in the cost of public and private bond funding. The general Italian stock exchange index, which had been stable in the second quarter, declined in the first half of

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[1] *Source: The Bank of Italy's Bollettino Economico.*

[2] *Il Sole 24 Ore.*

[3] *Source: The Bank of Italy's Bollettino Economico – Regional Economies.*

Source: The Bank of Italy's Bollettino Economico.

July, reflecting the poor performance of the banking industry, owing in part to concerns arising from the difficulties experienced by a Portuguese financial institution. Since the end of March, spreads between the interest rates on Italian government securities and their German counterparts fell, partly as a result of consolidated expectations of an expansionary manoeuvre by the ECB. Spreads continued to fall in early June, following the decision by the Executive Board. From the end of March until 14 July, yields on ten-year Italian securities decreased by 40 basis points, to 2.9%, whereas the spreads with the corresponding German securities fell by five basis points to 168 points.
The decrease in risk premiums also extended to private debt. In the case of bonds issued by non-financial companies, yield spreads compared to the government bonds of Eurozone countries with the greatest creditworthiness decreased by 19 basis points compared to the end of March. In the first quarter of 2014, net redemptions of bank bonds continued, in both Italy and the Eurozone, owing to the high volumes of securities reaching maturity. Equity prices, which were stable in the second quarter, declined in early July in Italy and the rest of the Eurozone. In Italy, stock prices fell considerably in the sectors services, banking and automobiles.
In the first quarter of 2014, net inflows into Italian and foreign mutual funds increased considerably. Net inflows were particularly strong for flexible and bond funds, whereas there were net outflows from money-market and speculative funds.

The Banca Popolare di Cividale Group

Scope of consolidation

The consolidated financial statements of the banking group of which Banca Popolare di Cividale S.c.p.A. is the Parent Company include:

1. the financial statements of Banca Popolare di Cividale S.c.p.A., Civileasing S.p.A. and Tabogan S.r.l., consolidated on a line-by-line basis; and
2. the financial statements of Acileasing Friuli Venezia Giulia S.p.A., Acirent S.r.l. and Itas Assicurazioni S.p.A, consolidated according to the equity method.

Auditing of the consolidated financial statements

The Parent Company has submitted its condensed consolidated half-yearly financial statements for the review of the independent auditors Reconta Ernst & Young S.p.A. The auditing engagement was granted by the Shareholders' Meeting on 9 May 2010.

The human resources of the Banca Popolare di Cividale Group

At 30 June 2014, the human resources of the companies belonging to the Banca Popolare di Cividale S.c.p.A. Group numbered 591, compared to 593 at 31 December 2013.

Key operating events in the first half of the year

Investigation by the Public Prosecutor's Office of Udine

Following the investigation conducted by the Public Prosecutor's Office of Udine in 2013, involving, as persons subject to investigation, several former company officers, in connection with events dating back to the period from 2004 to 2008, *notice of conclusion of the preliminary investigation was served in December 2013.* At this stage of the proceedings, the Bank was also charged with the offence punished under Art. 25-decies of Legislative Decree No. 231/2001, inducement not to render declarations or to render false declarations to the judicial authority.
The Public Prosecutor then applied for committal to trial of the parties under investigation for the charges concerned. At the preliminary hearing on 18 June, the judge for the preliminary inquiry continued the proceedings until 9 October 2014; Banca Popolare di Cividale also entered an appearance as civil claimant in the proceedings against the former company officers subject to investigation.

Appointment of the new Board of Directors and Board of Statutory Auditors

The shareholders' meeting held on 25 April 2014 appointed new members of the Board of Directors and the entire Board of Statutory Auditors, who are to remain in office for three years. The shareholders elected Renzo Marinig, Massimo Fuccaro and Guglielmo Pelizzo as the new directors, whereas Renato

Bernardi (Chairman of the Board of Statutory Auditors), Giovanni Dal Mas (Standing Auditor) and Gianluca Pico (Standing Auditor) were appointed to the Board of Statutory Auditors.
During its first session held on 3 May 2014, the Board of Directors appointed Graziano Tilatti the new Chairman of Banca Popolare di Cividale, in addition to re-electing Carlo Devetak and Adriano Luci as Deputy Chairmen.

Bonds
In the first six months of 2014, the Bank issued and placed a total of three new bonds, for a total par value of €50.8 million.
Outstanding bonds totalled €1,441.2 million at 30 June 2014. Net of repurchases of €830 million, bonds held by third parties thus came to €611.2 million.

Subsequent events
At the date of approval of this report, no material events of a sort that would have a significant effect on either the earnings and financial position of the Company or the various entities within the scope of consolidation or on the representation thereof had occurred after the end of the first half of 2014.

Analysis of main consolidated balance-sheet aggregates and earnings results

Earnings results
In the first half of 2014, the Banca Popolare di Cividale Group reported positive results, earning a net income of €5,588 thousand, despite operating in a context of recession and uncertain development of the macro-economic scenario.
The Group's **operating revenues** came to €70,678 thousand in the first half of 2014, down by 24.1% compared to the same period of 2013. This decline may be ascribed in particular to the decline in net interest income of €9,352 thousand (-21.0%) due to the further decrease in market interest rates applied to customers and, most importantly, to the significant decrease in the interest rates applied to the proprietary securities portfolio. Net trading income decreased by €11,746 thousand (-33.1%). The comparison was affected by the positive performance recorded for the period ended 30 June 2013 as a result of income on the disposal of government bonds.
The decrease in **net commission income** (€1,428 thousand) was driven by the decline in revenues from traditional banking business of €900 thousand (-11.7%). In particular, there was a drop in commissions on lending activity, down compared to the previous year partly as a result of the downtrend in loans, in addition to the decrease in net commissions on ATM and credit card services. Commissions relating to management, intermediation and advisory activity were down compared to the first half of 2013 (-17.2%), despite growth in the securities brokerage segment, which will yield an increase in commission income in the second half of the year.
Operating expenses came to €33,408 thousand, down by €833 thousand (-2.4%). Personnel expenses decreased by €1,035 thousand (-5.0%), whereas administrative expenses, which came to €12,783 thousand, were down by 1.6%, further evidence of the continuing cost-rationalisation measures undertaken by the Group.
Depreciation charges on on property, plant and equipment of €1,142 were up by 54.9%. The increase of €405 thousand was essentially due to depreciation of the new office.
In this context, **net operating income** stood at €37,270 thousand, down by 36.8% compared to 30 June 2013.
Net accruals to **provisions for risks and charges** came to €703 thousand, up slightly compared to the previous year (-€164 thousand). The increase was largely due to the greater accruals associated with risks of legal disputes by the Parent Company.
The decrease in **impairment losses on loans and financial assets** of €23,906 thousand (-73.4%) compared to the same period of the previous year was essentially due to the extensive impairment losses on the loan portfolio recognised in the previous year.
Net income came to €5,588 thousand, after accounting for taxes of €6,525 thousand.
The return on equity (ROE) came to 2.0%.

Balance sheet aggregates

Direct funding came to €3,358,893 thousand, down by €339,803 thousand (-9.2%) compared to 2013 as a result of the decrease in debt in the form of repurchase agreement transactions with CC&G. Conversely, funding from retail customers increased by 5.2%.

Loans came to €2,839,394 thousand at 30 June 2014, down by 8.8% compared to 2013, due in part to the decline in transactions with CC&G, which decreased by more than €183 million.

Total net impaired loans stood at €357,651 thousand as at 30 June 2014, down by €4,648 thousand from the €362,299 thousand recorded in December 2013 (-1.3%), with an increase in the weight of the impaired portfolio compared to total loans to customers of 12.6%. In particular, net non-performing loans increased, climbing from €158,856 thousand at the end of 2013 to the present €159,474 thousand. Non-performing loans accounted for 5.6% of total loans, up slightly compared to the end of 2013. The coverage ratio rose from 58.1% to 60.3%. Substandard and restructured loans, which stood at €162,826 thousand, were up by 2.2%. As a percentage of total loans, substandard and restructured loans rose from 5.1% to 5.7%. The total coverage ratio remained unchanged at 29.4%.

Past-due positions stood at €35,351 thousand, down by 19.9%, decreasing as percentage of total loans from 1.4% to 1.2%. The coverage ratio for past-due positions came to 14.1%.

Collective adjustments amounted to €17,854 thousand, coming to an average of approximately 0.71% of the gross exposure of performing loans to customers. The coverage ratio is deemed appropriate to account for the risk level of regularly performing loans.

Indirect funding came to €899,104 thousand, up by 2.9% compared to 2013. The aggregate presented an increase attributable to mutual funds and portfolio management schemes that resulted in a rise in assets under management of 6.0%.

The Group's net interbank debt came to €795,943 thousand, down by 3.8% compared to December 2013. The decrease in exposure was the result of an improvement in self-funding ability, with the ensuing decline in amounts due to banks.

Financial assets available for sale totalled €1,463,125 thousand, down compared to December 2013 (-0.6%). The caption consists primarily of government bonds held as part of the liquidity risk management policy.

Book shareholders' equity amounted to €280,417 thousand at 30 June 2013, up by €19,108 thousand (+7.3%) compared to December 2013.

Total Tier Capital was essentially stable at €269,440 thousand. Risk-weighted assets amounted to €2,280,858 thousand, down by 12.4% compared to December 2013. The Group's solvency ratios improved compared to December 2013, due in part to the decrease in risk-weighted assets (RWAs) resulting from the efficiency-enhancement measures implemented.

The ratio of Common Equity Tier 1 to RWAs was 10.12%; the ratio of Total Tier Capital to RWAs was 11.81% (the levels of the ratios in December 2013, calculated according to the rules in force in 2013, were 8.37% and 10.31%, respectively).

Regulatory capital and prudential capital ratios have been calculated in accordance with the new rules established by the Bank of Italy effective 2014.

Risks and uncertainties

The Banca Popolare di Cividale Group and its management are aware that sustainable growth and development must inevitably also involve a thorough analysis of the risks to which the Group is exposed, the related uncertainties in terms of the impacts that those risks may have on its financial structure and earnings and cash flow performance, and the methods for managing and reducing risks to acceptable levels.

In any event, there are no signs within the financial structure or earnings and cash flow performance of Group companies of any symptoms that might result in uncertainties regarding the ability to continue to operate on a going-concern basis.

Condensed consolidated half-year financial report

Financial statements

Consolidated balance sheet

(figures in thousands of euro)

Balance sheet - Assets		30/06/2014		31/12/2013	
10	Cash and cash equivalents		16.638		20.021
20	Financial assets held for trading		3.252		3.512
40	Financial assets available for sale		1.463.125		1.472.132
50	Invetments held to maturity		70.487		105.413
60	Due from banks		166.855		163.750
70	Loans to customers		2.839.519		3.113.834
100	Investments in associates and companies subject to joint		7.642		7.529
120	Property and equipment		83.456		86.998
130	Intangible assets		19.358		19.379
	of which:				
	- goodwill	19.136		19.136	
140	Tax assets		63.177		73.893
	a) current	9.290		17.361	
	b) deferred	53.886		56.532	
	set forth in Italian Law 214/2011	*46.384*		*48.766*	
160	Other assets		42.360		30.797
	Total assets		**4.775.869**		**5.097.258**

Balance sheet - Liabilities and shareholders' equity		30/06/2014		31/12/2013	
10	Due to banks		979.436		1.010.863
20	Due to customers		2.615.269		2.968.412
30	Debt securities issued		743.624		730.284
40	Financial liabilities held for trading		904		965
80	Tax liabilities		24.999		27.056
	a) current	11.028		19.935	
	b) deferred	13.971		7.121	
100	Other liabilities		121.286		89.276
110	Employee termination benefits		5.891		5.658
120	Provisions for risk and charges:		4.043		3.436
	b) other provisions	4.043		3.436	
140	Valuation reserves		19.765		8.552
170	Reserves		37.054		38.920
180	Share premiums		167.984		198.570
190	Share capital		51.068		51.068
200	Treasury shares (-)		(1.042)		(7)
220	Net income (loss) for the period (+/-)		5.588		(35.793)
	Total liabilities and shareholders' equity		**4.775.869**		**5.097.258**

Consolidated income statement

	Consolidated income statement		30/06/2014		30/06/2013
10	Interest income and similar revenues		61.173		73.874
20	Interest expense and similar charges		(25.950)		(29.245)
30	**Net interest income**		**35.223**		**44.629**
40	Commission income		13.771		15.299
50	Commission expense		(3.242)		(3.342)
60	**Net commission income**		**10.529**		**11.957**
70	Dividends and similar income		921		925
80	Net trading income		342		268
90	Fair value adjustments in hedge accounting		-		(54)
100	Profit (loss) on disposal or repurchase of:		23.408		35.228
	a) loans	(32)		567	
	b) financial assets available for sale	22.476		36.066	
	d) financial liabilities	963		(1.405)	
120	**Total income**		**70.422**		**92.951**
130	Charges/write-backs on impairment of:		(23.904)		(89.784)
	a) loans	(22.130)		(81.878)	
	b) financial assets available for sale	(1.596)		(7.135)	
	d) other financial transactions	(178)		(771)	
140	**Net Financial income**		**46.518**		**3.167**
170	**Net income from financial and insurance operations**		**46.518**		**3.167**
180	G&A expenses:		(35.368)		(36.161)
	a) personnel expenses	(19.483)		(20.518)	
	b) other administrative expenses	(15.884)		(15.643)	
190	Net provisions for risks and charges		(703)		(539)
200	Net impairment/write-backs on property, plant and equipment		(1.121)		(605)
210	Net impairment/write-backs on intangible assets		(20)		(132)
220	Other operating income (expenses)		3.244		2.807
230	**Operating cost**		**(33.968)**		**(34.629)**
240	Profit (loss) on equity investments		112		(977)
270	Profit (loss) on disposal of investments		(549)		-
280	**Income (loss) before tax from continuing operations**		**12.113**		**(32.439)**
290	Tax on income from continuing operations		(6.525)		3.342
300	**Income (loss) after tax from continuing operations**		**5.588**		**(29.096)**
320	**Net income for the period**		**5.588**		**(29.096)**
330	Minority interest		-		5.373
340	**Net income for the period attributable to the Parent company**		**5.588**		**(23.723)**

Consolidated statement of other comprehensive income

		30/06/2014	30/06/2013
10	**Net profit for the year**	**5.588**	**(23.723)**
	Other income net of income taxes without transfer to profit and loss account		
20	Property and equipment		-
30	Intangible assets	-	-
40	Actuarial gains (losses) from defined benefit plans	(210)	76
50	Non-current assets held for sale	-	-
60	Portion of valuation reserves of investments valued using the equity method	-	-
	Other income net of income taxes without transfer to profit and loss account		-
70	Hedges of foreign investments	-	-
80	Exchange differences	-	-
90	Cash flow hedges	-	
100	AFS financial assets	14.688	(21.899)
110	Non-current assets held for sale	-	
120	Portion of valuation reserves of investments valued using the equity method	-	
130	**Total other income, net of income taxes**	**14.478**	**(21.823)**
140	**Comprehensive income (10 + 130)**	**20.067**	**(45.546)**
150	Comprehensive income attributable to Minority Interests	-	(5.238)
160	**Consolidated comprehensive income attributable to the Parent Com**	**20.067**	**(50.784)**

Consolidated statement of changes in shareholders' equity

2014	Balance at 01/01/2014		Allocation of result for previous period			Changes during the year												Shareholders' equity at 30/06/2014	
			Reserves		Dividends and other uses	Changes in reserves		Equity operations								Total comprehensive income for the			
								New share issues		Purchase of treasury stock		Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options				
	Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group	Minority interests
Share capital	**51.068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51.068**	**-**
a) ordinary shares	51.068	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51.068	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**198.569**	**-**	**(30.585)**			**-**		**-**	**-**		**-**							**167.984**	**-**
Reserves	**38.920**	**-**	**(1.943)**	**-**	**-**	**77**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37.054**	**-**
a) income	38.920		(1.943)			77			-	-		-	-	-	-	-	-	37.054	-
b) other	(0)	-	-					-	-	-	-	-	-	-	-	-	-	(0)	-
Valuation reserves:	**8.551**	**-**	**(3.265)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14.478**	**-**	**19.765**	**-**
a) available for sale	5.334	-	-			-			-	-		-	-	-	-	14.688		20.022	-
b) cash flow hedging	-	-	-					-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	3.218	-	(3.265)						-	-		-	-	-	-	(210)		(257)	-
Equity instruments	**-**	**-**																**-**	**-**
Treasury shares	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.035)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.042)**	**-**
a) of Parent Company	(7)	-	-	-	-	-	-	-	-	(1.035)		-	-	-	-	-	-	(1.042)	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the period	**(35.793)**	**-**	**(35.793)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.588**	**-**	**5.588**	**-**
Shareholders' equity	**261.308**	**-**		**-**	**-**	**77**	**-**	**-**	**-**	**(1.035)**	**-**	**-**	**-**	**-**	**-**	**20.067**	**-**	**280.416**	**-**

2013	Balance at 01/01/2013		Allocation of result for previous period			Changes during the year												Shareholders' equity at 30/06/2013	
			Reserves		Dividends and other uses	Changes in reserves		Equity operations								Total comprehensive income for the period			
								New share issues		Purchase of treasury stock		Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options				
	Group	Minority interests	Group	Minority interests		Group	Minority interests	Group	Minority interests	Group	Minority interests					Group	Minority interests	Group	Minority interests
Share capital	**50.783**	**28.027**	**-**	**-**	**-**	**-**	**(8.141)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50.783**	**19.885**
a) ordinary shares	50.783	28.027	-	-	-	-	(8.141)	-	-	-	-	-	-	-	-	-	-	50.783	19.885
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**196.529**	**29.958**					**(19.115)**	**-**	**-**		**-**							**196.529**	**10.843**
Reserves	**63.752**	**716**	**(46.384)**	**(1.633)**	**-**	**29.428**	**(2.023)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46.795**	**(2.939)**
a) income	36.069	716	(46.384)	(1.633)		29.428	(2.023)		-	-		-	-	-	-	-	-	19.113	(2.939)
b) other	27.683	-	-					-	-	-	-	-	-	-	-	-	-	27.683	-
Valuation reserves:	**28.730**	**2.184**	**-**	**-**	**-**	**1.423**	**- 1.423**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(21.823)**	**135**	**8.330**	**896**
a) available for sale	16.140	(160)	-			(104)	104		-	-		-	-	-	-	(21.899)	126	(5.864)	70
b) cash flow hedging	-	-	-					-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	12.590	2.344				1.527	(1.527)		-	-		-	-	-	-	76	9	14.193	826
Equity instruments																		**-**	**-**
Treasury shares	**(9.740)**	**-**	**-**	**-**	**-**	**1.607**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8.133)**	**-**
a) of Parent Company	(9.740)	-	-	-	-	1.607	-	-	-	-	-	-	-	-	-	-	-	(8.133)	-
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the period	**9.552**	**(3.225)**	**98**	**-**	**(6.425)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23.723)**	**(5.373)**	**(23.723)**	**(5.373)**
Shareholders' equity	**339.606**	**57.660**	**(46.286)**	**(1.633)**	**(6.425)**	**32.458**	**(30.702)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(45.546)**	**(5.238)**	**270.581**	**23.312**

Consolidated statement of cash flows

CONSOLIIDATED STATEMENT OF CASH FLOW				
OPERATING ACTIVITY	**30/06/2014**		**30/06/2013**	
1. Operations		**48.997**		**95.812**
- interest income received (+)	79.246		92.604	
- interest expense paid (-)	(9.113)		(12.899)	
- dividends and similar revenues	921		925	
- net commissions (+/-)	10.529		11.568	
- staff costs	(16.011)		(17.140)	
- other expenses (-)	(37.764)		(18.375)	
- other revenues (+)	27.373		39.003	
- taxes and duties (-)	(6.184)		126	
2. Liquidity generated/absorbed by financial assets: (+/-)		**257.826**		**40.918**
- financial assets held for trading	261		(3.262)	
- financial assets available for sale	9.007		(28.299)	
- loans to custumers	274.315		(73.439)	
- due from banks: repayable on demand	(20.004)		(228.528)	
- due from banks: other	(179)		384.432	
- other assets	(5.575)		(9.985)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(346.404)**		**(85.101)**
- due to banks: repayable on demand	(31.507)		962.810	
- due to banks: other	(12.694)		(968.994)	
- due to customers	(357.205)		177.291	
- securities issued	12.423		(219.097)	
- financial liabilities held for trading	(61)		(459)	
- other liabilities	42.640		(36.651)	
Net liquidity generated/absorbed by operating activity A (+/-)		**(39.581)**	**0**	**51.630**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**-**		**-**
2. Liquidity absorbed by: (-)		**37.234**		**(7.693)**
- purchase of equity investments	(112)		265	
- purchase of financial assets held to maturity	34.926		(506)	
- purchase of property, plant and equipment	2.421		(7.134)	
- purchase of intangible assets	-		(318)	
Net liquidity generated/absorbed by investing activity B (+/-)		**37.234**		**(7.693)**
FUNDING ACTIVITY				
- issue/purchase of own shares	(1.035)		(46.090)	
- distribution of dividends and other uses	-		(6.425)	
Net liquidity generated/absorbed by funding activity C (+/-)		**(1.035)**		**(52.515)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**(3.382)**		**(8.578)**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	20.021	25.501
Total net liquidity generated/absorbed during the period D	-3.382	-8.578
Cash and cash equivalents: effect of exchange rate changes F	0	0
Cash and cash equivalents at the end of the period G = E +/-D+/-F	**16.639**	**16.923**

Notes

Accounting policies

Statement of compliance with international accounting standards

Section 1 Statement of compliance with international accounting standards

Pursuant to Legislative Decree No. 38 of 28 February 2005, these condensed consolidated half-year financial statements have been prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) and the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by Regulation (EC) No 1606 of 19 July 2002.

These financial statements have also been drawn up in condensed form in accordance with IAS 34. Accordingly, they do not include all of the disclosures required in the annual consolidated financial statements and must be read in conjunction with those prepared as at 31 December 2013.

The accounting policies adopted are consistent with those adopted for the consolidated financial statements at 31 December 2013, with the exception of the new standards, amendments and interpretations in effect from 1 January 2014.

The following is a list of the regulations endorsing several new standards or amendments to existing standards, applicable on a compulsory basis effective financial year 2014, as limited to the cases of interest to the Group’s business, for which an early application option was not exercised in previous years:

- Regulation No 1254/2012, which adopts the following international accounting standards: i. IFRS 10 *Consolidated Financial Statements*, which replaces IAS 27 and the interpretation SIC 12 and has the objective of providing a single consolidation model that identifies control as the basis for consolidation of all types of entities; ii. IFRS 11 *Joint Arrangements*, which establishes principles for the financial reporting by parties to a joint arrangement and replaces IAS 31 *Interests in Joint Ventures* and the interpretation SIC 13; iii. IFRS 12 *Disclosure of Interests in Other Entities*, which combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. That same Regulation also amends IAS 27 *Separate Financial Statements* and IAS 28 *Investment in Associates and Joint Ventures* (in addition to replacing IAS 31 *Interests in Joint Ventures*).
- Regulation No 313/2013 - transition guidance and amendments to IFRS 10, 11 and 12, clarifying the IASB's intention when first issuing the transition guidance in IFRS 10. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- Regulation No 1174/2013 - Investment Entities, which amends IFRS 10, IFRS 12 and IAS 27 so as to require that investment entities measure their subsidiaries at fair value through profit or loss account rather than consolidate them in order to better reflect their business model. Disclosures about interests in other entities (IFRS 12) have also been amended so as to require specific disclosure about the subsidiaries of the above-mentioned investment entities.
- Regulation No 1374/2013 - Recoverable Amount Disclosures for Non-Financial Assets, which amends IAS 36 and clarifies that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.
- Regulation No 1375/2013 - Novation of Derivatives and Continuation of Hedge Accounting, which amends IAS 39, governing situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Hedge accounting may therefore continue irrespective of the novation, which, without the amendment, would not be permitted.

Among the regulations that have been endorsed but have yet to enter into force, attention should be drawn to:

- Regulation No 634/2014, which adopts the interpretation IFRIC 21 *Levies*. That Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37, as well as the accounting for a liability to pay a levy whose timing and amount is uncertain. Application is required effective 1 January 2015.

The application of these new standards did not entail material impacts on the consolidated net income or consolidated net financial position at the end of the period. In particular, the application of the new concept of control introduced by IFRS 10 did not result in any change to the scope of consolidation of the Banca Popolare di Cividale Group.

General basis of preparation of the interim report on operations

The condensed consolidated half-year financial statements comprise the following documents, presented in euro: the balance sheet, income statement, statement of other comprehensive income, statement of changes in shareholders' equity, statement of cash flows and these notes. The notes have been presented in thousands of euro for certain items of the financial statements.
The condensed consolidated half-year financial statements for the six months ended 30 June 2014 are accompanied by certification by the manager responsible for preparing the financial reports in accordance with Art. 154-bis of the Consolidated Finance Act.
The condensed consolidated half-year financial statements have been subject to a limited audit by Reconta Ernst & Young S.p.A. under the legal auditing contract awarded to the latter for the period 2010-2018.

Company performance and outlook (Bank of Italy, Consob and ISVAP Documents 2 of 6 February 2009 and 4 of 3 March 2010)

With respect to Bank of Italy, Consob and ISVAP Document 2 of 6 February 2009, as well as the subsequent Document 4 of 3 March 2010, concerning disclosures to be provided in financial reports regarding business outlook, with especial regard to continuity of operation, financial risks, tests aimed at detecting impairment and uncertainties in the use of estimates, the Directors of Banca Popolare di Cividale confirm that they have a reasonable expectation that the Company and other Group entities may continue to operate as going concerns for the foreseeable future. Accordingly, the financial report at 30 June 2014 has been prepared on such a going-concern basis. The Directors further confirm that they have not found any cause for doubt on the subject of the going-concern principle in the Group's financial position or operating performance.
Loans have been classified and measured according to the customary conservative approach aimed at duly and properly capturing the consequences of the adverse development of the current economic scenario. The speed and extent of the exacerbation of the crisis have required constant revision of loans that previously showed signs of distress as well as those without any outward symptoms of deterioration. In addition, specific impairment tests have been conducted for equity investments, available-for-sale securities, intangible assets and goodwill on the basis of an analysis of the presence of indicators of impairment. Impairment losses have been determined by using the same methods and criteria as illustrated in the 2013 financial statements, to which the reader is therefore referred.
For further information concerning credit and financial risks, the reader is referred to the chapter on risk management.

Scope of consolidation and consolidation methods

The condensed consolidated half-year financial statements of Banca Popolare di Cividale S.c.p.A. include:

- the financial statements of Banca Popolare di Cividale S.c.p.A., Civileasing S.p.A. and Tabogan S.r.l., consolidated on a line-by-line basis; and
- the financial statements of Acileasing Friuli Venezia Giulia S.p.A., Acirent S.r.l., Itas S.p.A. and Help Line S.p.A., consolidated according to the equity method.

As disclosed above, in application of IFRS 10, the scope of consolidation and consolidation methods have remained unchanged with respect to those adopted in preparing the Group's consolidated financial statements for the year ended 31 December 2013, to which the reader is therefore referred. The financial statements of the Parent Company and the other companies used to prepare these financial statements

refer to 30 June 2014. In certain limited cases, the most recent available official data were used for insignificant equity investments. Where necessary – and only in cases of marginal significance – the financial statements of consolidated entities prepared in accordance with different accounting policies have been adjusted to comply with the Group's policies.
The following table presents the equity investments included within the scope of consolidation in the condensed consolidated half-year financial statements for the period ended 30 June 2014.

Company name	Registered office	Type of relationship	Equity investment Investor	% of votes
A. Companies				
A.1 Consolidated on a line-item basis				
Civileasing SpA	Udine	subsidiary	Banca Popolare di Cividale S.c.p.A.	100,00%
Tabogan Srl	Cividale	subsidiary	Banca Popolare di Cividale S.c.p.A.	100,00%
A.2 Companies accounted for using equity method				
Acileasing SpA	Udine	associate	Banca Popolare di Cividale S.c.p.A.	30,00%
Acirent SpA	Udine	associate	Banca Popolare di Cividale S.c.p.A.	30,00%
Help Line Spa	Cividale	associate	Banca Popolare di Cividale S.c.p.A.	30,00%
Itas Assicurazioni Spa	Trento	associate	Banca Popolare di Cividale S.c.p.A.	25,00%

Use of estimates and assumptions in preparing the condensed financial statements

In preparing the condensed consolidated half-year financial statements, use has been made of estimates and assumptions that could have an impact on the amounts recognised in the balance sheet and the income statement and disclosed in the notes. Specifically, the greatest use of subjective assessments by management is required in the following cases:

- determining the amount of impairment losses for financial assets, especially loans and receivables;
- determining the fair values of financial instruments to be used for disclosure purposes and using valuation models to determine the fair values of financial instruments not quoted in active markets;
- assessing the appropriateness of the value of goodwill;
- determining the amounts of staff provisions and provisions for other risks and charges; and
- preparing estimates and assumptions relating to the recoverability of deferred tax assets.

Reasonable estimates and assumptions to be used in accounting for management transactions are formulated through subjective assessments founded upon the use of all available information and past experience. It should be noted that certain valuation processes, and in particular the most complex, such as determining impairment losses, are generally conducted in complete form when preparing the consolidated annual financial report, when all required information is available, unless there are significant indicators of impairment that require immediate assessment of possible losses.

Earnings results

Reconciliation of the consolidated income statement and reclassified consolidated income statement

RECLASSIFIED INCOME STATEMENT	Consolidated income statement	30/06/2014	30/06/2013
Net interest income (including result of hedging)	30 - Net interest income	35.223	44.629
	90 - Fair value adjustments in hedge accounting	-	(54)
Total Net interest income (including result of hedging)		**35.223**	**44.575**
Dividends and net income (loss) of equity investments accounted for using equity method	70 - Dividends and similar income	921	925
	240 - Profit (loss) on equity investments	112	71
	270 - Profit (loss) on disposal of investments	- 549	-
Total Dividends and net income (loss) of equity investments accounted for using equity method		**484**	**996**
Net commissions	**60 - Net commission income**	**10.529**	**11.957**
Other operating income (net of recovered expenses)	220 - Other operating income (expenses)	3.244	2.807
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(3.101)	(2.657)
Total Other operating income (net of recovered expenses)		**143**	**150**
Net trading income	**80 - Net trading income**	**342**	**268**
Gains (losses) from purchase/sale of loans and financial assets	100 - Profit (loss) on disposal or repurchase of:		
	a) loans	- 32	567
	b) financial assets available for sale	22.476	36.066
	c) financial assets held to maturity	-	-
	d) financial liabilities	963	(1.405)
Total Gains (losses) from purchase/sale of loans and financial assets		**23.408**	**35.228**
OPERATING REVENUES		**70.129**	**93.174**
Personnel expenses	180 a) personnel expenses	(19.483)	(20.518)
Other administrative expenses (net of recovered expenses)	180 b) other administrative expenses	(15.884)	(15.643)
	220 (partial) - Other operating income (expenses) - Recovery of indirect taxes	3.101	2.657
Total Other administrative expenses (net of recovered expenses)		**(12.783)**	**(12.986)**
Net impairment/w rite backs on property, plant and equipment and intangible assets (excluding (	200 - Net impairment/w rite-backs on property, plant and equipment	(1.121)	(605)
	210 - Net impairment/w rite-backs on intangible assets	(20)	(132)
Total Net impairment/w rite backs on property, plant and equipment and intangible assets (excluding goodw ill)		**(1.142)**	**(737)**
OPERATING COST		**(33.408)**	**(34.241)**
INCOME (LOSS) FROM OPERATING		**36.721**	**58.933**
Goodw ill impairment	260 - Goodw ill impairment	-	(1.049)
Charges/w rite-backs on impairment of loans	130 a) loans	(22.130)	(81.878)
Charges/w rite-backs on impairment of other assets	130 b) financial assets available for sale	(1.596)	(7.135)
	130 c) financial assets held to maturity	-	-
	130 d) other financial transactions	(178)	(771)
Total Charges/w rite-backs		**(23.904)**	**(89.784)**
Net provisions for risks and charges	190 - Net provisions for risks and charges	(703)	(539)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**12.114**	**(32.438)**
Tax on income from continuing operations	290 - Tax on income from continuing operations	(6.525)	3.342
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**5.588**	**(29.096)**
Income (loss) after tax from discontinued operations	310 - Income (loss) after tax from discontinued operations	-	-
Minority interest	330 -Minority interest	-	5.373
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY		**5.588**	**(23.724)**

Net interest income

Net interest income	30/06/2014	30/06/2013	%
Relations with customers	33.955	39.055	-13,1%
Debt securities issued	(8.058)	(16.760)	51,9%
Certificates of deposit	(861)	(980)	12,2%
Differentials on hedging derivatives	-	66	-100,0%
Net income from customers	**25.036**	**21.381**	**17,1%**
Financial assets AFS	11.737	16.982	-30,9%
Financial assets HTF	65	203	-67,9%
Financial assets L&R	396	7.813	-94,9%
Financial assets HTM	1.613	2.045	-21,1%
Capitalization policies	238	299	-20,5%
Financial assets	**14.050**	**27.342**	**-48,6%**
Relations with banks	(3.885)	(4.104)	5,3%
Other net interest	22	10	120,1%
Total net interest	**35.223**	**44.629**	**-21,1%**
Net fair value changes in hedge relationships	-	(54)	100,0%
Net interest income	**35.223**	**44.575**	**-21,0%**

Dividends

	30/06/2014		30/06/2013		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	4	-	-	-	-
B. Financial assets available for sale	-	-	996	-	-100,0%
C. Financial assets recognised at fair value	-	-	-	-	-
D. Equity investments	917	X	- 0	X	ns
Total	**921**	**-**	**996**	**-**	-7,5%

Net commission income

	30/06/2014	30/06/2013	%
Guarantees issued	533	564	-5,4%
Collection and payment services	737	756	-2,6%
Current accounts	1.510	1.507	0,2%
Commisions on credit facilities	3.147	3.514	-10,4%
Credit and debit cards	851	1.337	-36,3%
Commercial banking activities	**6.778**	**7.678**	**-11,7%**
Trading and placement of securities (including mutual funds)	2.366	2.320	2,0%
MEF's guarantees	(2.018)	(2.018)	0,0%
Currency dealing	255	313	-18,4%
Portfolio management	871	872	-0,1%
Distribution of insurance products	229	569	-59,8%
Other	-	-	0,0%
Management, intermediation and advisory services	**1.703**	**2.056**	**-17,2%**
Other net fee and commission income	2.048	2.223	-7,9%
Net fee and commission income	**10.529**	**11.957**	**-11,9%**

Net trading income (loss)

	30/06/2014	30/06/2013	%
Financial assets held for trading	331	256	30%
Financial liabilities held for trading	-	-	-
Derivatives	7	8	-20%
Net trading income/(loss) (interest rates, equity, foreign exchanges)	**338**	**264**	**27,9%**
Credit derivatives	-	-	-
Other financial assets and liabilities: exchange differences	4	4	0%
Net trading income/(loss)	**342**	**268**	**27,3%**

Profit (Loss) from purchase/sale of loans and financial assets

The caption includes profits on the disposal of loans and financial assets. In further detail, the caption was affected by the realisation of gains on government securities.

Other operating income (expenses)

	30/06/2014	30/06/2013	%
Out-of-period expenses and reductions in assets	(1.112)	(463)	-140,0%
Total operating expenses	**(1.112)**	**(463)**	**-140,0%**
Other income - rentals and fees	72	58	24,1%
Expenses charged to others on deposits and current accounts	-	-	-
Expenses charged to others - other	602	198	204,0%
Out-of-period income and reductions in liabilities	581	357	62,7%
Total operating income	**1.255**	**613**	**104,7%**
Total operating income and expenses	**143**	**150**	**-4,5%**

Other operating income and expenses is a residual caption that includes income and expenses of various types. The caption does not include recoveries of expenses, taxes and duties, which have instead been deducted from administrative expenses in this income statement. On a net basis, the caption stood at €3,101 thousand for the period ended 30 June 2014.

Operating costs

	30/06/2014	30/06/2013	%
Wages and salaries	13.134	13.146	-0,1%
Social security contributions	3.661	3.709	-1,3%
Other personnel expenses	2.688	3.664	-26,6%
Total personnel expenses	**19.483**	**20.518**	**-5,0%**
Information technology expenses	335	380	-11,9%
Real estate management costs	2.345	2.776	-15,5%
General structure costs	2.562	2.668	-4,0%
Professional, insurance and legal expenses	1.633	1.389	17,6%
Advertising	517	513	0,7%
Outsourcing costs and other services provided by third parties	4.563	5.032	-9,3%
Indirect personnel costs	626	652	-4,0%
Recovery of expenses and charges	(88)	(579)	84,9%
Indirect taxes and duties	3.198	2.809	13,8%
Recovery of indirect taxes and duties	(2.908)	(2.654)	-9,6%
Total other administrative expenses	**12.783**	**12.986**	**-1,6%**
Net impairment/write-backs on property, plant and equipment	1.121	604	85,6%
Net impairment/write-backs on intangible assets	21	133	-84,2%
Total net impairments	**1.142**	**737**	**54,9%**
Total operating costs	**33.408**	**34.241**	**-2,4%**

Operating income

Operating income stood at €37,270 thousand, down compared to 30 June 2013 (-36.8%).

Net impairment/write-backs on loans and other assets

	30/06/2014	30/06/2013	%
Non-performing loans	(12.929)	(33.878)	-61,8%
Substandard and restructuring loans	(9.261)	(38.624)	-76,0%
Past due	268	(6.890)	-103,9%
Net impairment losses on loans	(208)	(2.487)	-91,6%
Net adjustments to guarantees and commitments	**(22.130)**	**(81.879)**	**-73,0%**
Net profit on disposal or repurchase	**(1.596)**	**(7.905)**	**-79,8%**
Net adjustments to loans	(178)	-	-
Total charges/write-backs	**(23.904)**	**(89.784)**	**-73,4%**

Net provisions for risks and charges

	30/06/2014	30/06/2013	%
customer disputes	(703)	(294)	139,1%
revocatory actions	-	(245)	-100,0%
Other provisions	-	-	-
Total	**(703)**	**(539)**	**-30,4%**

Profits (Loss) on disposal of investments

Profit (loss) on disposal of investments	30/06/2014	30/06/2013	%
Losses on disposal of property and equipment	(549)	-	100,0%
Total	**(549)**	**-**	**100,0%**

Income (Loss) before tax from continuing operations

Income before tax from continuing operations stood at €12,113 thousand in the first half of 2014.

Tax on income from continuing operations

The provision for current and deferred taxes accrued in the first six months of 2014 came to €6,525 thousand.

Net income (loss)

The consolidated net income for the period amounted to €5,588 thousand.

Balance sheet aggregates

Reconciliation between the consolidated balance sheet and reclassified consolidated balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	30/06/2014	31/12/2013
Cash and cash equivalents	10 - Cash and cash equivalents	16.638	20.021
Financial assets held for trading	20 - Financial assets held for trading	3.252	3.512
Financial assets available for sale	40 - Financial assets available for sale	1.463.125	1.472.132
Financial assets held to maturity	50 - Invetments held to maturity	70.487	105.413
Due from banks	60 - Due from banks	166.855	163.750
Loans to customers	70 - Loans to customers	2.839.519	3.113.834
Hedging derivatives	80 - Hedging derivatives	-	-
Equity investments	100 - Investments in associates and companies subject to joint	7.642	7.529
Property and equipment and intangible assets	120 - Property and equipment	83.456	86.998
	130 - Intangible assets	19.358	19.379
Other assets	140 - Tax assets	63.177	73.893
	150 - Non-current assets held for sale and discontinued operations	-	-
	160 - Other assets	42.360	30.797
Total assets		**4.775.869**	**5.097.258**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	30/06/2014	31/12/2013
Due to banks	10 - Due to banks	979.436	1.010.863
Direct funding from customers	20 - Due to customers	2.615.269	2.968.412
	30 - Debt securities issued	743.624	730.284
Financial liabilities held for trading	40 - Financial liabilities held for trading	904	965
Hedging derivatives	60 - Hedging derivatives	-	-
Other liabilities	80 - Tax liabilities	24.999	27.056
	90 - Liabilities associated with discontinued operations	-	-
	100 - Other liabilities	121.287	89.277
Specific provisions	110 - Employee termination benefits	5.891	5.658
	120 - Provisions for risk and charges:	4.043	3.436
Shareholders' equity pertaining to minority interests	210 - Minority interest (+/-)	-	-
Shareholders' equity	140 - Valuation reserves	19.765	8.552
	170 - Reserves	37.054	38.920
	180 - Share premiums	167.984	198.570
	190 - Share capital	51.068	51.068
	200 - Treasury shares (-)	(1.042)	(7)
	220 - Net income (loss) for the period (+/-)	5.588	- 35.793
Total liabilities		**4.775.869**	**5.097.258**

General aspects

A condensed balance sheet has also been prepared in the interest of permitting a more immediate assessment of the Group's financial position. Compared to the template set forth in Bank of Italy Circular 262/05, some captions have been aggregated, as is standard practice. The analytical details of the restatements and aggregations of captions are supplied, with separate tables, among the appendices to the financial statements, as required by Consob.

Aggregations of captions involved:

- aggregating property, plant and equipment and intangible assets into a single caption;
- aggregating amounts due to customers and debt securities issued into a single caption;
- aggregating provisions intended for specific uses (employee termination benefits and provisions for risks and charges) into a single caption; and
- presenting reserves in aggregate form, net of any treasury shares.

In the further interest of a more effective presentation of the composition of aggregates, in the following detail tables and/or comments, financial assets and financial liabilities held for trading represented by derivative contracts and amounts due from and to banks are presented on a net basis.

Reclassified consolidated balance sheet

ASSETS	30/06/2014	31/12/2013	Var %
Cash and cash equivalents	16.638	20.021	-16,9%
Financial assets held for trading	3.252	3.512	-7,4%
Financial assets available for sale	1.463.125	1.472.132	-0,6%
Invetments held to maturity	70.487	105.413	-33,1%
Due from banks	166.855	163.750	1,9%
Loans to customers	2.839.519	3.113.834	-8,8%
Investments in associates and companies subject to joint	7.642	7.529	1,5%
Property, plant and equipment and intangible assets (1)	102.815	106.377	-3,3%
Other assets (2)	105.537	104.690	0,8%
Total assets	**4.775.869**	**5.097.258**	**-6,3%**

(1) The aggregates include captions "120. Property, plant and equipment" and "130. Intangible assets";
(2) The aggregates include captions "140. Tax assets" and "160. Other assets".

LIABILITIES	30/06/2014	31/12/2013	Var %
Due to banks	979.436	1.010.863	-3,1%
Direct funding from customers (1)	3.358.893	3.698.696	-9,2%
Financial liabilities held for trading	904	965	-6,3%
Other liabilities	146.285	116.332	25,7%
Specific provisions (2)	9.934	9.094	9,2%
Shareholders' equity (3)	280.417	261.309	7,3%
Total liabilities	**4.775.869**	**5.097.258**	**-6,3%**

(1) The aggregate includes captions "20. Due to customers" and "30. Debt securities issued";
(2) The aggregates include captions ""110. Employee termination benefits" and "120. Provisions for risks and charges";
(3) The aggregate includes captions ""140. Valuation reserves," "160. Equity instruments," "170. Reserves," "180. Share premium," "190. Share capital"," ""200. Treasury shares" and "220. Net income / (loss)."

Loans to customers

Loans to customers: composition

	30/06/2014					31/12/2013					
	Performing	Non - performing		Fair value	% breakdown	Performing	Non - performing		Fair value	% breakdown	Var.%
		Purchased	Other	L3			Purchased	Other	L3		
1. Current accounts	453.349	-	80.702	X	19%	429.620	-	80.288	X	16%	4,7%
2. Repurchase agreements	-	-	-	X	0%	102.916	-	-	X	3%	-100,0%
3. Mortgage loans	1.536.525	-	203.396	X	61%	1.597.255	-	200.662	X	58%	-3,2%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	45.716	-	1.715	X	2%	45.259	-	1.704	X	2%	1,0%
5. Finance leases	254.145	-	56.506	X	11%	256.118	-	63.705	X	10%	-2,9%
6. Factoring	-	-	-	X	0%	-	-	-	X	0%	-
7. Other	192.133	-	15.332	X	7%	320.366	-	15.939	X	11%	-38,3%
8. Debt securities	-	-	-	X	0%	-	-	-	X	0%	-
8.1 structured	-	-	-	-	0%	-	-	-	-	0%	-
8.2 other debt securities	-	-	-	X	0%	-	-	-	X	0%	-
Total (carrying amount)	**2.481.868**	**-**	**357.651**	**-**	**100%**	**2.751.535**	**-**	**362.299**	**-**	**100%**	**-9%**

Loans to customers: credit quality

	30/6/2014		31/12/2013		Change %
	Value	indic.%	Value	indic.%	
Non - performing loans	159.474	5,6%	158.856	5,1%	0,4%
Substandard and restructured loans	162.826	5,7%	159.323	5,1%	2,2%
Past due positions	35.351	1,2%	44.119	1,4%	-19,9%
Total impaired assets	**357.651**	**12,6%**	**362.299**	**11,6%**	**-1,3%**
Performing loans	2.481.868	87,4%	2.751.536	88,4%	-9,8%
Loans to customers	**2.839.519**	**100,0%**	**3.113.834**	**100,0%**	**-8,8%**

Customer financial assets

	30/6/2014		31/12/2013		% change
		% breakdown		% breakdown	
Direct funding	**3.358.893**	79%	**3.698.696**	81%	-9,2%
Assets under administration	321.984	7%	329.784	7%	-2,4%
Assets under management	577.120	14%	544.303	12%	6,0%
Indirect funding	**899.104**	21%	**874.087**	19%	2,9%
Customer financial assets	**4.257.997**	**100%**	**4.572.783**	**100%**	**-6,9%**

Direct funding

The following table includes amounts due to customers, debt securities issued, including those measured at fair value, and securitised derivative instruments.

	30/6/2014	% breakdown	31/12/2013	% breakdown	% change
Current accounts and deposits	1.746.509	52%	1.660.827	45%	5,2%
Repurchase agreements and securities lending	831.325	25%	1.268.021	34%	-34,4%
Bonds	611.125	18%	595.238	16%	2,7%
Certificates of deposit	73.381	2%	79.989	2%	-8,3%
Subordinated liabilities	59.500	2%	55.057	1%	8,1%
Other deposits	37.053	1%	39.564	1%	-6,3%
Total direct funding	**3.358.893**	**100%**	**3.698.696**	**100%**	**-9,2%**

Indirect funding

A presentation of the dynamics of indirect funding, broken down into assets under administration and assets under management, is provided below in the interest of completing the analysis of the performance of the resources entrusted to the Group by its customers.

Financial assets/liabilities held for trading

	30/6/2014	% breakdown	31/12/2013	% breakdown	% change
Mutual Funds	306.029	34%	271.881	31%	12,6%
Portfolio management	60.566	7%	63.659	7%	-4,9%
Life technical reserves and financial liabilities	210.525	23%	208.763	24%	0,8%
Assets under management	**577.120**	**64%**	**544.303**	**62%**	**6,0%**
Assets under administration	**321.984**	**36%**	**329.784**	**38%**	**-2,4%**
Indirect funding	**899.104**	**100%**	**874.087**	**100%**	**2,9%**

Financial assets available for sale

Financial assets available for sale totalled €1,463,125 thousand, down by 0.6% compared to 2013. The equity interests included in the aggregate remained below the control/significant influence threshold.
As required by international accounting standards, financial assets available for sale are tested for impairment to determine whether there is objective evidence that the carrying amounts of such assets may not be fully recoverable. The impairment testing process involves verifying whether there are any indicators that the assets may have become impaired and then determining the amount of any such losses. Impairment indicators may essentially be divided into two categories: indicators deriving from internal factors relating to the entity being assessed, and therefore of a qualitative nature, and external indicators deriving from the market values of the company (for quoted equity securities only). An impairment loss is recognised when there is an indication of impairment or the quoted price falls more than 30% below the initial recognition amount or remains below that amount for a period of more than 24 months. In all other cases, the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment. The testing conducted indicated the need to adjust the values of assets with an effect on the income statement of €1,596 thousand.

	30/6/2014		31/12/2013		% change
Goverments bonds	1.339.861	91,6%	1.373.916	93,3%	**-2,48%**
Bonds and other debt securities	49.010	3,3%	22.769	1,5%	**115,25%**
Equities and quotas of mutual funds	74.254	5,1%	75.446	5,1%	**-1,58%**
Financial assets available for sale	**1.463.125**	**100%**	**1.472.131**	**100%**	**-0,6%**

Exposure to sovereign debt securities

Following the growing interest by the market in exposures held by companies in sovereign debt securities, and as recommended by the European Securities and Markets Authority (ESMA) in document no. 2011/226, below is a breakdown of exposures of this nature held by the Banca Popolare di Cividale Group as at 30 June 2014. As indicated in the ESMA document, "sovereign debt" is understood to mean bonds issued by central and local governments and governmental entities, as well as loans disbursed to such entities.

The following tables present the Group's exposure to sovereign credit risk by carrying amount, broken down by type of instrument.

Exposure to sovereign debt - book value	Italy	France
Financial assets available for trading		
- Debt securities	-	-
Financial assets available for sale		
- Debt securities	1.339.362	499
Financial assets held to maturity		
- Debt securities	54.126	-
Total	**1.393.488**	**499**

Net interbank position

Interbank position	30/06/2014	31/12/2013	00/01/1900	%
Cash and cash equivalents	16.638	20.021	(3.382)	-16,9%
Loans to banks	166.855	163.750	3.105	1,9%
Due to banks	(979.436)	(1.010.863)	31.426	3,1%
NET INTERBANK POSITION	**(795.943)**	**(827.092)**	**31.149**	**3,8%**

Changes in provisions for risks and charges

	Revocatory actions	Customer disputes	Other provisions	Total
A. Opening balance	**940**	**2.496**	**-**	**3.436**
B. Increases	**-**	**703**	**-**	**703**
B.1 Provision for the year	-	703	-	703
B.2 Changes due to time	-	-	-	-
B.2 Changes due to changes in the discount rate	-	-	-	-
B4. Other changes	-	-	-	-
C. Decreases	**-**	**96**	**-**	**96**
C.1 Use during the year	-	96	-	96
C.2 Changes due to changes in the discount rate	-	-	-	-
C3. Other changes	-	-	-	-
D. Closing balance	**940**	**3.103**	**-**	**4.043**

Shareholders' equity attributable to the Group

The Group's shareholders' equity stood at €280,417 thousand at 30 June 2014.

Earnings per share

Basic Earning per share	30/06/2014	30/06/2013
Adjusted attributable profit	5.588	(23.723)
Weighted average number of shares	16.634.078	16.634.078
Basic Earning per share	**0,336**	**(1,426)**

The methods of calculating basic earnings per share and diluted earnings per share are defined by IAS 33 *Earnings per Share*. Basic earnings per share is defined as the relationship between the net income attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share reflects the dilutive effects of the conversion of potential ordinary shares, defined as financial instruments that grant their holders the right to obtain ordinary shares. Accordingly, when calculating diluted earnings per share, the numerator and denominator of the ratio are adjusted to account for the effects of the additional shares that would need to be issued if all potential ordinary shares with dilutive effects were converted.

Banca Popolare di Cividale has not issued financial instruments that grant their holders the right to obtain ordinary shares.

Valuation reserves

At 30 June 2014, valuation reserves presented a net increase of €11,625 thousand compared to the end of the previous year, primarily attributable to the decrease in the valuation reserve for available-for-sale financial assets.

Own funds

Consolidated own funds, determined according to the new Basel 3 rules in effect since 1 January 2014, came to €269,440 thousand, up by €1,032 thousand compared to the value recorded at the end of the previous year, calculated according to the previous Basel 2 rules.
Consequently, the transition to the new regulatory regime did not entail a significant impact on the banking group's own funds at the consolidated level.
At the end of the period, the regulatory aggregate presented a surplus of €86,970 thousand compared to the capital requirements for credit risk, market risk and operational risks established by the supervisory authority. The solvency ratio came to 11.81%.

	30/6/2014 Basel 3	31/12/2013 * Basel 2
Common Equity Tier 1 (CET 1)	230.739	187.923
Additional Tier 1 capital (AT 1)	-	
Tier 2 capital (Tier 2)	38.700	0
Total Own Funds (Total Capital)	**269.439**	**187.923**
Credit and counterparty risk	164.868	187.923
Merket risk	295	813
Operational risk	17.305	19.455
Other specific risks	-	-
Capital requirements	182.469	208.191
Surplus/deficit compared to capital requirements	86.970	(20.268)
Risk-weighted assets	2.280.858	2.602.386
Common Equity Tier 1 (Tier 1) / Risk-weighted assets (Tier 1 Capital ratio)	10,12%	7,22%
Total Own Funds/Risk-weighted assets (Total Capital ratio)	**11,81%**	**7,22%**

(*) Rules in effect at 31/12/2013.

Composition of own funds

Banca Popolare di Cividale has exercised the option to exclude from its own funds capital gains and losses on measurement at fair value of available-for-sale financial assets belonging to the Eurozone government bonds segment, as envisaged in the Order of the Bank of Italy of 18 May 2010.
It was decided to continue to exercise this option under the new Basel III regulatory regime in effect since 1 January 2014, as permitted by the Bank of Italy, until the definitive entry into force of the new international accounting standard IFRS 9, scheduled for 2018.

Reconciliation of own funds

Basel III Own Funds	**30/6/2014**
Capital instruments eligible as CET1 Capital	255.063
Net income (loss) for the period	5.588
Accumulated other comprehensive income	20.022
Goodwill connected with intangible assets	(19.358)
Deferred tax liabilities associated to goodwill	3.837
Other intangible assets	(772)
Other deductions of CET1 Capital	(256)
CET1 instruments of financial sector entities where the institution does not have a significant investment	(22.150)
Transitional adjustments due to grandfathered CET1 Capital instruments	(11.236)
Common Equity Tier 1 (CET1)	**230.739**
Additional Tier 1 Capital	**-**
Capital instruments and subordinated loans eligible as T2 Capital	49.625
T2 instruments of financial sector entities where the institution does not have a significant investment	(2.274)
Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	(8.651)
Tier 2 Capital	**38.700**
Total Own Funds	**269.439**

Disclosure concerning fair value

Reclassified financial assets: carrying amount, fair value and effects on other comprehensive income

In the first half of 2014, the Group did not undertake transfers between portfolios of financial assets, as envisaged in IAS 39. The following table presents the disclosure of the residual carrying amounts of assets reclassified in previous years at 30 June 2014, the fair values of those assets, the income components registered during the period and the effects on the income statement that would have occurred if the assets had not been transferred.

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2013	Fair value at 30.06.2014	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Units in collective investment undertakings*	HFT	AFS	-	-	-	-	-	-
Debt securities	HFT	LOANS	2.989	2.898	-	-	-	-
Total			-	-	-	-	-	-

QUALITATIVE DISCLOSURES

The criteria and procedures for determining fair value used to measure the portfolios of financial assets and financial liabilities in these condensed consolidated half-year financial statements are the same as those applied in preparing the consolidated financial statements at 31 December 2013 and presented in Part A, Section 4, of the notes to those financial statements, meaning that they are also compliant with the specific policy approved by the Banca Popolare di Cividale Group. The methods for classifying instruments measured at fair value (on a recurring and non-recurring basis) within the fair value hierarchy are also consistent with the provisions of the fair value policy, in accordance with IFRS 13.

The fair value of financial instruments, including derivatives, is determined:

- through the use of prices obtained from financial markets for instruments quoted in active markets; and
- through the use of internal valuation models for other financial instruments.

Instruments are assigned to a fair value level in accordance with IFRSs on the basis of this distinction, as illustrated below:

1. Level 1: The instruments are quoted on markets considered active. The definition of an active market is provided below.
2. Level 2: Fair value is determined according to universally recognised valuation models, based on directly or indirectly observable market inputs.
3. Level 3: A significant portion of the inputs used to determine fair value do not meet observability requirements.

The definition of an "active market" is based on the indications provided in IFRS 13, which states that an instrument is listed on an active market if its prices are:

- quoted;
- readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and
- represent actual, regularly occurring market transactions on an arm's length basis.

Fair value levels 2 and 3: measurement techniques and inputs used

Financial instruments measured at fair value on a recurring basis

If, for a given financial instrument, the conditions for identifying an active market have not been satisfied and it thus is not possible to classify it to level 1 of the fair value hierarchy and apply the mark-to-market approach, it will be necessary to make use of a valuation technique (mark-to-model), by which is meant a process that permits the identification of the price at which the instrument could be exchanged between independent parties in balanced bargaining conditions.

If this valuation technique is based on observable market inputs, the instrument is classified as level 2 and a comparable approach is applied.

On the other hand, where the instrument is not quoted, or is quoted on a market not considered active, and the adoption of a valuation model (mark-to-model) is thus required, the instrument is classified to fair value level 3 if at least one of the model inputs (with a material impact on the instrument's overall valuation) may not be obtained or derived from the market, but rather must be estimated by the valuer (e.g., application of methods for estimating projected future cash flow, repayment schedules or correlations between underlying for options or structured products).

Financial instruments measured at fair value on a non-recurring basis
In the case of financial assets other than debt securities, equity securities, shares of UCIs and derivative contracts, i.e. in the case of financial and operating receivables classified in the portfolios due from banks and due from customers, fair value is determined, and hierarchical classification established, as follows:

- medium- and long-term assets and liabilities are primarily measured through the discounting of future cash flows, taking account of the risk level of the portfolio in question (classification to level 3 of the fair value hierarchy);
- in the case of demand or short-term assets and liabilities, the carrying amount upon initial recognition, net of portfolio or individual impairment, represents a good approximation of fair value (classification to level 3 of the fair value hierarchy);
- in the case of non-performing loans (bad debt, substandard, past-due and restructured positions), book value is believed to be a reasonable approximation of fair value (classification to level 3 of the fair value hierarchy);
- in the case of floating-rate securities and short-term fixed rate securities, the carrying amount upon initial recognition is deemed a reasonable approximation of fair value, given that it reflects both the change in rates and the assessment of the issuer's creditworthiness (classification to level 2 of the fair value hierarchy).

Valuation processes and sensitivity
L3 financial instruments classified to the Banca Popolare di Cividale Group's AFS portfolio do not possess the characteristics required to permit the conduct of a sensitivity analysis. The unobservable inputs capable of influencing the valuation of instruments classified as level 3 are primarily inputs specific to the entity subject to valuation (for example, the company's asset and liability values) and for which the use of alternative values may not reasonably be considered.

QUANTITATIVE DISCLOSURES
Fair value hierarchy
The following tables show the breakdown of portfolios of assets and liabilities measured at fair value into the aforementioned levels and annual changes in assets and liabilities of this kind classified to level 3.

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

	30/06/2014			31/12/2012		
Financial assets / liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading	107	2.322	-	18	2.623	-
2. Financial assets designated at fair value through profit or lo:	-	-	-	-	-	-
3. Financial assets available for sale	1.389.175	100	73.832	1.376.716	20.250	75.148
4. Hedging derivatives	-	-	-	-	-	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1.389.282**	**2.422**	**73.832**	**1.376.735**	**22.873**	**75.148**
1. Financial liabilities held for trading	-	904	-	-	965	-
2. Financial liabilities designated at fair value through profit or l	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**904**	**-**	**-**	**965**	**-**

Key: L1 = Level 1 L2 = Level 2 L3 = Level 3

Annual changes in financial assets designated at fair value (level 3)

	FINANCIAL ASSETS			
	Held for trading	l at fair value through pr	Available for sale	For hedging purposes
1. Opening balance	**-**	**-**	**75.148**	**-**
2. Increasese	**-**	**-**	**280**	**-**
2.1. Purchases	-	-	-	-
2.2. Gains recognised in:	-	-	-	-
2.2.1.Income statement	-	-	-	-
- of which capital gains	-	-	-	-
2.2.2. Shareholders' equity	X	X	280	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	-	-
3. Decreases	**-**	**-**	**1.596**	**-**
3.1. Sales	-	-	-	-
3.2. Redemptions	-	-	-	-
3.3 Losses recognized in:	-	-	-	-
3.3.1. Income statement	-	-	-	-
- of which capital losses	-	-	1.596	-
3.3.2. Shareholders' equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	-	-	-	-
4. Closing balance	**-**	**-**	**73.832**	**-**

Annual changes in financial liabilities designated at fair value (level 3)

None of the items in the table, provided for by the Bank of Italy, "Annual changes in financial assets designated at fair value (level 3)," presents values.

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

FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30/06/2014				31/12/2013			
	VB	L1	L2	L3	VB	L1	L2	L3
1. HTM financial assets	70.487	70.487	-	-	105.413	105.413	-	-
2. Loans to banks	166.855	-	13.020	153.835	163.750	-	33.870	128.988
3. Loans to customers	2.839.519	-	-	2.839.519	3.113.834	-	-	3.113.834
4. Property and equipment held as investments	-	-	-	-	9.555	-	-	9.555
5. Non-current assets available for sale	-	-	-	-	-	-	-	-
Total	**3.076.861**	**70.487**	**13.020**	**2.993.354**	**3.392.551**	**105.413**	**33.870**	**3.252.377**
1. Due to banks	979.436	-	-	979.436	1.010.863	-	-	1.010.863
2. Due to customers	2.615.269	-	-	2.615.269	2.968.412	-	-	2.957.656
3. Securities issued	743.624	-	670.243	73.381	79.989	-	-	79.989
4. Liabilities associated to assets held for sale	0	-	-	-	-	-	-	-
Total	**4.338.329**	**-**	**670.243**	**3.668.086**	**4.059.264**	**-**	**-**	**4.048.508**

Key: ***BV = book value FV = fair value L1 = Level 1 L2 = Level 2 L3 = Level 3***

Risk management and monitoring

Risk management

The capacity to identify, assess and manage risks is one of the main factors that contribute to preserving the company's value and its ability to operate profitably, a matter of particular importance for banks, the primary function of which is to assume risks (their own and those of their customers). The risk management process is a strategic process that allows company risks to be identified, monitored and managed effectively.

In a manner consistent with those guidelines and specific provisions of laws and regulations, as part of its internal control system, Banca Popolare di Cividale (the parent company of the banking group of the same name) has established a Risk Management Service, which, with the support of company bodies, ensures that risks relevant to the Bank and Group companies are identified, measured, assessed and monitored.

The main types of risks to which the Bank is exposed in the conduct of its core business and more general business activity are credit and counterparty risk, concentration risk, market risk, interest-rate risk, liquidity risk, operational risk, strategic risk, compliance risk and reputation risk.

During the year, the Group's risk profile remained essentially consistent with the strategic guidelines laid down by the competent corporate bodies and the associated risk-assumption and management policies.

Credit risk

For the Group, credit risk represents the most significant form of risk, traditionally (and even more so in this period of economic downturn) giving rise to most provisions and losses recognised through the income statement. Management of this risk, with respect to its core component related to the provision of credit, is thoroughly governed by a specific set of lending rules and procedures, whereas in the case of counterparty risk reference is to be made to rules concerning the assumption of market risks and those regarding the credit risks of financial activity.

Exposure to credit risk and concentration is assessed by the Risk Management Service through the analysis of credit quality, verification of concentration limits and monitoring of residual risk. A “portfolio” vision of the aggregate loans to customers grouped together by business sector, size and location is therefore provided.

The quarterly report drafted by the Risk Management Service is submitted for approval by the Parent Company's Board of Directors, as well as for review by Group companies. The data in the report is drawn from the Risk Database. The document focuses on the following in particular:

- an analysis of the composition and performance of the loan portfolio, including a breakdown of customers into various risk classes (performing, restructured, past-due, bad debts and substandard) and a comparison with the industry benchmark; the analysis also includes the transition matrices and the calculation of default rates;
- a qualitative analysis of risk profiles from a “strategic” standpoint;
- concentration risk for single names and associated groups and concentration by geographical area and sector for the calculation of capital requirements.

Additional information is available online concerning control tools, which allow all management units involved in implementing credit policies to maintain adequate oversight. In particular, analyses of the following are available:

- the performance of various classes of risk: composition, changes and comparisons by category and area;
- the ratings assigned to companies; portfolio composition; distribution for use; changes of class (deterioration/improvement);
- the primary exposures by risk class; and
- uses by sector (ATECO or SAE codes).

With respect to the qualitative aspects of credit risk, in the first half of 2014 the Banca Popolare di Cividale Group recognised impairment losses on loans of significant amounts owing to the application of more prudential haircuts to the value of collateral, in line with the indications received from the supervisory authority during the inspection concluded in October 2013. On the one hand, those provisions allowed the Group to position itself at a significantly higher coverage level for problem loans

than in previous years, while on the other they also affected the net income for the period ended 30 June 2014.
The disbursal of loans in support of the economic development of the Group's area of reference remains one of the key factors steering company strategies and is conducted by selecting individual borrowers by analysing creditworthiness with the aim of minimising the risk of default, while giving priority to lending for commercial purposes or for new productive investments, rather than merely financial initiatives.
The following table presents on-balance sheet exposures to customers as at 30 June 2014 (in euro):

A. ON-BALANCE-SHEET EXPOSURES	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure	Hedging	Net exposure 2013	Hedging 2013
A.1 Banking Group							
a) Bad debts	402.087	242.613	X	159.474	60,34%	158.856	58,09%
b) Substandard loans	217.134	65.224	X	151.910	30,04%	148.158	30,20%
c) Restructured positions	13.398	2.482	X	10.916	18,52%	11.165	17,57%
d) Past due positions	41.142	5.791	X	35.351	14,08%	44.119	11,30%
e) Country risk		X	-	-	0,00%	-	0,00%
f) Other assets	2.499.722	X	17.854	2.481.868	0,71%	2.751.536	0,65%
TOTAL A.1	**3.173.483**	**316.110**	**17.854**	**2.839.519**	**10,52%**	**3.113.834**	**9,06%**

Past-due performing exposures
The accounting standard IFRS 7 requires that for all financial assets not subject to impairment losses, entities must disclose the age of the past-due exposure that results when the counterparty fails to make payment on the contractually required due dates. This disclosure is presented in the following table. Exposures renegotiated within the framework of collective agreements are also presented, along with the number of days past due.

	Up to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year	Total net exposure
Renegotiated exposures under collective agreements	20.123	94	-		20.217
Other exposures	281.088	16.796	13.565	455	311.904

Simplified composition with creditors and composition with creditors on a going-concern basis
In its letter of 10 February 2014, the Bank of Italy required that adequate disclosure be provided concerning the extent and performance of exposures subject to simplified composition with creditors and composition with creditors on a going-concern basis. In further detail, borrowers may apply for simplified composition with creditors by filing only their financial statements for the past three years and a list of their creditors, while reserving the option of filing the proposal, plan and additional documentation at a later date, within a term set by the judge of between 60 and 120 days (in justified cases, the term may be extended for an additional 60 days). Within that term, the borrower may also apply to the judge for approval of a debt-restructuring agreement. On the other hand, composition with creditors on a going-concern basis allows debtors in a state of crisis to submit a composition plan according to one of the three following scenarios: i) continuing operation of the company by the debtor; ii) disposal of the company as a going concern; and iii) contribution of the company to one or more firms, including newly incorporated firms.
The amendments (Law No. 134/2012, enacting Law Decree No. 83/2012, known as the "Development Decree," and Law No. 98/2013, enacting Law Decree No. 69/2013) were introduced with the aim of promoting the early identification of difficulty experienced by an entrepreneur in meeting his obligations, as well as of fostering continuing operation where certain requirements have been met.
With respect to the Bank's situation, it should be remarked that the portfolio of loans to customers includes gross exposures subject to simplified composition and composition on a going-concern basis classified as bad debt non-performing exposures of €60 thousand and as substandard non-performing exposures of €27,137 thousand.

Market risks

In accordance with the mission of a retail banking group that primarily assumes credit risk in respect of specific customer segments, financing activity is essentially aimed at protecting the overall financial balance of the Group and its member banks. Investment and trading activity is conducted in accordance with the guidelines established at the relevant Group levels and is carried out within a comprehensive system of delegated powers and specific rules setting operational restrictions in terms of instruments, amounts, investment markets, types of security and issuer, sector and rating.

The investment policies pursued by the Group resulted in the retention of a significant amount of government bonds eligible as collateral for refinancing operations with the ECB, primarily as a liquidity reserve. Most of the securities concerned have been included among assets available for sale. At the same time, the extremely limited size of the portfolios classified among assets held for trading means that the exposure to price risk associated with the securities held in those portfolios is virtually negligible.

Both analytical models (determination of the duration of the bond portfolio for interest-rate risk exposure) and information available from the major info-providers are used to measure risks.

Interest-rate risk

The Banca Popolare di Cividale Group pursues the containment of its exposure to interest rate risk primarily by applying consistent parameters to assets and liabilities, and in particular by indexing a large portion of its assets and liabilities on monetary parameters (typically the Euribor rate), as well as the general balancing of the durations of assets and liabilities on low levels.

Measurement of the interest rate risk associated with the banking book is founded upon economic value, defined as the present value of the expected net cash flows generated by assets, liabilities and off-balance sheet positions. In particular, exposure to the interest rate risk associated with the banking book is monitored for the purposes of determining the associated capital absorption on the basis of the Bank of Italy's regulatory model, applied at both a separate and consolidated level.

Liquidity risk

Operational management of liquidity risk is the responsibility of the Group's Finance Service, in line with the funding policy and directives of a strategic nature laid down by the ALCO, which meets with at least monthly frequency. The Finance Service is responsible for surveying liquidity risk and periodic reporting from an operational standpoint. Through the Operating and Financial Risks Office, the Risk Management Service is responsible for structural aspects and stress analyses. Effective 2012, the Group introduced daily reporting according to the Bank of Italy's Liquidity Position Survey for Banking Groups reporting scheme and formally established a monitoring scheme for operational and structural limits according to the pre-determined tolerance threshold.

Operational risk

Management of operational risks has been more thoroughly defined in the new rules approved by the Board of Directors in June 2014, which attribute oversight of this type of risk at the Group level to the Operational and Financial Risks Office within the Risk Management Service, which has implemented specific processes to designate and monitor operational risks, based in particular on the collection of operational loss data, which are then used to build a structured company database that makes it possible to identify specific areas of risk over time.

The data collected are then compared with industry figures provided by the DIPO (Italian Operational Losses Database) Consortium, of which the Group has been a member since 2007.

Auditing, which performs "third tier" control activity, is an important participant in the process with regard to operational risk issues. In accordance with company practice and regulatory requirements, its activities also include identifying corrective measures and formulating proposals aimed at reducing exposure to operating risks.

Strategic risk
Strategic risk is defined as the current or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. Strategic risk also includes risk associated with equity investments. By laying down the Strategic Plan and conducting annual planning, the Group places itself in a position to prevent certain interdependent events or risk factors from translating into inadequately considered threats or missed opportunities, thereby effectively influencing the Group's ability to compete, and hence its earning capacity. According to the new internal rules, the degree of completion of the measures implemented with the aim of achieving the Group's strategic objectives is assessed by the Board of Directors, with the support of the general manager, Executive Committee and risk monitoring function, which is tasked with monitoring the risks associated with that process and reporting on their development, as well as proposing any measures aimed at mitigating those risks.

Reputation risk
Reputation risk is the current or prospective risk of a decline in operating result or capital should customers, counterparties, shareholders, investors or supervisors take a negative view of the Bank. It is a risk of a "secondary" nature, given that it is triggered by original risk factors attributable to other types of risks, such as operational risk, legal risk, compliance risk, strategic risk and a lack of ethics in operations.
Considering the wide range of events that may cause reputation damages, all organisational units of a business and operational support nature are involved in the process of managing reputation risk, each to the extent of its competence. Internal rules assign Risk Management (a unit with a high degree of freedom of assessment and adequate access to sensitive information, and thus capable of expressing an "independent" judgement) the task of implementing and managing the reputation risk model, as well as of drawing up the periodic reports to be submitted to company bodies.

Compliance risk
Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or damages to reputation due to breaches of compulsory provisions (of laws or regulations) or self-imposed rules (e.g., bylaws, codes of conduct and governance codes).
The Compliance function, as a second tier control function, is responsible for identifying and assessing the main risks associated with compliance with consumer-protection laws, as well as those relating to financial intermediation services, anti-usury laws and market abuse statutes. It also verifies management of conflicts of interest and the consistency of the bonus system. From an organisational standpoint, it is a part of the Compliance Service, which is also responsible for compliance with anti-money laundering legislation and oversees the process of reporting suspect transactions.
The function also conducts prior analyses and reviews of the application of the new supervisory directives concerning subjects such as banking transparency and the prevention of usury, as well as the management of complaints from customers and relations with the Banking and Financial Arbitrator. In other legal areas (liability pursuant to Legislative Decree No. 231 of 8 June 2001, workplace safety, personal data processing, ICT, tax law and financial reporting) for which specialised organisational coverage has already been established, the Compliance Service has varying degrees of responsibility and intervention.

Banking risks and capitalisation: ICAAP
In order to fulfil its obligations under the "third pillar" of Basel II, in April of each year the Group publishes a Public Disclosure document on its website. This document, drafted by the Parent Company at the consolidated level, aims to comply with the regulation by providing as thorough as possible a basis for evaluating the Group's capital adequacy, risk exposure and risk management and control systems.
The contents of the Public Disclosure reflect those of the ICAAP Report concerning the internal capital adequacy assessment process that banks are required to conduct annually to determine and assess their own capital adequacy on a current and prospective basis for the risks assumed and business strategies employed.

Internal control system
The 15th update to the Bank of Italy Circular No. 263/2006, *New Prudential Supervisory Provisions for Banks*, of 2 July 2013, introduced significant changes to the Internal Control System, which represent a

"fundamental aspect of banks' overall governance systems." Banca Popolare di Cividale has complied with the new legal requirements within the prescribed terms, revising and updating its internal rules and procedures in accordance with the Gap Analysis document approved in January and submitted to the Bank of Italy.

The Internal Control System consists of a set of rules, functions, units, resources, processes and procedures aimed at ensuring that business is conducted effectively, in accordance with the principles of sound and prudent management. It provides effective coverage of company risks, fosters the dissemination of a culture of risk awareness, ethics, legality and company values and ensures attention to the function of management systems and compliance with the law.

The Internal Control System pursues the following objectives:

- the verification of the implementation of company strategies and policies;
- the containment of risks within the limits established in the determination of the RAF;
- the safeguarding of asset value and protection from losses;
- the effectiveness and efficiency of Company processes;
- the reliability and integrity of company information and IT procedures;
- the prevention of the risk that the Bank may be involved, voluntarily or involuntarily, in illegal activities (with especial regard to those relating to money-laundering, usury and financing for terrorism);
- transaction compliance with laws and supervisory regulations as well as policies, plans, procedures and internal regulations.

The Internal Control System is organised into three levels:

- line controls (level one): these are intended to ensure that transactions are properly conducted; they are performed directly by production units, are incorporated into IT procedures and systems or are executed as part of back-office activities;
- risk and compliance controls (level two): these controls are entrusted to non-production units (Risk Management and Compliance), which are separate and independent from business units, in that they are subordinate to the strategic supervision body (the Board of Directors). The units concerned contribute to measuring and supervising all types of risk relevant to the Group, monitoring observance of the established risk assumption limits and ensuring that the company's operations comply with the law. In addition, they also contribute to setting governance policies and establishing the risk management process;
- internal auditing (level three): it is responsible for identifying management anomalies as well as breaches of internal rules and procedures, in addition to assessing the adequacy, completeness, functionality and reliability of the internal control system and IT system;
  internal auditing activities are carried out by the Internal Audit function (which is hierarchically independent of the other company units) with regard to both assessment (after-the-fact activities) and proposition (prior involvement), in the form of ongoing intervention and audits, conducted periodically or when exceptions are detected, through both remote procedures and direct site visits.

The entire Internal Control System is periodically evaluated by the Board of Directors of Banca Popolare di Cividale in order to constantly improve strategies and operating processes and assess business risks. As the body responsible for management functions, the Board of Directors also provides ongoing assurance of the functionality and adequacy of internal control systems through the performance of management activity.

For a description of the overall structure of the Internal Control System, please refer to the Corporate Governance Report annexed to this document and also available on the Company's website at the address http://www.civibank.it

Dealings with Group companies and other related parties

The subject is governed by Article 2391-bis of the Italian Civil Code, according to which the administrative bodies of companies that have recourse to the risk capital market are required, in accordance with the general principles indicated by Consob, to adopt rules that ensure the "transparency and substantial and procedural propriety of related-party transactions" undertaken directly or through

subsidiaries. The control body is required to supervise compliance with the rules adopted and review the matter in its report to the shareholders' meeting.
By resolution 17221 of 12 March 2010, exercising the authority delegated to it under Article 2391-bis of the Italian Civil Code, Consob approved the Regulations for Transactions with Related Parties (also referred to hereinafter as the "Consob Regulations"), subsequently amended by resolution 17389 of 23 June 2010, which sets out the general principles to be observed by companies that obtain funding from the risk-capital market when setting rules aimed at ensuring the transparency and substantive and procedural propriety of transactions with related parties.
In relation to its specific activity, the Bank is also subject to the provisions of Article 136 of the Consolidated Banking Act, as recently amended by Law 221/2012, governing the obligations of bank officers.
On 12 December 2011, the Bank of Italy published new supervisory rules governing risk assets and conflicts of interests within banks and banking groups in regard to "Associated Parties" (ninth update of Circular 263 of 27 December 2006, hereinafter the "Bank of Italy Rules"), in supplementation of the provisions of the Consob Regulation. The definition of Associated Parties includes not only related parties, as defined in the Consob Regulation, but also parties associated with such related parties, as identified in supervisory provisions.
The new rules aim to prevent the risk that the proximity of certain parties to the Bank's decision-making centres may compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties, with possible distortions of the resource-allocation process, and are in addition to, and only partly overlap with, the other applicable provisions on the subject (Article 2391 of the Italian Civil Code, Article 136 of the Italian Consolidated Banking Act, the Consob Regulation and IAS 24).
In accordance with applicable regulations, the document has been published on the website at the address http://www.gruppobancapopolaredicividale.it/it/126/Procedure parti correlate and has been in effect since 31 December 2012.

Major transactions
In the first half of 2014 there were no atypical and/or unusual transactions to be disclosed pursuant to Consob bulletin no. DEM/6064293 of 28 July 2006.

Transactions of an ordinary or recurring nature
The transactions of an ordinary or recurring nature undertaken in the first half of 2014 with related parties are part of the Bank's ordinary operations and are normally governed by market conditions and meet the requirement of mutual economic expedience in accordance with the internal procedures cited above.
In keeping with the above arrangement, dealings with Group companies consist primarily of consideration for services rendered, deposits and financing in the course of ordinary interbank operations, as regards the banking firms. The other contractual dealings with specialised finance companies and the Group's service providers involve assistance and advisory services and specialised services in support of current operations.

Information on transactions with related parties
In accordance with IAS 24, as applied to the organisational and governance structures of Banca Popolare di Cividale S.c.p.A. and the other Group companies, the following natural persons and legal entities are considered to be related parties at the consolidated level:

- subsidiaries, i.e. companies over which the Parent Company directly or indirectly exercises control, as defined in IAS 27;
- associates, i.e. companies over which the Parent Company directly or indirectly exercises a significant influence, as defined in IAS 28;
- joint ventures, i.e. companies over which the Parent Company directly or indirectly exercises joint control, as defined in IAS 31;
- managers with strategic responsibilities and control bodies, i.e. the Directors, Statutory Auditors, General Manager and Assistant General Managers of the Parent Company;
- other related parties, including:

- immediate family members (cohabiting partners, children, cohabiting partners' children, dependants of the person concerned or cohabiting partner) of Directors, Statutory Auditors or the General Manager of the Parent Company; and
- subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, General Managers and Assistant General Managers of consolidated companies, in addition to their immediate family members, as defined above.

The effects of transactions with related parties on the balance sheet are presented in the following summary tables. The effects of transactions undertaken with subsidiaries are not presented, inasmuch as the process of line-by-line consolidation involves the elimination of intragroup balances and transactions.

	SUBSIDIARIES AND COMPANIES UNDER COMMON CONTROL	ASSOCIATED COMPANIES	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES
Assets				
Loans to banks	-	-	-	-
Loans to customers	-	13.082	12	13.604
Liabilities				
Due to banks	-	-	-	-
Due to customers	-	4.448	1.296	2.821
Income statement				
Net interest income	-	175	- 14	279
Net commission income	-	29	5	75
Other revenues	-	-	-	-
Administrative expenses	-	-	889	-
Guarantees and commitments				
Indirect funding	-	-	1.535	3.395

Dealings and transactions between Banca Popolare di Cividale Group companies take place within an organisational model in which the Parent Company is responsible for strategic management and coordination of Group companies. Among other things, this includes providing these companies with key services, thereby achieving significant economies of scale and enabling subsidiaries to focus their resources on their core businesses.

Dealings between Group companies mainly involve the provision of services, deposits and financing as part of ordinary interbank operations, as well as other contractual arrangements for assistance and advisory services and the provisions of specialist services in support of banking and financial operations. Interbank transactions are settled at arm's-length conditions. Other dealings are settled according to specific contractual agreements that – without prejudice to the goal of optimising synergies and generating economies of scale and scope at the Group level – are founded upon ongoing, objective parameters designed to ensure transparency and substantive fairness. Prices for services rendered are calculated and formalised using proven parameters that take account of actual use by each company.

Transactions with related parties other than companies that are part of the Banca Popolare di Cividale S.c.p.A. Group are treated as normal banking operations and are ordinarily settled at arm's-length conditions for operations or offered on any more favourable terms for which employees are eligible.

Banking transactions with groups controlled by the directors of the Company or other Banca Popolare di Cividale S.c.p.A. Group companies are approved in accordance with Article 136 of the Consolidated Banking Act and settled at arm's-length conditions for such transactions.

It should be noted that no transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period.

Segment reporting

Segment reporting disclosures have been prepared in accordance with the provisions of IFRS 8, which entered into force effective 2009. The Standard requires that such disclosures be presented in a manner consistent with the way in which the entity's management makes operating decisions. Accordingly, the identification of operating segments and the disclosures presented in this section are modelled on the internal reports employed by the management in allocating resources to the various segments and analysing their performances.

Criteria for identifying and aggregating operating segments

The following operating segments have been identified for the purposes of segment reporting at 30 June 2014:

- ***Retail and Corporate Bank***, the segment dedicated to banking activity, which includes Banca Popolare di Cividale; and
- ***Leasing***, the segment dedicated to leasing activity that includes the Group's leasing company, Civileasing.

Businesses have been grouped into operating segments in a manner that reflects the similarity of their earnings profiles and of their sectors of operation in terms of the nature of products and processes, customer type, distribution methods and regulatory context.

Segments are categorised by classifying the various Group companies according to their core businesses. The results for each segment are drawn from the separate financial statements of the various entities or combined on the basis of the separate financial statements of the legal entities assigned to each segment, adjusted to reflect consolidated entries deemed immaterial to the results of each individual segment.

For the purposes of reconciling segment results and consolidated results, it should be emphasised that the measurement criteria for the segment disclosures presented in this section are consistent with those employed in internal reporting, as required by applicable accounting standards; they are also consistent with the accounting standards used in preparing the financial statements, inasmuch as they have been deemed best suited to furnishing a true and fair presentation of the Group's earnings and financial position.

Segment results – Income-statement data

	30/06/2014			31/12/2013		
INCOME STATEMENT DATA	**LEASING**	**BANK**	**TOTAL**	**LEASING**	**BANK**	**TOTAL**
Net interest income (including result of hedging)	2.643	32.580	35.223	5.856	76.550	82.406
Net commissions	(60)	10.589	10.529	(249)	22.536	22.287
Dividends and net income (loss) of equity investments accounted for	-	1.033	1.033	-	1.278	1.278
Net trading income	(32)	23.781	23.749	(229)	51.284	51.056
Other operating income (expenses) (4)	173	(30)	143	450	286	736
Operating income	**2.725**	**67.953**	**70.678**	**5.828**	**151.934**	**157.762**
Personnel expenses	(417)	(19.066)	(19.483)	(1.082)	(40.226)	(41.308)
Other administrative expenses (2)	(515)	(12.268)	(12.783)	(1.035)	(25.809)	(26.843)
Net impairment/w rite backs on property, plant and equipment and intangible assets (3)	(88)	(1.054)	(1.142)	(85)	(1.289)	(1.374)
Operating cost	**(1.020)**	**(32.388)**	**(33.408)**	**(2.202)**	**(67.323)**	**(69.525)**
Income (loss) from operating	**1.704**	**35.566**	**37.270**	**3.626**	**84.611**	**88.237**
Charges/w rite-backs on impairment of loans and other assets	(1.000)	(22.904)	(23.904)	(5.770)	(122.380)	(128.150)
Charges/w rite-backs on impairment of goodw ill and equity investments	-	-	-	-	(1.051)	(1.051)
Net provisions for risks and charges	-	(703)	(703)	(30)	(2.380)	(2.410)
Profit (loss) on equity investments	-	(549)	(549)	-	-	-
Income (loss) before tax from continuing operations	**704**	**11.410**	**12.114**	**(2.174)**	**(41.200)**	**(43.374)**
Tax on income from continuing operations	(341)	(6.184)	(6.525)	584	6.997	7.581
Net income for the period	**363**	**5.225**	**5.588**	**(1.590)**	**(34.203)**	**(35.793)**

Segment results – Balance-sheet data

ASSETS	30/06/2014			31/12/2013		
	LEASING	RETAIL & COMPANIES	TOTAL	LEASING	RETAIL & COMPANIES	TOTAL
Financial assets held for trading	-	3.252	3.252	-	3.512	3.512
Financial assets available for sale	18	1.463.108	1.463.125	18	1.472.115	1.472.132
Financial assets held to maturity	-	70.487	70.487	-	105.413	105.413
Due from banks	1.741	165.113	166.855	1.456	162.294	163.750
Loans to customers	310.651	2.528.868	2.839.519	319.823	2.794.011	3.113.834

LIABILITIES	30/06/2014			31/12/2013		
	LEASING	RETAIL & COMPANIES	TOTAL	LEASING	RETAIL & COMPANIES	TOTAL
Due to banks	287.436	692.001	979.436	294.550	716.313	1.010.863
Due to customers	1.229	2.614.041	2.615.269	2.958.519	9.893	2.968.412
Debt securities issued	-	743.624	743.624	-	730.284	730.284

Cividale del Friuli, 6 August 2014
The Board of Directors

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999

Attestazione del bilancio consolidato semestrale abbreviato ai sensi dell'articolo 81-ter del Regolamento Consob n. 11971 del 14 maggio 1999

1. I sottoscritti, Graziano Tilatti, in qualità di Presidente del Consiglio di Amministrazione, e Gabriele Rosin, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari, della Banca Popolare di Cividale ScpA., attestano, tenuto anche conto di quanto previsto dall'articolo 154-*bis*, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:

   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del bilancio semestrale consolidato abbreviato nel corso del periodo 1° gennaio – 30 giugno 2014.

2. La valutazione dell'adeguatezza delle procedure amministrative e contabili per la formazione del bilancio consolidato semestrale abbreviato al 30 giugno 2014 è basata su di un modello definito dalla Banca Popolare di Cividale ScpA, in coerenza con l' "*Internal Control – Integrated Framework (CoSO)*" e con il "*Control Objectives for information and related Technologies (Cobit)* che rappresentano *standard* di riferimento per il sistema di controllo e per il *financial reporting* in particolare, generalmente accettati a livello internazionale.

3. Si attesta, inoltre che,

   3.1 il bilancio semestrale consolidato abbreviato :

   a) è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;

   b) corrisponde alle risultanze dei libri e delle scritture contabili;

   c) è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

   3.2 La relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul bilancio consolidato semestrale abbreviato, unitamente a una descrizione dei principali rischi e incertezze per i sei mesi restanti dell'esercizio. La relazione intermedia sulla gestione comprende, altresì, un'analisi attendibile delle informazioni sulle operazioni rilevanti con parti correlate.

Cividale del Friuli, 6 agosto 2014

Il Presidente del Consiglio di Amministrazione

Graziano Tilatti

Il Dirigente preposto alla redazione dei documenti contabili societari

Gabriele Rosin

Independent Auditors' Report

Building a better working world

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Banca Popolare di Cividale S.c.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows statement and the related explanatory notes, of Banca Popolare di Cividale S.c.p.A. and its subsidiaries (the "Banca Popolare di Cividale Group") as of June 30, 2014. The Directors of Banca Popolare di Cividale S.c.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on April 9, 2014 and on September 19, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Popolare di Cividale Group as of June 30, 2014 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, August 11, 2014

Reconta Ernst & Young S.p.A.
Signed by: Marco Bozzola, Partner

This report has been translated into the English language solely for the convenience of international readers

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Appendices

Shareholders' equity attributable to the Group

The following is a reconciliation of the shareholders' equity and net income for the period of the Parent Company and the corresponding consolidated figures at the same date.

	30/06/2014		31/12/2013	
	Shareholder's equity	**of which: net income of period**	**Shareholder's equity**	**of which: net income of period**
Balance in Parent company financial statements	**285.541**	**4.843**	**267.177**	**(33.850)**
Pro rata results of equity investments	-	-	-	-
- line item consolidation	(1.993)	(1.993)	(4.531)	(4.531)
- accounted for using equity method	112	112	(55)	(55)
Amortization of goodwill	-	-	-	-
- current year	-	-	-	-
- previous years	-	-	-	-
Differences with consolidated on line-item basis	-	-	-	-
- companies consolidated on line-item basis	(1.024)	-	3.508	3.037
- companies accounted for using equity method	1.053	-	1.108	-
Dividends received in the period	-	-	-	-
- current year	77	-	-	-
- previous years	-	-	-	-
Consolidation adjustments	-	-	-	-
- elimination of intercomany profits and losses	(3.349)	2.626	(5.898)	(394)
- other adjustments	-	-	-	-
Balance in consolidated financial statements	**280.417**	**5.588**	**261.309**	**(35.793)**

Financial statements of the Parent Company

Balance sheet - Assets			30/06/2014		31/12/2013
10	Cash and cash equivalents		16.638.354		20.019.721
20	Financial assets held for trading		3.251.619		3.512.363
40	Financial assets available for sale		1.463.107.785		1.472.114.620
50	Invetments held to maturity		70.486.786		105.412.626
60	Due from banks		165.551.605		162.911.810
70	Loans to customers		2.828.554.124		3.082.164.168
100	Investments in associates and companies subject to joint		36.717.835		36.717.835
110	Property and equipment		73.038.135		72.611.967
120	Intangible assets		19.135.900		19.135.900
	of w hich:				
	- goodw ill	19.135.900		19.135.900	
130	Tax assets		57.938.986		68.429.363
	a) current	8.575.031		16.598.962	
	b) deferred	49.363.955		51.830.401	
	di cui Legge 214/2011	*44.765.911*		*46.914.232*	
150	Other assets		39.192.500		30.526.823
	Total assets		**4.773.613.629**		**5.073.557.196**

Balance sheet - liabilities and shareholders' equity			30/06/2014		31/12/2013
10	Due to banks		979.016.253		997.921.834
20	Due to customers		2.613.779.414		2.958.519.304
30	Debt securities issued		743.623.606		730.283.917
40	Financial liabilities held for trading		903.807		965.035
80	Tax liabilities		24.347.533		26.113.142
	a) current	10.376.755		18.992.299	
	b) deferred	13.970.778		7.120.843	
100	Other liabilities		114.269.102		83.635.968
110	Employee termination benefits		5.872.759		5.644.645
120	Provisions for risk and charges:		6.259.997		3.296.111
	b) other provisions	6.259.997		3.296.111	
130	Valuation reserves		19.766.090		8.551.574
160	Reserves		42.922.467		42.845.467
170	Share premiums		167.984.086		198.569.529
180	Share capital		51.067.947		51.067.947
190	Treasury shares (-)		(1.042.432)		(7.277)
200	Net income (loss) for the period (+/-)		4.843.000		(33.850.000)
	Total liabilities and shareholders' equity		**4.773.613.629**		**5.073.557.196**

Income statement			30/06/2014		30/06/2013
10	Interest income and similar revenues		58.470.386		29.634.462
20	Interest expense and similar charges		(25.630.607)		(15.871.074)
30	**Net interest income**		**32.839.779**		**13.763.388**
40	Commission income		13.711.206		109.680
50	Commission expense		(3.516.177)		(1.528.995)
60	**Net commission income**		**10.195.029**		**(1.419.315)**
70	Dividends and similar income		921.121		1.224.323
80	Net trading income		341.548		46.879
90	Fair value adjustments in hedge accounting		-		(53.830)
100	Profit (loss) on disposal or repurchase of:		23.439.270		36.053.628
	a) loans	-		1.079.766	
	b) financial assets available for sale	22.475.985		36.064.359	
	d) financial liabilities	963.285		(1.090.497)	
120	**Total income**		**67.736.747**		**49.615.073**
130	Charges/write-backs on impairment of:		(21.576.751)		(5.376.149)
	a) loans	(19.802.862)		(947.236)	
	b) financial assets available for sale	(1.595.944)		(4.428.913)	
	d) other financial transactions	(177.945)		-	
140	**Net Financial income**		**46.159.996**		**44.238.924**
150	G&A expenses:		(34.273.956)		(5.796.185)
	a) personnel expenses	(19.066.139)		(4.280.017)	
	b) other administrative expenses	(15.207.817)		(1.516.168)	
160	Net provisions for risks and charges		(3.059.931)		-
170	Net impairment/write-backs on property, plant and equipment		(1.053.870)		(106.952)
190	Other operating income (expenses)		3.130.143		2.738.170
200	**Operating cost**		**(35.257.614)**		**(3.164.967)**
210	Profit (loss) on equity investments		-		(1.048.750)
250	**Income (loss) before tax from continuing operations**		**10.902.382**		**40.025.206**
260	Tax on income from continuing operations		(6.059.382)		(14.325.207)
270	**Income (loss) after tax from continuing operations**		**4.843.000**		**25.700.000**
290	**Net income for the period**		**4.843.000**		**25.700.000**

Statement of other comprehensive income

		30/06/2014	30/06/2013
10	**Net profit for the year**	**4.843.000**	**25.700.000**
	Other income net of income taxes without transfer to profit and loss account		
40	Actuarial gains (losses) from defined benefit plans	(208.753)	(2.722)
	Other income net of income taxes without transfer to profit and loss account		
100	AFS financial assets	14.687.827	(23.570.879)
	a) fair value changes	14.687.827	(23.570.879)
130	**Total other income, net of income taxes**	**14.479.074**	**(23.573.601)**
140	**Comprehensive income (10 + 130)**	**19.322.074**	**2.126.399**

Statement of changes in shareholders' equity

		Allocation of result for previous period		Changes during the year								
					Equity operations							
	Balance at 01-01-2014	Reserves	Dividends and other uses	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Stock options	Total comprehensive income for the period	Shareholders' equity at 30/06/2014
Share capital	**51.067.947**	-	-	-	-	-	-	-	-	-	-	**51.067.947**
a) ordinary shares	51.067.947	-	-			-	-	-	-	-	-	51.067.947
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**198.569.529**	**(30.585.442)**	-			-	-	-	-	-	-	**167.984.087**
Reserves	**42.845.467**	-	-	**77.000**	-	-	-	-	-	-	-	**42.922.467**
a) income	42.845.467		-	77.000		-	-	-	-	-	-	42.922.467
b) other	(0)	-	-	-	-	-	-	-	-	-	-	(0)
Valuation reserves:	**8.551.574**	**(3.264.558)**	-	-	-	-	-	-	-	-	**14.479.074**	**19.766.090**
a) available for sale	5.333.859	-	-		-	-	-	-	-	-	14.687.827	20.021.686
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	3.217.715	(3.264.558)	-		-	-	-	-	-	-	(208.753)	(255.596)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(7.277)**	-	-	-	-	**(1.035.155)**	-	-	-	-	-	**(1.042.432)**
a) of Parent Company	(7.277)	-	-		-	(1.035.155)	-	-	-	-	-	(1.042.432)
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the perio	**(33.850.000)**	**33.850.000**		-	-	-	-	-	-	-	**4.843.000**	**4.843.000**
Shareholders' equity	**267.177.239**	-	-	**77.000**	-	**(1.035.155)**	-	-	-	-	**19.322.074**	**285.541.158**

2013		Allocation of result for previous period		Changes during the year								
					Equity operations							
	Balance at 01-01-2013	Reserves	Dividends and other uses	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Stock options	Total comprehensive income for the period	Shareholders' equity at 31/12/2013
Share capital	**50.783.289**	-	-	-	**284.658**	-	-	-	-	-	-	**51.067.947**
a) ordinary shares	50.783.289	-	-	-	284.658	-	-	-	-	-	-	51.067.947
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**196.529.480**	-	-	-	**2.040.049**	-	-	-	-	-	-	**198.569.529**
Reserves	**38.045.695**	**7.747.543**	-	**(2.947.771)**	-	-	-	-	-	-	-	**42.845.467**
a) income	38.045.695	7.747.543	-	(2.947.771)		-	-	-	-	-	-	42.845.467
b) other	(0)	-	-	-	-	-	-	-	-	-	-	(0)
Valuation reserves:	**19.980.920**	-	-	**(967.952)**	-	-	-	-	-	-	**(10.461.394)**	**8.551.574**
a) available for sale	16.782.295	-	-	(802.519)	-	-	-	-	-	-	(10.645.917)	5.333.859
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-
c) other (*)	3.198.625	-	-	(165.433)	-	-	-	-	-	-	184.523	3.217.715
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(9.740.441)**	-	-	**9.733.164**	-	-	-	-	-	-	-	**(7.277)**
a) of Parent Company	(9.740.441)	-	-	9.733.164	-	-	-	-	-	-	-	(7.277)
b) of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the perio	**14.172.260**	**(7.747.543)**	**(6.424.717)**	-	-	-	-	-	-	-	**(33.850.000)**	**(33.850.000)**
Shareholders' equity	**309.771.202**	-	**(6.424.717)**	**5.817.441**	**2.324.707**	-	-	-	-	-	**(44.311.394)**	**267.177.239**

Statement of cash flows

OPERATING ACTIVITY	30/06/14		30/06/13	
1. Operations		**58.951.649**		**57.620.296**
- interest income received (+)	57.258.171		29.134.514	
- interest expense paid (-)	(8.874.528)		(5.309.585)	
- dividends and similar revenues	-		1.224.323	
- net commissions (+/-)	14.081.367		(1.243.112)	
- staff costs	(15.677.539)		(4.108.754)	
- other expenses (-)	(15.663.676)		(1.553.302)	
- other revenues (+)	27.827.854		39.476.212	
2. Liquidity generated/absorbed by financial assets: (+/-)		**239.164.373**		**114.024.725**
- financial assets held for trading	260.744		(4.170.392)	
- financial assets available for sale	9.006.835		(32.562.601)	
- loans to custumers	234.744.813		(54.994.954)	
- due from banks: repayable on demand	71.992		56.036.996	
- due from banks: other	(2.890.638)		157.997.982	
- other assets	(2.029.374)		(8.282.306)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**(334.829.156)**		**(106.652.748)**
- due to banks: repayable on demand	(67.163)		62.366.805	
- due to banks: other	(31.531.952)		(29.571.607)	
- due to customers	(348.802.435)		78.971.084	
- securities issued	12.422.797		(208.929.449)	
- financial liabilities held for trading	(61.228)		278.087	
- other liabilities	33.210.824		(9.767.668)	
Net liquidity generated/absorbed by operating activity A (+/-)		**(36.713.135)**		**64.992.273**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		**921.121**		**-**
- dividends received on equity investments	921.121		0	
2. Liquidity absorbed by: (-)		**33.445.802**		**(50.939.846)**
- purchase of equity investments	-		(47.919.397)	
- purchase of financial assets held to maturity	34.925.840		(505.869)	
- purchase of property, plant and equipment	(1.480.038)		(2.514.580)	
Net liquidity generated/absorbed by investing activity B (+/-)		**34.366.923**		**(50.939.846)**
FUNDING ACTIVITY				
- issue/purchase of ow n shares	(1.035.155)		(7.627.710)	
- distribution of dividends and other uses	-		(6.424.717)	
Net liquidity generated/absorbed by funding activity C (+/-)		**(1.035.155)**		**(14.052.427)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**(3.381.367)**		**0**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	20.019.721	0
Total net liquidity generated/absorbed during the period D	-3.381.367	0
Cash and cash equivalents: effect of exchange rate changes F	0	0
Cash and cash equivalents at the end of the period G = E +/-D+/-F	**16.638.354**	**0**