Financial Report
at 30 June 2020

A cooperative joint-stock company – founded in 1886
Registered office and headquarters: Via Sen. Guglielmo Pelizzo 8-1, 33043 Cividale del Friuli; Tel. 0432.7071; Fax 0432.730370
Registration in the Bank of Italy register no. 5758.8.0; ABI code 05484.1; Taxpayer ID, VAT reg. no. and Udine Companies Register no. 00249360306;
Share capital at 31/12/2019 €50,913,255.00 - Website www.civibank.it - E-mail: info@civibank.it
A member of the Interbank Deposit Protection Fund and National Guarantee Fund

Contents

Boards and officers of Banca di Cividale

Board of Directors	
Chairperson	Michela Del Piero
Deputy Chairpersons	Andrea Stedile Guglielmo Pelizzo
Directors	Alberto Agnoletto Manuela Boschieri Massimo Fuccaro Riccardo Illy Franco Sala Livio Semolič
Board of Statutory Auditors	
Chairperson	Pompeo Boscolo
Standing members	Massimo Miani Gianluca Pico
Substitute members	Chiara Repetti Andrea Volpe
Board of Arbitrators	
Chairperson	Renzo Zanon
Standing members	Lorenzo Cozzarolo Giampaolo Piccoli Alessandro Rizza Eugenio Scarbolo
Substitute members	Giuseppe Bertolo Valentino Custrin
Senior management	
General Manager	Federico Fabbro
Acting Assistant General Manager	Gianluca Picotti
Assistant General Manager	Gabriele Rosin
Independent auditors	KPMG S.p.A.

Introduction

As more specifically indicated in the "Accounting policies" chapter, the Financial Report at 30 June 2020 has been prepared by applying the recognition and measurement criteria established by the IASs/IFRSs issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as established in Regulation (EC) No. 1606 of 19 July 2002.
The Financial Report is composed of the balance sheet, income statement, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows, accompanied by the notes (Financial Report at 30 June 2020) and a report on operations.
The condensed half-yearly financial statements at and for the period ended 30 June 2020 have been subject to a limited audit by the independent auditors KPMG.

Condensed half-yearly financial highlights and balance sheet ratios at 30 June 2020

BALANCE SHEET DATA (thousands of Euro)	30/06/2020	31/12/2019	Change %
Financial assets	1,227,065	1,143,610	7.3%
Loans to customers	2,853,105	2,832,876	0.7%
Total assets	4,424,577	4,337,553	2.0%
Direct funding	2,713,162	2,697,388	0.6%
Indirect funding	1,085,471	1,126,978	-3.7%
- of wich: Assets under management	868,156	906,365	-4.2%
Total funding	3,798,633	3,824,366	-0.7%
Shareholders' equity	286,309	284,920	0.5%

ECONOMIC DATA (thousands of Euro)	30/06/2020	30/06/2019	change
Net interest income	33,361	31,231	2,130
Net commissions	15,247	16,020	(773)
Dividends	28	74	(46)
Net trading income	6,096	3,791	2,305
Other operating income (expenses)	308	287	22
Operating income	**55,041**	**51,403**	**3,638**
Operating cost	**(31,843)**	**(32,408)**	**566**
Income (loss) from operating	**23,198**	**18,994**	**4,204**
Charges/write-backs on impairment of loans and financial assets	(16,923)	(18,312)	1,388
Net provisions for risks and charges	(436)	1,697	(2,133)
Profit (loss) on disposal of investments and equity	(82)	(84)	2
Tax on income from continuing operations	(2,282)	212	(2,494)
Levies and other charges concerning the banking industry after tax	(1,392)	(1,355)	(37)
Net income	**2,083**	**1,153**	**930**

OPERATING STRUCTURE	30/06/2020	31/12/2019
N° of employees	585	609
Branches	64	64

Profitability ratios	30/06/2020	31/12/2019
Net interest income/Operating Income	60.6%	63.14%
Net commision income/Operating Income	27.7%	33.99%
Cost/income	57.9%	68.08%
Net income for the period/Total Assets	0.05%	0.06%
Net income for the period/RWA	0.10%	0.12%

Structure ratios	30/06/2020	31/12/2019
Loans to customers / Total net assets	64.5%	65.31%
Direct funding / Total net assets	61.3%	62.19%
Assets under management / Indirect funding from customers	80.0%	80.42%
Loans to customers / Direct funding from customers	104.6%	104.48%
Total assets / Shareholders' equity	1545.4%	1522.38%

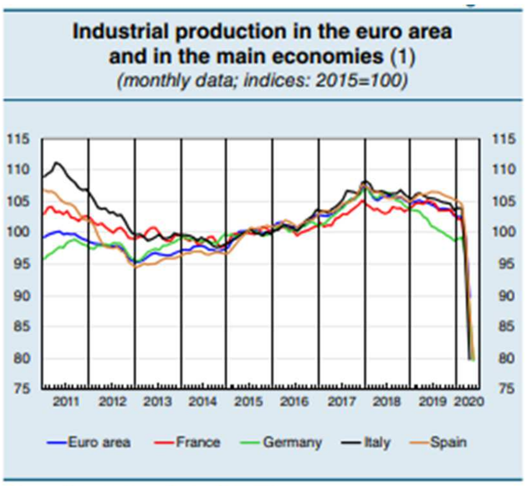
CREDIT RISK INDICATORS	30/06/2020	31/12/2019
Bad Loans / Loans to customers	6.7%	6.8%
Net bad loans / Loans to customers	2.4%	2.4%
Cost of risk / Income (loss) from operating	72.6%	78.2%
Net bad loans / Regulatory capital	22.7%	23.8%
Bad loans hedging*	11.7%	12.4%
Net Bad loans hedging	6.2%	6.5%
Other impaired loans hedging	50.8%	50.6%
Cost of credit (*)	-0.81%	-0.91%

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

SOLVENCY RATIOS	30/06/2020	31/12/2019	change
Risk weighted assets (Rwa)	2,085,158	2,188,699	(103,541)
Tier 1 capital - regulatory	297,275	298,496	(1,221)
Total own funds - regulatory	297,275	298,496	(1,221)
CET1 capital ratio - regulatory	14.26%	13.64%	62
Total capital ratio - regulatory	14.26%	13.64%	62
Common Equity Tier 1 - fully phased	*279,553*	276,576	2,977
Total own funds - fully phased	*279,553*	276,576	2,977
CET1 capital ratio - fully phased	*13.57%*	12.81%	n.c.
Total capital ratio - fully phased	*13.57%*	12.81%	n.c.

Half-yearly report on operations
The first half of 2020

***Executive summary*[1]**
The effects of the pandemic are disrupting the global economy and trade has been scaled back considerably.
On 30 January 2020 the World Health Organization declared the coronavirus epidemic a public health emergency of international concern. The crisis, which started as a health emergency, immediately begun to have repercussions of an economic, financial and social nature.



Industrial production in the euro area and in the main economies (1)
(monthly data; indices: 2015=100)

Sources: Based on Eurostat and Istat data.
(1) Data adjusted for seasonal and calendar effects; 3-term moving averages.

Fig. 1

The epidemic broke out in China and then spread swiftly to other countries, including Italy, forcing the various governments to take measures designed to contain the risk of contagion. Since May it has been spreading with greater intensity in the other emerging nations, particularly in Latin America, thus increasing the uncertainty regarding the macroeconomic outlook.
In the first *quarter* of 2020, GDP declined in the major nations. The contraction was most severe in the United States, China and the United Kingdom. It was driven above all by lower consumption against the backdrop of reduced employment.
In the first quarter of 2020, the Euro Area's GDP decreased by 3.8%, its biggest quarterly decline since the historical series began in 1995.
In April, industrial production fell sharply in all the major economies, declining by 17.1% on average in the Euro Area compared to March (Fig. 1). The most recent data suggest an initial, yet apparently still incomplete, recovery of economic activity in May and June. The PMI (Purchasing Managers' Index) by and large recovered from the decline recorded in March and April, while remaining below the expansion threshold in both manufacturing and services. The ECB’s Governing Council repeatedly adopted new expansionary measures, improving the terms and conditions applied to the third series of targeted longer-term refinancing operations.

Italian and European measures
In response to the health, economic and social impacts of the pandemic, the Italian government approved a series of measures designed to protect public health and to support businesses and household incomes. The “Cura Italia” (“Cure Italy”) Decree (Decree-Law No. 18/2020) was approved in March. By agreement with the EU, this Decree authorised an increase in public debt of €20 billion in order to adopt a series of measures designed to protect the health of citizens and support the economy, including: (i) an increase in the resources available to Italy's National Health Service; (ii) household income support involving the introduction of ad hoc welfare schemes; (iii) aid for the sectors most affected by the health emergency; and (iv) support for business liquidity by setting aside a part of the budget for government guarantees on loans made by banks (through the Guarantee Fund managed by Mediocredito Centrale) and a moratorium on loans to microenterprises and SMEs. In addition, changes to the tax code included measures favouring sales of non-performing loans closed by 31 December 2020 that enable deferred tax assets (DTAs) relating to tax losses and surplus economic growth aid (ACE) benefits to be transformed into tax credits, subject to the limits established by the law. In April a second measure known as the “Decreto Liquidità” (“Liquidity Decree” - Decree-Law No. 23/2020) was approved, enacting urgent measures regarding access to credit and tax obligations for companies, special powers in strategic sectors and interventions relating to health and work and extensions of administrative and trial deadlines. Among the main measures, mention should be made of the expansion of government guarantees granted through SACE, a company belonging to the Cassa Depositi e Prestiti Group, for banks to write loans to

[1] *Source: Bank of Italy – Bollettino Economico and Assopopolari*

businesses whose activities were harmed by the Covid-19 emergency. These guarantees are subject to a series of conditions, including a restriction barring the beneficiaries from distributing dividends for the next 12 months and a requirement that the loan be put towards supporting production activity based in Italy. The decree also includes measures deferring tax obligations and strengthening the government's "golden power" authority by extending its scope of application to previously excluded sectors (including insurance, banking, finance, water, health, communications and the media). A third measure, known as the "Decreto Rilancio" ("Turnaround Decree" - Decree-Law No. 34/2020) was also approved in early July, budgeting a further €55 billion. Most of the measures included refer to and extend the measures approved in the previous decrees in support of the health system, workers, households and businesses. For businesses in particular, the decree establishes outright grants and tax credits for sectors and companies particularly severely affected by the crisis, the cancellation of IRAP (regional business tax) payments (balance for 2019 and first prepayment for 2020), capitalisation incentives, the enhancement of measures in support of innovative start-ups and SMEs and the creation of instruments for direct financial support for companies from the government in the form of both loans and capital contributions. Among the measures focusing on employment, mention should be made of the temporary redundancy schemes and indemnities created for several categories of workers, introduced following the suspension or reduction of work activity due to the epidemiological emergency. On the regulatory front, European and Italian authorities sought to alleviate the restrictive criteria and facilitate the credit system at this difficult time. The main measures included: (i) the suspension of the Stability and Growth Pact to allow national governments to respond to the economic consequences of the pandemic; (ii) modification of the European Stability Mechanism (ESM) according to a flexible approach, subject to the sole condition that the funds must be used for healthcare. This instrument has a capacity of intervention of 2% of EU GDP, for a total of approximately €240 billion; (iii) the establishment of a fund managed by the EIB in support of European companies for an amount of approximately €200 billion; and (iv) the establishment of SURE (Support to Mitigate Unemployment Risks in Emergency), a European fund against unemployment that will contribute €100 billion in financial support of national short-time work schemes or similar job protection schemes. In order to allow banks to focus on their core businesses, the European Banking Authority (EBA) postponed the EU-wide stress test exercise and prudentially revised the classification of defaulted and forborne loans and the accounting treatment of such positions so as to render uniform the practices and implications of the moratoria adopted at the national level. Within the framework of its monetary policy actions, the ECB temporarily implemented new longer-term refinancing operations (LTROs) and improved the conditions of TLTRO-III operations for the period from June 2020 to June 2021. A new series of "non-targeted" pandemic-emergency longer-term refinancing operations (PELTROs) was introduced in order to support liquidity conditions in the financial system and preserve the regular functioning of money markets. The PSPP programme for the purchase of public and private sector securities, active until year-end, was increased by €120 billion. The launch of the Pandemic Emergency Purchase Programme (PEPP), which calls for the purchase of public and private securities for €750 billion, was announced in March. In June the ECB decided to expand it by an additional €600 billion, extending its duration until June 2021 in order to support its chartered inflation target objective and combat the fragmentation of the financial market within the Eurozone in protection of the orderly transmission of monetary policy. Another characteristic of the PEPP is that the purchases will be made flexibly over time, among the various asset classes and countries. The measure also calls for the reinvestment at maturity of the securities, which may have maturities of 70 days to 30 years. Among the measures designed to ensure liquidity for banks, the ECB adopted a temporary easing of the eligibility criteria for marketable assets to secure Eurosystem refinancing operations intended to increase the availability of guarantees for banks, further extending them to include securities with ratings that have fallen below investment grade, but which were investment grade on 7 April 2020.

The Italian economy[1]

Economic activity in the second quarter was significantly affected by the consequences of the pandemic. According to currently available information, the decline may be estimated at around 10%. Industrial production fell sharply in April (-19.1%), driven by the suspension of "non-essential" activities. As the shutdown measures were gradually lifted, production is believed to have resumed growth in May and June (for a total of approximately 40% compared to April), while remaining nearly 25% below the levels prior to the spread of the epidemic. According to a study conducted by the Bank of Italy in June, approximately 90% of companies believe that the general economic situation has worsened. Most companies interviewed reported that the effects of the epidemic are transmitted primarily through a reduction in domestic and foreign demand. The real-estate market was also affected by the restrictions on movement and uncertainty. Overall, investments in construction declined by 7.9% in the first quarter. In April production in this segment declined by over 50% compared to the previous month.

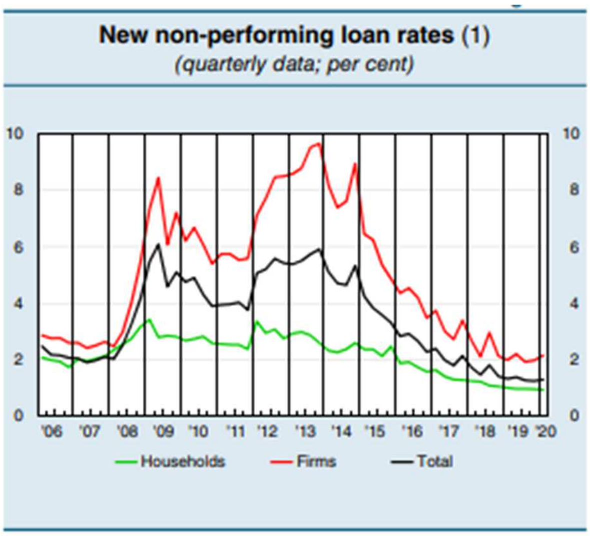
The banking system

Loans to companies increased significantly as liquidity needs expanded in response to the pandemic crisis. The capacity of credit institutions to meet this demand for funds was supported by the measures adopted by the ECB and Italian government. The cost of bond funding on the secondary market fell sharply compared to March.

Italian bank funding increased, primarily reflecting a sharp expansion of liabilities towards the Eurosystem. Deposits held by residents increased, owing primarily to the containment measures and greater precautionary saving.

In the first quarter, the flow of new non-performing loans remained stable as a proportion of total loans compared to the previous period (Fig. 2). In future, the impact of the crisis on credit quality will be mitigated by the effects of the measures adopted by the Italian government.

The loan default rate has remained unchanged for households but risen slightly for businesses, due to the increases recorded in the service and construction sectors. The coverage ratio remained unchanged.



Source: Central Credit Register.
(1) Annualized quarterly flows of adjusted NPLs in relation to the stock of loans at the end of the previous quarter net of adjusted NPLs. Data seasonally adjusted where necessary.

Fig. 2

Banks' financial situations are sound due to their retention of the share of their 2019 earnings the distribution of which was suspended in accordance with the ECB's recommendation.

Cooperative bank lending[1]

Even in the wake of the initial measures to combat Covid-19, cooperative banks continued to support and sustain their customers, i.e. households and small and medium enterprises, recording positive performances. Capital ratios amounted to 16.4%, far above the minimum requirement set by prudential regulations, demonstrating financial solidity.

Loans increased by 2.1% in March (households +2.8% and businesses +1.8%), while funding grew, driven by the deposits component, which was up by 5.8% over 12 months.

Outlook

The forecasts for the Italian economy take into account the direct impact of the containment measures, deriving from limitations on production and consumption, reduced foreign demand and the essential halt of international tourism flows during the current year.

Faced with this unprecedented crisis, the various governments adopted measures to limit its impact on the economic and social fabric, including the granting of government guarantees for loans to businesses, lending and tax and credit moratoria.

In monetary policy, central banks took action to contain the recessionary effects of the epidemic on national economies. In particular, the ECB intervened with measures in support of the liquidity of the Euro Area banking system, including the improvement of the conditions of TLTRO-III operations, the launch of a new series of longer-term refinancing operations (PELTROs) and the increase of the funding and time horizon of the Pandemic Emergency Purchase Programme (PEPP). These measures were in addition to the easing of prudential rules by the SSM (European Single Supervisory Mechanism for banks).

Global GDP is estimated to have contracted sharply, due to the severe repercussions for global trade. Foreign demand for goods produced in Italy is expected to decrease by 13.5% this year, to then increase by 7.9% in 2021 and by 4.6% in 2022, and the euro/dollar exchange rate, which averaged 1.12 in 2019, is forecast at 1.11 in 2020 and 1.12 in the next two years. In accordance with the expectations based on market prices, the yield on ten-year Italian government bonds is estimated at 1.5% in 2020, 1.7% in 2021 and 1.9% in 2022. The average cost of credit for businesses is expected to remain contained this year (1.5%; see sec. 2.7) and then to increase by approximately 30 basis points over the next two years. Domestic inflation, measured with the GDP deflator, is estimated at 0.8% for the current year and is expected to decline significantly in 2021, reflecting a weakening of corporate profit margins, to then resume growth in 2022, reaching 1.1%, as the economic cycle and salary trends gradually gain momentum.

In an uncertain environment, according to the guidelines set in the Strategic Plan, the Bank achieved its objectives in terms of improving its risk profile and increasing the efficiency of its operations. Civibank will continue its efforts to facilitate credit for households and SMEs and to strive to be the bank of choice for managing household savings. Credit quality will remain a particular focus in view of the outlook for the economic scenario.

However, the climate of uncertainty makes it difficult to quantify the consequences of the Covid-19 emergency for the economy and banking system over the medium and long term. The Bank will therefore continue to monitor the development of the situation closely and, after obtaining a more detailed picture of its possible course, will assess whether the financial performance targets set in the Plan remain current and then make the necessary changes.

Banca di Cividale

Auditing of the condensed interim financial statements
At Banca di Cividale, statutory auditing is conducted by an auditing firm that renders the services provided for in Article 14, paragraph 1, of Legislative Decree No. 39 of 27 January 2010. The independent auditors express an opinion of the annual financial statements in specific reports, in addition to drafting a limited audit report on the condensed half-yearly financial statements at and for the period 2020. At present, the firm KPMG S.p.A. has been engaged to conduct statutory auditing of the Bank.

The Banca di Cividale branch network

64 branches currently present between FVG and Veneto

The Bank's branch network consisted of 64 operational branches at 30 June 2020.

The human resources of Banca di Cividale
At 30 June 2020 human resources numbered 585, compared to 609 at 31 December 2019.

Key operating events in the first half of the year

Health emergency tied to the spread of the Covid-19 (coronavirus) epidemic
Following the international spread of the coronavirus (Covid-19) pandemic, which initially broke out in China, the World Health Organization declared Covid-19 a public health emergency of international concern on 30 January 2020 and then classified the coronavirus a pandemic on 11 March due to the speed and extent of its transmission at the global level. The swift spread of the pandemic forced the various governments to take measures designed to reduce and contain the risk of transmission in order to protect public health. In particular, in Italy – one of the first countries to be affected in Europe – during the initial phase of the pandemic, from February to April, a series of decree-laws were issued, including measures intended to restrict the freedom of movement of individuals, entailing the shutdown of entire sectors of the economy, while also reinforcing Italy's National Health System. In May and June the measures to contain the emergency were followed by a gradual easing of the restrictions and a resumption of economic, social and cultural activities. These measures were also accompanied by a series of initiatives launched by the Italian government with the aim of limiting the economic impact of Covid-19 on citizens, professionals and businesses, including the "Cure Italy" Decree in March, followed by the "Liquidity" Decree in April and the "Recovery" Decree in May, which laid the foundations for the country's recovery.

Measures taken by Civibank
Since day one of the emergency, the Bank has taken strict preventive measures, adopting all the safety standards indicated in the various articles of legislation enacted by national and local authorities and/or in the memoranda signed by the Italian government and the sector trade association (the Italian Banking Association) and the social partners, in addition to all the most appropriate additional precautionary measures designed to protect the health of its employees and customers, with an eye to also ensuring the Bank's smooth operational functioning.

The following measures were adopted with the aim of limiting the risk of spread of the virus to the greatest possible extent:

- ✓ Incentives for the use of remote working arrangements (flexible working);
- ✓ Suspension of business travel for all employees;
- ✓ Suspension of in-classroom training courses, with the implementation and enhancement of online training;
- ✓ Suspension of appointments with consultants or suppliers on company premises, with the activation of alternative communications channels where possible;
- ✓ Emphasis on the new operating procedures and recommendations of strict compliance with the relevant orders issued by the ministries, regions and/or local authorities in relations with all suppliers, consultants and contractors that habitually operate at the Bank's offices;
- ✓ Supply to personnel operating at the Bank's facilities of face masks, gloves, divisor screens and disinfectant gel;
- ✓ Instructions for cleaning companies to use specific products to sanitise company premises and intensify the related procedures with daily frequency;
- ✓ Public posting (inside and outside company premises) of specific signs with instructions to be followed regarding interpersonal distancing, contingent access and hygiene rules;
- ✓ Implementation on the company intranet of a specific dedicated section regularly updated with company information, in addition to the list of health and safety rules adopted at any given time;
- ✓ Circulation of guidelines to be followed in the event of contact with individuals positive with the virus;
- ✓ Circulation of behavioural guidelines to be followed while on company premises (branches and head office).

During the initial phase of the emergency ("Phase 1"), the hours during which the branch network was open to the public were reduced, leaving branches open only in the mornings and implementing an appropriate shift schedule for branch employees. Conditions were immediately imposed on customer access to branches, allowing customers to enter by appointment only and solely for strictly necessary business. In May, as the restrictions that had been imposed by the Italian government were lifted ("Phase 2"), ordinary hours of opening to the public were restored, without prejudice to access by appointment only and the adoption of all standards designed to safeguard the necessary health and safety measures.

Business continuity was also ensured by a thorough acceleration of the adoption of flexible remote working arrangements.

In addition, remote customer contact channels were enhanced to ensure adequate assistance and information regarding the use of digital channels. Significant customer communications initiatives (relating to both changes in branch operations and different methods of access) were launched, fully exploiting the digital channels (e-mail, text message, social media) and implementing the Bank's website. In response to the greater need for the remote connection of employees and the use of the Bank's online services by its customers, Civibank continued to enhance its IT network by expanding the scope of its users to enable a greater number of simultaneous accesses to the company network. Security safeguards and protocols were also reinforced.

Covid-19 also had impacts on the management of the Bank's lending activity. In response to the economic and social consequences of the health emergency, Civibank did not fail to provide its support to the households and businesses in its communities through initiatives of an extraordinary nature.

In this regard, the Bank sought from the very outset of the emergency to enable households and businesses to benefit from moratoria, with the option of suspending loan payments set to come due. This initiative was then accompanied by those made available at the level of the Italian government and the system.

At the end of the half-year, a total of over 6,600 moratoria/suspensions had been granted on a total exposure of approximately €860 million together with business loans backed by government guarantees of over €67,000 thousand made to approximately 1,211 customers.

The bank participated in the fund-raising initiative promoted by the business association Confindustria Udine for the benefit of the Department of Anaesthesia and Intensive Care of the Hospital of Udine, to which it allocated the sum of €50,000, and it also took part in several social initiatives in support of the local population by contributing €8 thousand for the purchase of face masks and medical suppliers for the fight against Covid and the production of face masks for the coronavirus emergency.

The liquidity position

In the first half of the year, the Bank's operational and structural liquidity position was further reinforced. Assets eligible for ECB refinancing (securities and loans) amounted to €1,845 million at 30 June 2020, up compared to the end of 2019 (€1,606 million). The short-term liquidity coverage ratio ("LCR") stood at 227.88%, well above the minimum regulatory requirement of 100%.

An additional liquidity requirement measured over a longer time horizon, known as the net stable funding ratio ("NSFR"), is to be introduced in the near future. Calculated according to the most recent rules, this ratio exceeds 100%.

At 30 June ECB funding operations consisted of TLTRO II and TLTRO III financing totalling €988.5 million, broken down as follows:

- €200 million maturing in December 2020;
- €155.7 million maturing in March 2021;
- €37.4 million maturing in December 2022;
- €595.4 million maturing in June 2023.

Subsequent events

From the end of the first half of 2020 to the date of approval of this report there were no material events with a significant effect on either the company's equity-related, economic and financial situation or its representation thereof.

Business outlook and the going-concern assumption

With regard to the going-concern assumption, in the light of the main financial performance indicators and business outlook, the Board of Directors believes that it is reasonably certain that the Bank will continue to operate as a going concern for the foreseeable future, while taking account of the changed macro-economic scenario shaped by the Covid-19 emergency. The condensed half-yearly financial statements have therefore been prepared on a going-concern basis. This assessment takes account of the Bank's strong capital position, presenting a significant capital buffer beyond the minimum SREP requirements and a robust liquidity position with regulatory indicators far in excess of the established regulatory thresholds.

Analysis of main consolidated balance sheet aggregates and earnings results – figures at and for the period ended 30/06/2020

Earnings results

In the first half of 2020, Banca di Cividale recorded a net income of €2,083 thousand.

Net interest income for the half-year came to €33,361 thousand, up by 6.8% compared to 30 June 2019. The figure is influenced by the reclassification to net interest income of the positive "reversal" effect of recoveries due to the discounting of bad debt and unlikely-to-pay positions (€1,444 thousand in the first six months of 2020, compared to €1,202 thousand in the same period of the previous year). Net of this reclassification, net interest income increased by 6.1%. The business with customers component was positive (+6.6%, or €1,681 thousand), whereas the financial assets component declined (-19.3%, or -€718 thousand).

Net commission income amounted to €15,247 thousand, down by 4.8% compared to €16,020 thousand in the first half of 2019.

In detail, commissions declined by 6.2% on commercial banking activity and by 2.3% on management, intermediation and advisory (asset management, insurance products and securities placement). Within this item, there was a 3.2% increase in the securities intermediation and placement component and a 20.5% increase in the asset management service component, whereas the insurance product component declined by 19.1%.

Net trading income was €6,096 thousand. In particular, net realised gains on assets designated at fair value through other comprehensive income and at amortised cost (securities and loans) amounted to €5,956 thousand; trading activities yielded gains of €476 thousand, whereas assets mandatorily measured at fair value recorded net losses of €335 thousand.

Net operating revenues amounted to €55,041 thousand, up by 7.1% from €51,403 thousand in the first half of 2019.

Operating expenses totalled €31,843 thousand. Personnel expenses amounted to €20,277 thousand, down by 1.9% on 30 June 2019, whereas other administrative expenses amounted to €9,357 thousand, down by 2.1% on June 2019. Net adjustments to property, plant and equipment and intangible assets came to €2,209 thousand, essentially unchanged compared to the first half of 2019.

Net impairment losses for credit risk amounted to €16,409 thousand in the first six months and included approximately €6,700 thousand for future impacts of COVID-19, of which approximately €6,071 thousand of generic adjustments to performing loans and approximately €629 thousand of adjustments to non-performing loans. The overall coverage ratio for non-performing loans was 50.8%.

Net impairment losses on financial assets and **profits (losses) on equity investments** amounted to total losses of €514 thousand and referred primarily to the measurement of HTC and HTCS securities.

Net provisions for risks and charges presented a negative balance of €436 thousand and referred primarily to provisions for legal risks involving customers.

Income before tax from continuing operations thus amounted to €5,757 thousand. Income taxes for the period amounted to net taxes of €2,282 thousand, whereas net taxes and levies relating to the banking system (SRF-NRF) amounted to €1,392 thousand (€2,052 thousand gross of the tax effect).

The net income for the period thus amounted to €2,083 thousand.

Balance sheet aggregates

At 30 June 2020 **loans to customers** amounted to €2,853,105 thousand, up by 0.7% from €2,832,876 thousand as at 31 December 2019.

During the half-year, despite the significant, unexpected change in the external environment relating to the spread of the COVID-19 pandemic, the bank disbursed total new loans of €265,556 thousand, of which €194,346 thousand to small and medium enterprises and €70,533 thousand to households, a decline of 6.2% compared to the first half of 2019. In further detail, loans disbursed to companies increased by €13,412 thousand (+7.4%) compared to the first six months of the previous year; loans disbursed to consumer households declined by €30,857 thousand (-30.4%) due to the extended shutdown of the economy and production and the severe limitations on personal movement (the "lockdown" phase).

At the end of the period, non-performing exposures (NPEs), net of adjustments, amounted to €176,362 thousand, **down by 4.9%** compared to December 2019, with a coverage ratio of 50.8%. In further detail, net non-performing exposures were €67,472 thousand, a **decrease of 2.8%** compared to December 2019, with a coverage ratio of 67.0% (66.4% in December 2019). Unlikely to pay exposures stood at €91,239 thousand, a **reduction of 10.7%** compared to the end of the previous year, resulting in a coverage ratio of 31.7% (33.1% in December 2019), whereas past due exposures were €17,651 thousand (**an increase of 27.5%** compared to December 2019), with a coverage ratio of 14.5% (13.4% in December 2019).

Direct funding, presented net of the component attributable to central counterparties, amounted to €2,713,162 thousand, up by 0.6% compared to the end of 2019.

Indirect funding came to €1,085,471 thousand, down by 3.7 % compared to 31 December 2019. Assets under management totalled €868,156 thousand, a decrease of 4.2% compared to 31 December 2019 and an increase of 0.7% compared to 30 June 2019.Assets under administration came to €217,315 thousand, a decline of 1.5% compared to 31 December 2019.

Financial assets were €1,227,065 thousand, up by 7.3% compared to the end of 2019, and were essentially represented by short-term Italian government bonds carried in the HTC and HTCS portfolios with an average duration of 2.58 years. Reserves on the HTCS and OCI portfolios, taken to equity net of the tax effect, amounted to a positive €977 thousand.

The total one-month **net liquidity balance** was €634,000 thousand. The total eligible assets available amounted to €1,844,660 thousand, in terms of obtainable liquidity, already net of the related haircut. The exposure to the ECB for long-term refinancing operations, corresponding to the TLTRO II and TLTRO III programmes, was €988,500 thousand. The LCR regulatory liquidity profile rose from 177% in December 2019 to 228% in June 2020.

Shareholders’ equity and capital ratios

Shareholders' equity

Shareholders' equity amounted to €286,309 thousand at 30 June 2020 (+0.5% compared to December 2019).

Own funds and capital adequacy

Own funds stood at €297,275 thousand at 30 June 2020.

Own Funds and Solvency Ratios	30/06/2020	31/12/2019
OWN FUNDS	-	-
Common Equity Tier 1 (CET1) net of regulatory adjustments	297,275	298,496
Additional Tier 1 (AT1) capital net of regulatory adjustments	-	-
TIER 1 CAPITAL (tier 1)	**297,275**	**298,496**
Tier 2 capital (T2) net of regulatory adjustments	-	-
Total Own Funds	**297,275**	**298,496**
RISK-WEIGHTED ASSETS	0	0
Credit and Counterparty Risk	1,893,112	1,987,264
Settlement and Market Risk	8,274	676
Operational Risk	183,741	183,741
Other specific Risk	31	17,017
RISK-WEIGHTED ASSETS	**2,085,158**	**2,188,699**
SOLVENCY RATIOS %		
Common Equity Tier 1 ratio	14.26%	13.64%
Tier 1 ratio	14.26%	13.64%
Total Capital Ratio	14.26%	13.64%

Own funds, risk weighted assets and solvency ratios at 30 June 2020 have been determined on the basis of the harmonised rules for banks and investment firms set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR) of 26 June 2013, which transpose into the European Union the

standards set by the Basel Committee on Banking Supervision ("Basel 3 Framework"), and on the basis of the related Bank of Italy circulars.
CiviBank opted for the "static approach" to the introduction of IFRS 9 provided for in Regulation (EU) No. 2017/2395. This approach enables the re-introduction into common equity of a progressively decreasing percentage ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022) of the impact of IFRS 9, calculated net of the tax effect, resulting from the comparison between IAS 39 value adjustments at 31 December 2017 and IFRS 9 value adjustments at 1 January 2018.
Regulation (EU) No. 2017/2395 also governs the disclosure obligations that entities are required to publish, while referring the issue of specific guidelines on the subject to the EBA. In accordance with the Regulation, the EBA has issued specific guidelines according to which banks that adopt a transitional approach to the impact of IFRS 9 (such as the above static approach) are required to publish "fully loaded" values (as if the transitional approach had not been applied) and transitional values for Common Equity Tier 1 (CET1) capital, Tier 1 capital, Total Capital, total risk-weighted assets, capital ratios and the leverage ratio.
At 30 June 2020, considering the transitional treatment adopted to mitigate the impact of IFRS 9, own funds amounted to €297,275 thousand, compared to risk-weighted assets of €2,085,158 thousand, primarily deriving from credit and counterparty risks, and, to a lesser extent, from operational and market risks. At 31 December 2019, considering the full inclusion of the impact of IFRS 9, own funds amounted to €298,496 thousand, compared to risk-weighted assets of €2,188,699 million.
Own funds, calculated considering the full inclusion of the impact of IFRS 9 (i.e., fully loaded), take into account the provisions of the 2019 Budget Act, which calls for the conversion to instalments, for tax purposes, of value adjustments applied upon first-time adoption of the accounting standard, with the resulting recognition of DTAs. These DTAs have been considered at 15% of their carrying amounts when calculating transitional own funds, in line with the provisions of Article 473-*bis* CRR with regard to the application of the static approach, whereas they have been entirely included among deductible elements in fully loaded own funds. In any event, the impact of such DTAs on fully loaded own funds is temporary since they will be recovered by 2028.
The net income for the year has not been taken into account when determining Common Equity Tier 1 capital.
On the basis of the foregoing, solvency ratios at 30 June 2020, calculated according to the transitional treatment for the impact of IFRS 9 ("IFRS 9 Transitional") had the following values: a Common Equity Tier 1 ratio of 14.26%, Tier 1 ratio of 14.26% and Total capital ratio of 14.26%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 fully loaded), solvency ratios at 30 June 2020 were as follows: a Common Equity ratio of 13.57%, Tier 1 ratio of 13.57% and Total capital ratio of 13.57%.
Finally, it should be noted that on 6 February 2020 Civibank received a notice of "commencement of procedure" relating to the capital requirement to be satisfied with effect from the next report after the notice of the decision following the results of the Supervisory Review and Evaluation Process (SREP). The capital requirement to be met overall in terms of the Total Capital Ratio is 12.35%, composed of a minimum requirement of 9.85% (8.00% attributable to regulatory minimum requirements and 1.85% attributable to additional requirements determined on the basis of the SREP), with the remainder referring to the capital conservation buffer component. To ensure compliance with minimum requirements even in the event of a deterioration in the economic and financial scenario, the supervisory authority also indicated an expectation regarding the holding of additional resources of 0.50%.

Reconciliation between book shareholders' equity and Common Equity Tier 1 capital

Reconciliation between book shareholders' equity and Common Equity Tier 1 capital	30/06/2020	31/12/2019
Shareholders' equity	286,309	284,920
Shareholders' equity	**286,309**	**284,920**
Regulatory adjustments (including adjustments of the transitional period)	**10,966**	**13,576**
- Non eligible net income	(2,083)	(2,733)
- Deductions for CET1 instruments on which the institution has a real or purchase obligation	(445)	(636)
- Deductions relating to intangible assets	(113)	(119)
- Deductions relating to deferred tax assets that are based on future profitability	(3,905)	(4,649)
- Deductions relating to investments not significant beyond the threshold	-	-
- Regulatory value adjustments	(210)	(206)
- Regulatory adjustments relating to deferred tax assets	-	-
- Regulatory adjustments: other prudential filters	-	-
- Transitional provisions	17,722	21,920
Common Equity Tier 1 (CET 1) net of regulatory adjustments	**297,275**	**298,496**

Tier 1 capital increased due to the effect of the decrease in deductions relating to deferred tax assets, offsetting a decrease in positive valuation reserves from OCI securities. The bank does not have any subordinated liabilities and Tier 1 and Tier Total capital were therefore the same amount. Net income for the year (€2.0 million) has not been included among the positive elements.

Performance of risk-weighted assets

Performance of risk-weighted assets	
Risk weighted assets as at 31/12/2019	**2,188,699**
Credit risk	(94,152)
Market and Regolamentory risks	7,597
Operational risk	-
Other specific risks	(16,987)
Risk weighted assets as at 31/12/2019	**2,085,158**

During the half-year, assets weighted for credit risks decreased by approximately €94,152 thousand, largely due to the application of the new "SME supporting factor" rules (Art. 501 of Regulation (EU) No. 2019/876, which entered into force before the planned date of 28 June 2021), entailing a significant benefit in terms of reduction of RWAs (€65 million compared to the figure at 31 December 2019). An analysis of the prudential portfolios indicated a considerable decline in "exposures to companies" (€47 million compared to the end of 2019) a decrease in defaulted exposures to be associated with a contraction in non-performing loans, in accordance with the NPL Plan, and greater impairment losses on loans. A significant benefit was also obtained from the lower capital absorption relating to the new loans backed by government guarantees (Decree-Law No. 23/2020) (approximately €52 million, 92.5% backed by government guarantees). Conversely, assets weighted for market risk rose, due in part to financial market instability affecting both the financial sector and sovereign exposures included in the portfolio.

Risks and uncertainties

Banca di Cividale and its management are aware that sustainable growth and development must inevitably also be based on a thorough analysis of the risks to which the Bank 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 in the financial structure, earnings or cash flow performance of the Bank that might lead to uncertainty regarding its ability to continue to operate as a going concern.

Condensed half-yearly financial report
Financial statements
Balance sheet

Balance sheet - Assets		30/06/2020		31/12/2019	
10	Cash and cash equivalents		94,689,620		118,578,707
20	Financial assets measured at fair value through profit or loss		34,413,058		35,660,316
	a) financial assets held for trading	689,029		1,023,090	
	c) other financial assets mandatorily measured at fair value	33,724,029		34,637,226	
30	Financial assets measured at fair value through other comprehensive income		171,972,440		167,106,952
40	Financial assets measured at amortised cost		3,907,667,155		3,802,116,099
	a) due from banks	38,408,051		46,915,906	
	b) loans to customers	3,869,259,104		3,755,200,193	
70	Equity investments		3,113,490		3,190,063
80	Property and equipment		87,161,850		89,441,346
90	Intangible assets		113,060		119,461
100	Tax assets		66,237,975		71,246,730
	a) current	3,583,763		4,680,007	
	b) deferred	62,654,212		66,566,723	
120	Other assets		59,208,824		50,380,149
	Total assets		**4,424,577,472**		**4,337,839,823**

Balance sheet - liabilities and shareholders' equity		30/06/2020		31/12/2019	
10	Financial liabilities measured at amortised cost		4,052,969,173		3,979,634,273
	a) due to banks	1,107,718,111		717,882,636	
	b) due to customers	2,933,318,511		3,249,403,511	
	c) securities issued	11,932,551		12,348,126	
20	Financial liabilities held for trading		129,958		125,375
60	Tax liabilities		1,172,615		2,379,131
	a) current	665,703		1,764,818	
	b) deferred	506,912		614,313	
80	Other liabilities		76,452,597		62,471,014
90	Employee termination benefits		3,987,447		4,989,810
100	Provisions for risk and charges:		3,556,733		3,320,360
	a) commitments and guarantees given	705,010		556,296	
	c) other provisions for risks and charges	2,851,723		2,764,064	
110	Valuation reserves		339,049		842,469
140	Reserves		68,267,154		65,534,154
150	Share premiums		167,021,562		167,021,562
160	Share capital		50,913,255		50,913,255
170	Treasury shares (-)		(2,315,072)		(2,124,581)
180	Net income (loss) (+/-)		2,083,000		2,733,000
	Total liabilities and shareholders' equity		**4,424,577,472**		**4,337,839,823**

Income statement

Income Statement	30/06/2020		30/06/2019	
10 Interest income and similar revenues		41,015,011		39,882,137
of which: interest income calculated using the effective interest rate method	40,774,344		39,629,217	
20 Interest expense and similar charges		(7,653,802)		(8,651,171)
30 Net interest income		**33,361,209**		**31,230,966**
40 Commission income		17,134,504		18,066,610
50 Commission expense		(1,887,429)		(2,046,201)
60 Net commission income		**15,247,075**		**16,020,409**
70 Dividends and similar income		27,869		74,000
80 Net trading income		475,932		97,150
100 Profit (loss) on disposal or repurchase of:		5,955,714		3,758,304
a) financial assets measured at amortised cost	5,408,170		2,771,934	
b) financial assets measured at fair value through other comprehensive income	545,167		980,947	
c) financial liabilities	2,377		5,423	
110 Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss		(335,281)		(64,473)
b) other financial assets mandatorily measured at fair value	(335,281)		(64,473)	
120 Total income		**54,732,518**		**51,116,356**
130 Charges/write-backs on impairment of:		(16,927,798)		(18,311,629)
a) financial assets measured at amortised cost	(16,886,982)		(18,491,804)	
b) financial assets measured at fair value through other comprehensive income	(40,816)		180,175	
140 Profits (Losses) on changes in contracts without derecognition		4,446		-
150 Net Financial income		**37,809,166**		**32,804,727**
160 G&A expenses:		(35,534,135)		(35,871,425)
a) personnel expenses	(20,276,625)		(20,666,776)	
b) other administrative expenses	(15,257,510)		(15,204,649)	
170 Net provisions for risks and charges		(435,562)		1,697,086
a) commitments and guarantees given	(148,714)		612,489	
b) other net provisions	(286,848)		1,084,597	
180 Net impairment/write-backs on property, plant and equipment		(2,181,506)		(2,153,427)
190 Net impairment/write-backs on intangible assets		(27,629)		(31,489)
200 Other operating income (expenses)		4,157,128		3,937,484
210 Operating cost		**(34,021,704)**		**(32,421,771)**
220 Profit (loss) on equity investments		(76,573)		(82,475)
230 Valuation differences on property, equipment and intangible assets measured at fair value				
250 Profit (loss) on disposal of investments		(5,079)		(1,439)
260 Income (loss) before tax from continuing operations		**3,705,810**		**299,042**
270 Tax on income from continuing operations		(1,622,810)		853,958
280 Income (loss) after tax from continuing operations		**2,083,000**		**1,153,000**
300 Net income		**2,083,000**		**1,153,000**

Statement of other comprehensive income

	Items	30/06/2020	30/06/2019
10	**Net profit for the year**	**2,083,000**	**1,153,000**
	Other comprehensive income (net of tax) that may not be reclassified to the		
20	Equity instruments designated at fair value through other comprehensive income	(302,528)	(7,668,634)
30	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-	-
40	Hedging of equity instruments designated at fair value through other comprehensive income		
50	Property and equipment	-	-
60	Intangible assets		
70	Defined benefit plans	(27,145)	(295,924)
80	Non-current assets classified as held for sale		
90	Share of valuation reserves connected with investments carried at equity		
	Other comprehensive income (net of tax) that may be reclassified to the income statement		
100	Hedges of foreign investments	-	-
110	Foreign exchange differences	-	-
120	Cash flow hedges	-	-
130	Hedging instruments (not designated elements)		
140	Financial assets (other than equities) measured at fair value through other	(173,747)	454,683
150	comprehensive income		
160	Share of valuation reserves connected with investments carried at equity		
170	**Share of valuation reserves connected with investments carried at equity**	**(503,421)**	**(7,509,875)**
180	**Total other comprehensive income (net of tax)**	**1,579,580**	**(6,356,875)**

Statement of changes in shareholders' equity

Year 2020	Balance at 31/12/2019	Change in opening balance	Balance at 01/01/2020	Allocation of result for previous period		Changes during the year								Shareholders' equity at 30/06/2020
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the period	
Share capital	**50,913,255**		**50,913,255**	-	-	-	-	-	-	-	-	-	-	**50,913,255**
a) ordinary shares	50,913,255		50,913,255	-	-	-	-	-	-	-	-	-	-	50,913,255
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**167,021,562**		**167,021,562**		-	-	-		-	-	-	-	-	**167,021,562**
Reserves	**65,534,154**	-	**65,534,154**	**2,733,000**	-	-	-	-	-	-	-	-	-	**68,267,154**
a) income	65,534,154		65,534,154	2,733,000	-	-	-	-	-	-	-	-	-	68,267,154
b) other	-		-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**842,469**		**842,469**			-							**(503,420)**	**339,049**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(2,124,581)**		**(2,124,581)**					**(190,491)**						**(2,315,072)**
Net income (loss) for the period	**2,733,000**		**2,733,000**	**(2,733,000)**		-	-	-	-	-	-	-	**2,083,000**	**2,083,000**
Shareholders' equity	**284,919,859**	-	**284,919,859**	-	-	-	-	**(190,491)**	-	-	-	-	**1,579,580**	**286,308,948**

Year 2019	Balance at 31/12/2018	Change in opening balance	Balance at 01/01/2019	Allocation of result for previous period		Changes during the year								Shareholders' equity at 31/12/2019
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Purchase of treasury stock	Extraordinary dividend distribution	Change in equity instruments	Derivatives on own shares	Stock options	Total comprehensive income for the period	
Share capital	**50,913,255**		**50,913,255**	-	-	-	-	-	-	-	-	-	-	**50,913,255**
a) ordinary shares	50,913,255		50,913,255	-	-	-	-	-	-	-	-	-	-	50,913,255
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**167,021,562**		**167,021,562**		-	-	-		-	-	-	-	-	**167,021,562**
Reserves	**45,805,310**	-	**45,805,310**	**2,043,000**	-	**17,685,844**	-	-	-	-	-	-	-	**65,534,154**
a) income	45,805,310		45,805,310	2,043,000	-	17,685,844	-	-	-	-	-	-	-	65,534,154
b) other	-		-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**9,495,588**		**9,495,588**			**(17,685,844)**							**9,032,725**	**842,469**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(1,260,357)**		**(1,260,357)**					**(864,224)**						**(2,124,581)**
Net income (loss) for the period	**2,043,000**		**2,043,000**	**(2,043,000)**		-	-	-	-	-	-	-	**2,733,000**	**2,733,000**
Shareholders' equity	**274,018,358**	-	**274,018,358**	-	-	-	-	**(864,224)**	-	-	-	-	**11,765,725**	**284,919,859**

Statement of cash flows

OPERATING ACTIVITY	30/06/20		30/06/19	
1. Operations		**24,480,528**		**23,550,528**
- interest income received (+)	40,757,998		39,625,124	
- interest expense paid (-)	(10,037,547)		(11,034,916)	
- dividends and similar revenues	27,869		74,000	
- net commissions (+/-)	20,726,501		21,499,835	
- staff costs	(22,228,273)		(22,618,424)	
- other expenses (-)	(15,512,821)		(16,774,201)	
- other revenues (+)	10,733,782		10,289,323	
- taxes and duties (-)	13,019		2,489,787	
2. Liquidity generated/absorbed by financial assets: (+/-)		**(134,104,821)**		**(235,587,320)**
- financial assets held for trading	334,061		(287,909)	
- financial assets recognised at fair value	-		-	
- financial assets available for sale	913,197		(3,259,194)	
- loans to custumers	(5,382,579)		125,574,456	
- due from banks: repayable on demand	(121,224,879)		(303,200,661)	
- other assets	(8,744,622)		(54,414,012)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**85,925,697**		**222,379,899**
- due to banks: repayable on demand	73,334,900		223,463,118	
- due to banks: other	(125,375)		(183,613)	
- due to customers	-		-	
- other liabilities	12,716,172		(899,606)	
Net liquidity generated/absorbed by operating activity A (+/-)		**(23,698,597)**		**10,343,107**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		-		**579,427**
- disposal of equity investments	-		579,427	
- dividends received on equity investments	-		-	
- disposal of property, plant and equipment	-		-	
- disposal of intangible assets	-		-	
- disposal of subsidiaries and business units	-		-	
2. Liquidity absorbed by: (-)		-		-
- purchase of equity investments	-		-	
- purchase of property, plant and equipment	-		-	
- purchase of intangible assets	-		-	
- purchase of subsidiaries and business units	-		-	
Net liquidity generated/absorbed by investing activity B (+/-)		-		**579,427**
FUNDING ACTIVITY				
- issue/purchase of own shares	(190,491)		(289,951)	
- issue/purchase of capital instruments	-		-	
- distribution of dividends and other uses	-		-	
Net liquidity generated/absorbed by funding activity C (+/-)		**(190,491)**		**(289,951)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**(23,889,088)**		**10,632,583**

RECONCILIATION		
Cash and cash equivalents at the start of the period E	118,578,707	29,746,990
Total net liquidity generated/absorbed during the period D	-23,889,088	10,632,583
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	**94,689,619**	**40,379,573**

Notes
Accounting policies
General basis of preparation of the Financial Report at 30 June 2020

The Financial Report at 30 June 2020 has been prepared in accordance with the recognition and measurement criteria set out in the IASs/IFRSs 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.

The accounting standards adopted in preparing this Report, with regard to the phases of classification, recognition, measurement and derecognition of financial assets and liabilities, and to the approach to recognition of revenue and costs, remain unchanged with respect to those adopted in preparing the 2019 financial statements, to which the reader is referred for a full account.

The Financial Report comprises 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 Financial Report at 30 June 2020 has been subject to a limited audit by KPMG S.p.A. under the legal auditing contract awarded to the latter for the period 2019-2027.

Amendments to international accounting standards
Attention should be drawn to the following amendments to international accounting standards with application from 1 January 2020:
- ✓ Commission Regulation (EU) 2019/2075 of 29 November 2019 adopting several amendments to IFRSs relating to the references to the Conceptual Framework;
- ✓ Commission Regulation (EU) 2019/2104 of 29 November 2019 adopting certain amendments to IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*;
- ✓ Commission Regulation (EU) 2020/34 of 15 January 2020, which adopts the document issued by the IASB on the "Interest Rate Benchmark Reform (amendments to IFRS 9 – *Financial Instruments*, IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures*)" and introduces certain amendments to the accounting treatment of hedging transactions in order to prevent uncertainty regarding the amount and timing of cash flows due to the interest rate reform from resulting in the interruption of existing hedges and difficulties in designating new hedging relationships;
- ✓ Commission Regulation (EU) 2020/551 of 21 April 2020 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards IFRS 3 – *Business Combinations*, which introduces amendments designed to clarify the definition of a business activity in order to facilitate its practical implementation.

Their application did not have any material effects.

Business continuity and uncertainty in the use of estimates
The Bank of Italy, Consob and ISVAP Document No. 2 of 6 February 2009 and the subsequent Document No. 4 of 3 March 2010 require that financial reports contain information on the business outlook, with particular regard to the going-concern assumption, financial risks, impairment testing of assets and uncertainty in the use of estimates.
In the half-yearly report on operations, and in the chapter "Impacts of the Covid-19 epidemic" below, specific information has been provided regarding the scenario caused by the Covid-19 pandemic and the specific actions taken.
Within this scenario, the Bank's liquidity remained at high levels: at 1 July 2020, ECB-eligible assets amounted to €1.8 billion, of which 1.5 billion were already contributed to the ECB pool, up to the end of 2019 (€1.6 billion). The short-term (Liquidity Coverage Ratio) and structural (Net Stable Funding Ratio) Basel 3 regulatory liquidity requirements were well above 100% (the LCR exceeded 150%).

In funding, retail customer funding remained a stable source. At the end of June, refinancing operations with the ECB amounted to €988.5 million. The already high level of capital solidity was further reinforced during the quarter. At 30 June 2020 own funds, calculated considering the current transitional treatment, amounted to €297,275 thousand, compared to risk weighted assets of €2,085,158 thousand, primarily reflecting credit and counterparty risk and, to a lesser extent, operational and market risks. The total capital ratio was 14.26% and the CET1 ratio 14.26%, presenting a considerable capital buffer on top of the minimum capital requirements set by the Bank of Italy for the Bank upon the conclusion of the prudential review process (the "Supervisory Review and Evaluation Process" or "SREP").

With regard to the requirements relating to the disclosure of macroeconomic and financial risks, impairment testing of assets and uncertainties in the use of estimates, refer to the information provided below, within the framework of the specific subjects discussed. Risk disclosures are provided in the chapter dedicated to risk management. The fair value of financial instruments, determined according the criteria indicated in the Financial Statements at and for the period ended 31 December 2019, to which the reader is referred for detailed information.

Specific checks have been carried out in order to determine if there have been any impairment losses, following an analysis of the presence of impairment indicators. These checks were performed by also including the effects of the Covid-19 epidemic as impairment indicators where the requirements for so doing had been met.

In preparing the interim report, use has been made of estimates and assumptions that could have an impact on the amounts recognised in the balance sheet and income statement. Reasonable estimates and assumptions to be used in accounting for management transactions are formulated through subjective assessments also founded on historical experience, which make use of all available information. By nature, the estimates and assumptions used may vary over the years and it is therefore possible that the values recognised may vary in subsequent years due to change in the assessments performed. 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, equity investments and property, plant and equipment;
- ✓ 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;
- ✓ testing the carrying amount of other intangible assets;
- ✓ 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.

Company performance and outlook (Bank of Italy, Consob and ISVAP Documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010)

With respect to Bank of Italy, Consob and ISVAP Document no. 2 of 6 February 2009 and the subsequent Document no. 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 di Cividale confirm that they may reasonably expect that the company will continue to operate as a going concern for the foreseeable future. Accordingly, the condensed half-yearly financial report at 30 June 2020 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 at the level of 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 checks have been carried out in order to determine if there has been any impairment of equity investments, financial assets and intangible assets, following an analysis of the presence of impairment indicators. Impairment losses have been determined by using the same methods and criteria as illustrated in the 2019 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.

Use of estimates and assumptions in preparing the condensed half-yearly financial report
In some cases the application of accounting standards entails the use of estimates and assumptions affecting the values of line items and disclosures provided regarding contingent assets and liabilities. For the purposes of the assumptions underlying the estimates adopted, all information available at the date of the accounting statements and all other factors considered reasonable to this end are taken into account.
In particular, estimation processes were adopted in support of the carrying amounts of certain items of the Financial Report at 30 June 2020, as provided for in the accounting standards. Such processes are essentially based on estimates of the future recoverability of the amounts recognised and have been carried out on a going-concern basis. These processes underlie the carrying amounts as at 30 June 2020.

The risk of uncertainty in estimation, from the standpoint of the significance of the items of the financial statements and the aspect of measurement requested by the management, is essentially present in determining:

- ✓ the fair value of financial instruments not quoted in active markets;
- ✓ adjustments due to credit risk;
- ✓ provisions for risks and charges;
- ✓ employee termination benefits;
- ✓ intangible assets.

Contributions to European deposit guarantee schemes and resolution mechanisms
In the first half of 2020 the Bank recognised a contribution of €2,052 thousand, gross of the tax effect, to the National Resolution Fund for the rescue of struggling banks, in addition to the €23,238 thousand paid in 2015, 2016, 2017, 2018 and 2019.

Earnings results

Reconciliation of the income statement and reclassified income statement

Recalssified income statement	Income Statement	30/06/2020	30/06/2019
Net interest income	30 - Net interest income	33,361	31,231
	90 - Fair value adjustments in hedge accounting	-	-
Total Net interest income		**33,361**	**31,231**
Net commisions	**60 - Net commissions**	**15,247**	**16,020**
Dividends	70 - Dividends and similar income	28	74
Total Dividends		**28**	**74**
Net trading income	80 - Net trading income	476	97
	100 - Profit (loss) on disposal or repurchase of:	**5,956**	**3,758**
	a) financial assets measured at amortised cost	5,408	2,772
	b) financial assets measured at fair value through other comprehensive income	545	981
	c) financial liabilities	2	5
	110 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	**(335)**	**(64)**
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	(335)	(64)
Total Gains (losses) from purchase/sale of loans and financial assets		**6,096**	**3,791**
Other operating income/expenses (net of recovered expenses)	200 - Other operating income (expenses)	4,157	3,937
	200 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(3,849)	(3,651)
Total Other operating income/expenses (net of recovered expenses)		**308**	**287**
Income (loss) from operating		**55,041**	**51,403**
Personnel expenses	160 a) personnel expenses	(20,277)	(20,667)
Other administrative expenses (net of recovered expenses)	160 b) other administrative expenses	(15,258)	(15,205)
	of which: Levies and other charges concerning the banking industry	2,052	1,997
	200 (partial) - Other operating income (expenses) - Recovery of indirect taxes	3,849	3,651
Total other administrative expenses (net of recovered expenses)		**(9,357)**	**(9,557)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)	180 - Net impairment/write-backs on property, plant and equipment	(2,182)	(2,153)
	190 - Net impairment/write-backs on intangible assets	(28)	(31)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(2,209)**	**(2,185)**
OPERATING COST		**(31,843)**	**(32,408)**
INCOME (LOSS) FROM OPERATING		**23,198**	**18,994**
Charges/write-backs on impairment of loans	130 - Charges/write-backs on impairment of loans	**(16,409)**	**(18,229)**
a) measured at amortised cost	a) measured at amortised cost	(16,409)	(18,229)
Charges/write-backs on impairment of other financial assets	130 - Charges/write-backs on impairment of other financial assets	**(514)**	**(82)**
a) measured at amortised cost	a) measured at amortised cost	(474)	(263)
b) measured at fair value through other comprehensive income	b) measured at fair value through other comprehensive income	(41)	180
Goodwill impairment	240 - Goodwill impairment	-	-
Profit (loss) on equity investments	220 - Profit (loss) on equity investments	**(77)**	**(82)**
Profit (loss) on disposal of investments	250 - Profit (loss) on disposal of investments	**(5)**	**(1)**
Net provisions for risks and charges	170 - Net provisions for risks and charges	**(436)**	**1,697**
	a) commitments and guarantees given	(149)	612
	b) other net provisions	(287)	1,085
Income (loss) before tax from continuing operations		**5,757**	**2,296**
Imposte sul reddito d'esercizio dell'operatività corrente		**(2,282)**	**212**
	270 - Tax on income from continuing operations	(1,623)	854
	of which: taxes on levies and other charges concerning the banking industry	(660)	(642)
Levies and other charges concerning the banking industry after tax		(1,392)	(1,355)
	160 b) other administrative expenses - Charges concerning the banking industry	(2,052)	(1,997)
	of which: taxes on levies and other charges concerning the banking industry	660	642
Net income		**2,083**	**1,153**

Reclassified income statement

RECLASSIFIED INCOME STATEMENT (thousands of Euro)	30/06/2020	30/06/2019	Change %
Net interest income	33,361	31,231	6.8%
Net commissions	15,247	16,020	-4.8%
Dividends	28	74	-62.3%
Net trading income	6,096	3,791	60.8%
Other operating income (expenses) (3)	308	287	7.6%
Operating income	**55,041**	**51,403**	**7.1%**
Personnel expenses	(20,277)	(20,667)	-1.9%
Other administrative expenses (1)	(9,357)	(9,557)	-2.1%
Net impairment/write backs on property, plant and equipment and intangible assets (2)	(2,209)	(2,185)	1.1%
of which right of use depreciation - IFRS 16	*(1,050)*	*(998)*	5.2%
Operating cost	**(31,843)**	**(32,408)**	**-1.7%**
Income (loss) from operating	**23,198**	**18,994**	**22.1%**
Charges/write-backs on impairment of loans	(16,409)	(18,229)	-10.0%
Charges/write-backs on impairment of other financial assets	(514)	(82)	n.c.
Charges/write-backs on impairment of goodwill and equity investments	(77)	(82)	-7.2%
Profit (loss) on disposal of investments	(5)	(1)	n.c.
Net provisions for risks and charges	(436)	1,697	n.c.
Income (loss) before tax from continuing operations	**5,757**	**2,296**	**150.8%**
Tax on income from continuing operations	(2,282)	212	n.c.
Levies and other charges concerning the banking industry after tax	(1,392)	(1,355)	2.7%
Net income	**2,083**	**1,153**	**80.7%**

(1) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "200. Other operating income/expenses" (€3,849 thousand in 2020 and €3,651 thousand in 2019); The ordinary and extraordinary charges levied against banks by virtue of the single resolution mechanism ("SRF") and national resolution mechanism ("NRF") and the deposit guarantee scheme ("DGS") have been presented, net of the related tax effect, in a separate item of the reclassified income statement, "Taxes and levies relating to the banking system net of taxes".

(2) Net adjustments to property, plant and equipment and intangible assets include items "180. Charges/write-backs on impairment of property, plant and equipment" and "190. Charges/write-backs on impairment of intangible assets."

(3) Other income and expenses correspond to operating income/expenses net of the reclassifications presented above.

Net interest income

Net interest income	30/06/2020	30/06/2019	%	Abs
Relations with customers	27,198	26,049	4.4%	1,149
Financial liabilities	(52)	(584)	-91.1%	532
Net income from customers	**27,146**	**25,465**	**6.6%**	**1,681**
Financial assets	2,765	3,469	-20.3%	(704)
Capitalization policies	241	254	-5.4%	(14)
Financial assets	**3,006**	**3,724**	**-19.3%**	(718)
Relations with banks	1,963	1,070	83.4%	893
Other net interest	-	-	0.0%	-
Total net interest (exl. Reversal)	**32,115**	**30,259**	**6.1%**	**1,856**
Interest income on impaired financial assets	1,447	1,202	20.4%	245
IFRS 16	(201)	(230)	-12.8%	29
Total net interest income	**33,361**	**31,231**	**6.8%**	**2,130**

Dividends

	30/06/2020		30/06/2019		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	-	-	-	-	-
B. Financial assets available for sale	-	-	-	0	-
C. Financial assets recognised at fair value	28	-	74	-	-62.4%
D. Equity investments	-	X	-	X	-
Total	**28**	-	**74**	**0**	**-62.4%**

Net commission income

	30/06/2020	30/06/2019	%	Abs
Guarantees issued	393	449	-12.4%	(56)
Collection and payment services	2,161	2,416	-10.6%	(255)
Current accounts	2,870	3,106	-7.6%	(236)
Commisions on credit facilities	3,506	3,501	0.1%	5
Credit and debit cards	1,069	1,183	-9.6%	(113)
Commercial banking activities	**9,999**	**10,655**	**-6.2%**	**(656)**
Trading and placement of securities (including mutual funds)	2,269	2,200	3.2%	69
Currency dealing	141	175	-19.6%	(34)
Portfolio management	1,230	1,021	20.5%	209
Distribution of insurance products	1,550	1,917	-19.1%	(367)
Management, intermediation and advisory services	**5,190**	**5,313**	**-2.3%**	**(123)**
Other net fee and commission income	58	53	9.9%	5
Net fee and commission income	**15,247**	**16,020**	**-4.8%**	**(773)**

Profit (loss) on financial assets

Financial assets - securities and derivatives	30/06/2020	30/06/2019	%
Net trading income	**476**	**97**	**n.c.**
Profit (loss) on disposal or repurchase of:	**5,956**	**3,758**	**58.5%**
a) financial assets measured at amortised cost	5,408	2,772	95.1%
b) financial assets measured at fair value through other comprehensive income	545	981	-44.4%
c) financial liabilities	2	5	-56.2%
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	**(335)**	**(64)**	**n.c.**
a) financial assets and liabilities measured at fair value	-	-	n.c.
b) other financial assets mandatorily measured at fair value	(335)	(64)	420.0%
Total	**6,096**	**3,791**	**60.8%**

Other operating income (expenses)

Other operating income	30/06/2020	30/06/2019	%
Out-of-period expenses and reductions in assets	(899)	(850)	-5.8%
Total operating expenses	**(899)**	**(850)**	**-5.8%**
Other income - rentals and fees	155	158	-1.7%
Expenses charged to others on deposits and current accounts	-	-	-
Expenses charged to others - other	421	462	-8.9%
Out-of-period income and reductions in liabilities	632	517	22.2%
Total operating income	**1,207**	**1,136**	**6.2%**
Total operating income and expenses	**308**	**287**	**7.6%**

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.

Operating costs

Other operating costs	30/06/2020	30/06/2019	%
Wages and salaries	13,775	14,230	-3.2%
Social security contributions	3,735	3,803	-1.8%
Other personnel expenses	2,766	2,634	5.0%
Total personnel expenses	**20,277**	**20,667**	**-1.9%**
Expenses for maintenance and repairs	344	349	-1.3%
Electricity, energy and condominium fees	504	521	-3.2%
Cleaning of premises	270	233	15.9%
Rentals	6	41	-84.9%
Real estate management costs	**1,124**	**1,143**	-1.6%
Expenses for certifications and related mandatory activities	-	271	-100.0%
Legal and judiciary expenses for credit recovery	852	700	21.7%
Legal and judiciary expenses banking activity	496	669	-25.9%
Expenses for consultancy fees	885	432	104.9%
Professional and consultancy expenses	**2,233**	**2,072**	7.8%
Printing, stationery and consumables expenses	74	78	-5.1%
Postal, telegraphic and telephone expenses	206	241	-14.8%
Insurance costs	155	158	-1.6%
Association fees	255	273	-6.4%
Company inquiries	385	355	8.5%
Transport and related services expenses (including counting of valuables)	208	245	-15.3%
General structure costs	**1,282**	**1,350**	-5.0%
Transport and related services expenses	**243**	**332**	-26.8%
Advertising and promotional expenses	**608**	**600**	1.3%
Outsourcing costs and other services provided by third parties	**3,890**	**3,539**	9.9%
Taxes and duties	**3,403**	**3,189**	6.7%
Other costs	**424**	**984**	-56.9%
Recovery of expenses and charges	**(3,849)**	**(3,651)**	5.4%
Administrative expenses - partial	**9,357**	**9,557**	**-2.1%**
Net impairment/write-backs on property, plant and equipment	2,182	2,153	1.3%
of which right of use depreciation - IFRS 16	1,050	826	27.1%
Net impairment/write-backs on intangible assets	28	31	-12.3%
Total net impairments	**2,209**	**2,185**	**1.1%**
Total operating costs	**31,843**	**32,409**	**-1.7%**

Operating income

Operating income stood at €23,198 thousand, up by 22.1% compared to 30 June 2019.

Net adjustments due to credit risk

Net impairment/write-backs on loans and other assets	30/06/2020	30/06/2019	%
Bad loans	(6,458)	(9,658)	-33.1%
Unlikeliy to pay	(2,536)	(6,848)	-63.0%
Past due loans	(1,501)	(1,565)	-4.1%
Performing loans	(5,919)	(158)	n.c.
Net impairment losses on loans	**(16,413)**	**(18,229)**	**-10.0%**
Profits (Losses) on changes in contracts without derecognition	**4**	**-**	**-100.0%**
Total	**(16,409)**	**(18,229)**	**-10.0%**

Net provisions for risks and charges

Net provisions for risks and charges	30/06/2020	30/06/2019	%
Legal and tax disputes	(287)	(398)	27.9%
Charges for staff	-	1,900	-100.0%
Other provisions	-	-	-
Net provisions for risks and charges for credit risk relating to commitments and financial guarantees issued	(149)	195	0.0%
Total	**(436)**	**1,697**	**-125.7%**

Income (Loss) before tax from continuing operations

Income before tax from continuing operations in the first six months of 2020 stood at €5,757 thousand.

Tax on income from continuing operations

Taxes accrued in the second quarter of 2020, including both current taxes and prepayments, amounted to net tax of €2,282 thousand.

Taxes and levies relating to the banking system net of taxes

Net taxes and levies relating to the banking system (SRF-NRF) amounted to €1,392 thousand (€2,052 thousand gross of the tax effect).

Net income (loss)

The net income for the period amounted to €2,083 thousand.

Balance sheet aggregates

Reconciliation between the balance sheet and reclassified balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	30/06/2020	31/12/2019
Cash and cash equivalents	10 - Cash and cash equivalents	**94,690**	**118,579**
Financial assets measured at fair value through profit or loss	20 - Financial assets measured at fair value through profit or loss	**34,413**	**35,660**
	a) financial assets held for trading	689	1,023
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	33,724	34,637
Financial assets measured at fair value through other comprehensive income	30 - Financial assets measured at fair value through other comprehensi	**171,972**	**167,107**
Financial assets measured at amortised cost	40 - Financial assets measured at amortised cost	**3,907,667**	**3,802,116**
a) Due from banks	a) due from banks	38,408	46,916
b) Loans to customers	b) loans to customers	3,869,259	3,755,200
Investments in associates and companies subject to joint	70 - Equity investments	**3,113**	**3,190**
Property, plant and equipment and intangible assets		**87,275**	**89,561**
	80 - Property and equipment	87,162	89,441
	90 - Intangible assets	113	119
Other assets		**125,447**	**121,627**
	100 - Tax assets	66,238	71,247
	120 - Other assets	59,209	50,380
Total assets		**4,424,577**	**4,337,840**

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	30/06/2020	31/12/2019
Financial liabilities measured at amortised cost	10 - Financial liabilities measured at amortised cost	**4,052,969**	**3,979,634**
a) Due to banks	a) Due to banks	1,107,718	717,883
b) Due to customers	b) Due to customers	2,933,319	3,249,404
c) Securities issued	c) Securities issued	11,933	12,348
Financial liabilities held for trading	20 - Financial liabilities held for trading	**130**	**125**
Other liabilities		**77,625**	**64,850**
	60 - Tax liabilities	1,173	2,379
	a) current	666	1,765
	b) deferred	507	614
	80 - Other liabilities	76,453	62,471
Specific provisions		**7,544**	**8,310**
	90 - Employee termination benefits	3,987	4,990
	100 - Provisions for risk and charges:	3,557	3,320
	a) commitments and guarantees given	705	556
	c) other provisions for risks and charges	2,852	2,764
Shareholders' equity		**286,309**	**284,920**
	110 - Valuation reserves	339	842
	140 - Reserves	68,267	65,534
	150 - Share premiums	167,022	167,022
	160 - Share capital	50,913	50,913
	170 - Treasury shares (-)	(2,315)	(2,125)
	180 - Net income (loss) (+/-)	2,083	2,733
Total liabilities		**4,424,577**	**4,337,840**

General aspects

A condensed balance sheet has also been prepared in the interest of permitting a more immediate assessment of the Bank's financial position. Compared to the template presented in Bank of Italy Circular no. 262/06, 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;
- ✓ separately presenting right-of-use assets and liabilities per IFRS 16;
- ✓ 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 balance sheet

ASSETS (thousands of Euro)	30/06/2020	31/12/2019	Change %
Cash and cash equivalents	94,690	118,579	-20.1%
Financial assets measured at fair value through profit or loss	34,413	35,660	-3.5%
Loans to customers	*14,676*	*14,613*	*0.4%*
Other financial assets	*19,737*	*21,047*	*-6.2%*
Financial assets measured at fair value through other comprehensive income	171,972	167,107	2.9%
Other financial assets	*171,972*	*167,107*	*2.9%*
Financial assets measured at amortised cost	3,907,667	3,802,116	2.8%
Due from banks	*33,882*	*28,397*	*19.3%*
Loans to customers	*2,838,430*	*2,818,263*	*0.7%*
Other financial assets	*1,035,356*	*955,456*	*8.4%*
Investments in associates and companies subject to joint	3,113	3,190	-2.4%
Property, plant and equipment and intangible assets	87,275	89,561	-2.6%
Owned	*73,125*	*74,211*	*-1.5%*
Rights of use aquired with leases - IFRS 16	*14,150*	*15,350*	*-7.8%*
Tax assets	66,238	71,247	-7.0%
Other assets	59,209	50,380	17.5%
Total assets	**4,424,577**	**4,337,840**	**2.0%**

LIABILITIES (thousands of Euro)	30/06/2020	31/12/2019	Change %
Due to banks measured at amortised cost	1,325,456	1,266,666	*4.6%*
Due to customers measured at amortised cost	2,701,229	2,685,040	*0.6%*
Securities issued measured at amortised cost	11,933	12,348	*-3.4%*
Financial liabilities held for trading	130	125	3.7%
Tax liabilities	1,173	2,379	-50.7%
Other liabilities	90,804	78,051	16.3%
of which leasing liabilities - IFRS 16	*14,351*	*15,580*	*-7.9%*
Specific provisions (1)	7,544	8,310	-9.2%
Shareholders' equity (2)	286,309	284,920	0.5%
Total liabilities	**4,424,577**	**4,337,840**	**2.0%**

(1) The aggregates include items "90. Employee termination benefits" and "100. Provisions for risks and charges";
(2) The aggregate includes items "110. Valuation reserves," "130. Equity instruments," "140. Reserves," "150. Share premium". "160. Share capital", "170. Treasury shares," and "180. Net income / (loss)."

Financial assets measured at amortised cost

Loans to customers: composition

Type of operations / Amounts	30/06/2020		31/12/2019		%
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	
Loans	**2,662,938**	**175,492**	**2,633,904**	**184,359**	**0.7%**
1. Current accounts	209,883	29,505	246,704	33,463	-14.6%
2. Repurchase agreements	-	-	-	-	0.0%
3. Mortgage loans	1,785,687	129,119	1,677,080	132,755	5.8%
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	46,874	1,673	47,588	1,649	-1.4%
5. Finance leases	234,771	11,815	235,476	11,050	0.0%
6. Factoring	-	-	-	-	0.0%
7. Other	385,723	3,380	427,056	5,442	-10.0%
Debt securities	**1,030,829**	**-**	**936,937**	**-**	**10.0%**
8. Structured	-	-	-	-	0.0%
9. Other debt securities	1,030,829	-	936,937	-	10.0%
Total	**3,693,767**	**175,492**	**3,570,841**	**184,359**	**3.0%**

The item includes only the loans to customers indicated in item 40) Financial assets measured at amortised cost - letter b.

Loans to customers: credit quality

Items	30/06/2020			31/12/2019		
	Gross exposure	Writedowns	Net exposure	Gross exposure	Writedowns	Net exposure
Non performing loans	**356,875**	**181,382**	**175,493**	**373,194**	**188,834**	**184,360**
Bad loans	204,492	137,020	67,472	206,341	136,937	69,404
Unlikely to pay	131,741	41,371	90,370	150,877	49,764	101,112
Past due loans	20,642	2,991	17,651	15,977	2,133	13,844
Performing loans	**2,683,126**	**20,189**	**2,662,938**	**2,648,186**	**14,283**	**2,633,903**
Stage 1	2,474,680	11,904	2,462,776	2,444,871	7,592	2,437,280
Stage 2	208,447	8,285	200,162	203,315	6,691	196,624
Performing loans represented by securities	**1,032,132**	**1,303**	**1,030,829**	**937,765**	**828**	**936,937**
Stage 1	1,032,132	1,303	1,030,829	937,765	828	936,937
Stage 2	-	-	-	-	-	-
Total Loans to customers measured at amortised cost	**4,072,133**	**202,873**	**3,869,260**	**3,959,146**	**203,945**	**3,755,200**

The item includes only the loans to customers indicated in item 40) Financial assets measured at amortised cost - letter b.

Loans: credit quality

Loans to customers	30/6/2020		31/12/2019		Change %
	Value	indic.%	Value	indic.%	
Bad loans	67,472	2.4%	69,404	2.4%	-2.8%
Unlikely to pay	91,239	3.2%	102,160	3.6%	-10.7%
Past due loans	17,651	0.6%	13,844	0.5%	27.5%
Total impaired assets	**176,362**	**6.2%**	**185,408**	**6.5%**	**-4.9%**
Performing loans	2,676,743	93.8%	2,647,468	93.5%	1.1%
Loans represented by securities	-	0.0%	-	0.0%	0.0%
Loans to customers	**2,853,105**	**100.0%**	**2,832,876**	**100.0%**	**0.7%**

The table "Loans: credit quality" includes:

- item 40) Financial assets measured at amortised cost - letter b (excluding Securities)
- Loans included in item 20) Financial assets designated at fair value through profit or loss mandatorily measured at fair value.

Financial liabilities

Total funding

	30/06/2020	31/12/2019	inc%	Change %
Direct funding	**2,713,162**	**2,697,388**	**71.4%**	**0.6%**
Indirect funding:	**1,085,471**	**1,126,978**	**28.6%**	**-3.7%**
Assets under administration	217,315	220,613	5.7%	-1.5%
Assets under management	868,156	906,365	22.9%	-4.2%
Total funding	**3,798,633**	**3,824,366**	**100%**	**-0.7%**

Direct funding from customers

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

	30/06/2020	inc. %	31/12/2019	inc. %	Var.%
Current accounts and deposits	2,419,661	89.2%	2,386,163	88.5%	1.4%
Repurchase agreements and securities lending	-	0.0%	-	0.0%	-
Bonds	281,568	10.4%	298,877	11.1%	-5.8%
Certificates of deposit	-	0.0%	-	0.0%	-
Subordinated liabilities	-	0.0%	-	0.0%	-
Other deposits	11,933	0.4%	12,348	0.5%	-3.4%
Total direct funding	**2,713,162**	**100.0%**	**2,697,388**	**100.0%**	**0.6%**

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 Bank by its customers.

	30/06/2020		31/12/2019		% change
	Amounts	% breakdown	Amounts	% breakdown	
Mutual Funds	511,129	47.1%	546,088	48.5%	-6.4%
Portfolio management	153,200	14.1%	151,327	13.4%	1.2%
Life technical reserves and financial liabilities	203,827	18.8%	208,950	18.5%	-2.5%
Assets under management	**868,156**	**80.0%**	**906,365**	**80.4%**	**-4.2%**
Assets under administration	**217,315**	**20.0%**	**220,613**	**19.6%**	**-1.5%**
Indirect funding	**1,085,471**	**100.0%**	**1,126,978**	**100.0%**	**-3.7%**

Other financial assets and liabilities represented by securities and derivatives: composition

Financial assets - securities and derivatives	30/06/2020	31/12/2019	%
Financial assets measured at fair value through profit or loss	19,737	21,047	-6.22%
Financial assets measured at fair value through other comprehensive income	171,972	167,107	2.91%
Financial assets measured at amortised cost	1,035,356	955,456	8.36%
Totale financial assets	**1,227,065**	**1,143,610**	**7.30%**
Financial liabilities - securities and derivatives			
Financial liabilities held for trading	130	125	3.66%
Financial liabilities at fair valute	-	-	0.00%
Total financial liabilities	**130**	**125**	**3.66%**

The above table shows the composition of other financial assets and liabilities represented by securities and derivatives. Financial assets designated at fair value through profit or loss amounted to €19,737 thousand, down by 6.22% compared to 2019.
Financial assets designated at fair value through other comprehensive income came to €171,972 thousand, almost entirely classified to Stage 1, and were up by 2.91%.
Securities measured at amortised cost totalled €1,035,356 thousand, an increase of 8.36%.

Exposure to sovereign debt securities

In view of the increasing interest shown 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, a breakdown of exposures of this nature held by Banca di Cividale Scpa as at 30 June 2020 is provided below. 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 Bank's exposure to sovereign credit risk by carrying amount, broken down by type of instrument.

Exposure to sovereign debt - book value	Italy	UK
Financial assets measured at fair value through other comprehensive income	**139,353**	-
Financial assets measured at amortised cost	**988,643**	-
b) loans to customers	988,643	-
Total	**1,127,996**	-

Net interbank position

Interbank position	30/06/2020	31/12/2019	Absolute
Cash and cash equivalents	94,690	118,579	(23,889)
Loans to banks	33,882	28,397	5,485
Due to banks	(1,325,456)	(1,266,666)	(58,790)
NET INTERBANK POSITION	**(1,196,885)**	**(1,119,690)**	**(77,195)**

Changes in provisions for risks and charges

	Revocatory actions	Customer disputes	Other provisions	Commitments and Guarantees issued	Total
A. Opening balance	**1,592**	**847**	**324**	**556**	**3,320**
B. Increases	**401**	**-**	**-**	**192**	**593**
B.1 Provision for the year	401	-	-	192	593
B.2 Changes due to time	-	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-	-
B4. Other changes	-	-	-	-	-
C. Decreases	**213**	**100**	**-**	**43**	**356**
C.1 Use during the year	199	-	-	-	199
C.2 Changes due to changes in the discount rate	-	-	-	-	-
C3. Other changes	14	100	-	43	157
D. Closing balance	**1,780**	**747**	**324**	**705**	**3,557**

Provisions for risks and charges consist of the following:

Provision for revocatory actions
This provision stood at €400 thousand as at 30 June 2020 and represents the estimated amount of foreseeable liabilities, calculated individually with the support of the Bank's legal counsel, in respect of judicial and out-of-court actions in which the Bank is a defendant.

Other provisions
At 30 June 2020 this provision amounted to €2,452 thousand, of which €1,092 thousand of accruals for complaints by customers and legal disputes and €747 thousand relating to the accrual for the voluntary redundancy procedure involving the use of the solidarity fund in support of income, employment, retraining and professional development, in addition to €612 thousand relating to legal fees for ongoing tax disputes.

The Bank's shareholders' equity

The Bank's shareholders' equity stood at €286,309 thousand at 30 June 2020.

Earnings per share

Basic Earning per share	**30/06/2020**	**31/12/2019**
Adjusted attributable profit	2,083	2,733
Weighted average number of shares	16,971,085	16,971,085
Basic Earning per share	**0.12**	**0.16**

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

Valuation reserves
Valuation reserves (net of the tax effect) amounted to €339 thousand at 30 June 2020. The aggregate presented a net decline of €503 thousand compared to the end of the previous year, attributable mainly to the change in the reserve for financial assets designated at fair value through other comprehensive income.

Disclosure concerning fair value

Fair value is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a transaction between market participants at the measurement date. It is a market measurement criterion not attributable to the individual company and must be determined by adopting the assumptions that market operators would apply in determining the price of the asset or liability, presuming that they are acting to satisfy their economic interests in an optimal manner. In particular, the criteria applied to determine fair value are as follows: - Mark-to-market: a measurement method coinciding with classification to level 1 of the fair value hierarchy; - Comparable approach: a measurement method based on the use of observable market inputs, the use of which implies classification to level 2 of the fair value hierarchy; Mark-to-model: a measurement method involving the application of pricing models whose inputs result in classification to level 3 (use of at least one significant non-observable input) of the fair value hierarchy. See the information provided in the financial statements at and for the year ended 31 December 2019 with regard to the criteria for determining fair value.

Fair value of financial instruments

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

Financial assets / liabilities at fair value	30/06/2020 L1	30/06/2020 L2	30/06/2020 L3	31/12/2019 L1	31/12/2019 L2	31/12/2019 L3
1. Financial assets measured at fair value through profit or loss	605	1,626	32,183	942	2,641	32,077
a) financial assets held for trading	605	84	-	942	81	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	1,542	32,183	-	1,540	33,097
2. Financial assets measured at fair value through other comprehensive income	152,034	725	19,213	146,948	736	19,423
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**152,639**	**2,351**	**51,396**	**147,890**	**3,377**	**51,500**
1. Financial liabilities held for trading	-	130	-	-	125	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	**130**	-	-	**125**	-

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

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

	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
	Total	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE				
1. Opening balance	-	-	-	**33,097**	**19,423**	-	-	-
2. Increasese	-	-	-	**1,360**	**183**	-	-	-
2.1. Purchases	-	-	-	1,257	-	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1.Income statement	-	-	-	31	-	-	-	-
- of which unrealised gains	-	-	-	31	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	72	183	-	-	-
3. Decreases	-	-	-	**2,274**	**394**	-	-	-
3.1. Sales	-	-	-	1,288	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognized in:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-	-	-
- of which unrealised losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	986	394	-	-	-
4. Closing balance	-	-	-	**32,183**	**19,212**	-	-	-

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

Financial assets / liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/2020				31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	3,907,667	998,304	40,637	3,268,488	3,802,116	930,611	27,552	3,201,333
2. Investment property	10,187	-	-	10,187	10,330	-	-	10,330
3. Non-current assets or groups of assets being divested	-	-	-	-	-	-	-	-
Total	**3,917,854**	**998,304**	**40,637**	**3,278,675**	**3,812,446**	**930,611**	**27,552**	**3,211,663**
1. Financial liabilities measured at amortised cost	4,052,969	8,022	3,841	4,041,320	3,979,634	8,301	3,947	3,964,490
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**4,052,969**	**8,022**	**3,841**	**4,041,320**	**3,979,634**	**8,301**	**3,947**	**3,964,490**

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

Risk management and monitoring

Risk management

Banca di Cividale takes a particularly conservative approach to risk management, implemented within a specific organisational framework consisting of internal rules, operating procedures and control units, structured according to a model that integrates monitoring methods at various levels, all converging with the goals of ensuring the efficiency and effectiveness of operating processes, preserving the company's assets, protecting it from losses, ensuring the reliability and integrity of information and verifying the proper conduct of operations in accordance with internal and external regulations.
In accordance with supervisory regulations, the Bank has developed and standardised specific risk management processes broken down into various logical phases: determination of the risk appetite, assumption of risk, drafting of risk management and control policies, definition of limits, measurement of risk, monitoring and reporting, stress tests and critical situation management.
Risks are primarily identified and their significance assessed within the framework of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), which in accordance with prudential regulations relate to what are known as "first and second pillar obligations". The significance of the risks to be assessed is determined by considering both supervisory regulations and specific company considerations such as the products and services offered to customers, the scope and characteristics of business with associated parties in respect of company operations, the volumes of financial aggregates and the corresponding capital requirements, the markets of reference and vulnerability to the economic situation.
The risk appetite, an important parameter to be referred to in drawing up the strategic plan and a logical foundation for planning, is determined for the Bank's significant risks when defining the Risk Appetite Framework (RAF), in a manner that takes account of existing prudential rules, the business model adopted, the Bank's core funding and lending methods and the ability of control units to monitor and measure risks.
With regard to the Risk Appetite Framework (RAF), an outline has been prepared and introduced, including a definition, in keeping with the risk appetite, of the business model, strategic plan and turnaround plan, risk appetite, tolerance thresholds, risk limits, risk governance policies and the processes of reference for setting and implementing such policies. The process of defining and periodically revising the RAF is carried out in conjunction with the Risk Management Function and the Management Planning and Control Function, which supports the general management during the phases of application review and preparation of proposals to be submitted for the approval of the Board of Directors. The process requires a high level of consistency and thorough reconciliation of the RAF, business model, strategic plan, ICAAP, ILAAP, recovery plan, budgets, company organisation and internal control system. The Board of Directors reviews the system of risk targets at least annually and then updates it, when the requirements for so doing have been met.
In accordance with supervisory regulations, the Bank also drafts a condensed recovery plan, normally to be prepared every other year, according to the template provided by the supervisory authorities. A Recovery Plan (governed by the Bank Recovery and Resolution Directive, transposed into Italian law by Legislative Decree No. 180 of 16 November 2015) must be drafted by each intermediary. The Plan provides a detailed description of the procedures to be followed and tools created by the bank to prevent and resolve a possible crisis situation, whether systemic or idiosyncratic in nature, i.e. whether the crisis

has internal origins and it is presumed its effects may remain limited to the bank and its most direct counterparties.
A clear identification of the risks to which Banca di Cividale is potentially exposed (the "risk map") represents the essential foundation for an informed assumption and effective management of such risks.

Considering the Bank's mission and operations, together with the market scenario in which it operates, the risks assessed as part of the ICAAP (Annex A, “Risks to be subject to assessment in the ICAAP”, Part One, Title III, of Circular 285, “Supervisory Provisions for Banks”) have been identified as material, with the exception of several specific types deemed immaterial (country risk, transfer risk and basis risk), with the addition of real-estate risk, privacy risk, to be considered a subset of operational risk, and the risk associated with the share of restricted assets, which is included in the assessment of liquidity risk. It should be noted that the 32nd update to Bank of Italy Circular no. 285/2013 of 21 April 2020, in contrast to the previous version, provides for an expansion of the list of risks included in Annex A. CiviBank had already added several “new” risk types included in the aforementioned update to its company risk map, with the exception of behavioural risk (which represents the current or prospective risk of losses due to an inappropriate offering of financial services and the resulting trial costs, including cases of intentionally inadequate or negligent behaviour), which had been considered within the context of operational risk and reputational risk.

Credit risk (inclusive of associated party risk)

In accordance with its mission and business model, the Bank is primarily exposed to credit risk.

In the first half of 2020, lending activity was influenced by the COVID-19 state of emergency (lockdown phase followed by a phase of gradual reopening of manufacturing and commercial activities and resumption of personal movement) and by the socio-economic effects caused by this state of emergency. In order to implement the various financial support measures identified at the governmental level, focusing on households and companies, and above all loan moratoria and lending backed by government guarantees, according to the measures contained in the “Cure Italy” and “Liquidity” Decree-Laws, the Bank issued specific internal operating instructions, in addition to implementing a dedicated operating process involving its branches, with the support of the head office departments (Lending Area, in collaboration with a supporting task force).

The Bank reinforced the monitoring process for credit risk, partly to consider closely the guidance provided by the main European authorities and the IASB, i.e. recommending avoidance in particular of penalisation of loans in positions of temporary difficulty in the presence of government programmes in support of the economy.

With regard to the criteria for classifying exposures within Stage 2 of loans to customers, as included in the Bank’s IFRS 9 Policy, an addition to the existing process was formulated in order to ensure, in the current scenario and on a temporary basis, that the transfer of an exposure to Stage 2 is based on a significant increase in the “structural” credit risk attributable to the counterparty and is not related exclusively to liquidity tensions and short-term critical factors strictly attributable to the spread of the COVID-19 epidemic, as suggested by the various European authorities. Accordingly, in order to mitigate the effects of the deterioration of the portfolio attributable to the COVID-19 emergency, the Bank introduced a process of “confirming” significant deterioration (for the purposes of classification of the loan position to Stage 2), involving a position-by-position analysis conducted by the branch's managers and first-level validation by the Loan Monitoring Function and second-level validation by Risk Management applied to a predefined set of counterparties. In this setting, it should be noted that at 30 June 2020 the gross exposure classified to Stage 2 remained essentially stable at the levels of the end of 2019, whereas the main effects on the income statement were observed on the performing loan portfolio, due to the inclusion of the worsened macroeconomic scenario in the models for calculating collective impairment losses, as required by IFRS 9.

Despite the significant change in the external environment and the impact of factors slowing recovery activities (such as court closures), in 2020 the Bank is continuing to pursue its goal of reducing its non-performing loans, as formulated in the update to its 2020-2022 Long-Term Plan submitted in June to the supervisory authorities and prepared in continuity with the strategy adopted in the two previous years, focused largely on recovery activities through internal management and, in the event of opportunities, “one-off” sales transactions. At 30 June 2020 the gross NPL ratio was down further compared to the level of the end of 2019, while the average coverage ratio for non-performing loans continued to exceed 50%.

In short, several indicators connected to credit risk reflected and/or continue to reflect the adverse effects of the COVID-19 scenario; in the case of the other negative impacts, they had yet to become fully manifest at 30 June 2020. In the near term, the legislative measures involving moratoria and interventions in support of household incomes and continuity of operation for companies have had, and will continue to have, the effect of containing the flow of non-performing loans, possibly to a significant degree. In the medium term, the consequences of the epidemic on credit quality will be closely tied to the effective development of the macroeconomic environment and, in particular, to the course of the COVID-19 scenario, as well as any new situations of tension, not yet included in forecasts, that may occur.

Associated party risk

Credit exposures to associated parties did not undergo significant changes in the first half of 2020. The limits set by prudential regulations were fully observed

Concentration risk of the customer loan portfolio

The exposure to concentration risk, for both individual counterparties and groups of associated customers and economic sectors, remains within the operational limits set by the specific internal regulations on internal capital, calculated according to the simplified approach (the “granularity adjustment” formula), indicated in prudential regulations (Annex B to Title III, Chapter 1, of Bank of Italy Circular no. 285/2013, “Supervisory provisions for banks”) and the measurement of geographical and sector concentration risk, according to the application of the method proposed within the Italian Banking Association framework.

Market risk (including sovereign risk)

The portfolios relating to the regulatory trading book and the associated market risk profile are modest in extent. The current composition of assets entails an exposure to sovereign risk related to the scope of the portfolio invested in Italian government securities and, to a lesser extent, in securities issued by banks, with approximately 84.4% of the proprietary portfolio's total exposure classified as hold-to-collect. The exposure to the Italian Republic at the annual level changed as a function of the size of the portfolio, increasing compared with the previous year. Italian government securities remain exposed to the elements of volatility typical of the market. With respect to the interest rate risk and price risk associated with the securities in portfolio, the greatest risk is represented by a possible increase in short-term rates, which would entail a decline in net interest income. However, an increase in medium- and long-term interest rates could result in a depreciation of the value of the portfolios and a reduction in the unrealised component, which according to supervisory regulations is deducted from Tier 1 capital and own funds for the portion relating solely to securities classified under IFRS 9 as HTCS (held to collect and sell, without prejudice to the possibility for the Bank to activate, by notification to be sent to the supervisory authority, the temporary treatment provided for in Art. 468 of Regulation (EU) No. 2020/873, which entered into effect on 27 June and amends Regulations (EU) Nos. 575/2013 and 2019/876 with regard to various adjustments in response to the COVID-19 pandemic). The average duration of the Bank’s proprietary securities portfolio decreased from 2.77 years at the end of 2019 to 2.58 years at 30 June 2020.

Operational risks (including legal risk, privacy risk and behavioural risk) and IT risk

Operational risk is inherent in banking business and is associated with all organisational and production processes. Consequently, all processes carried out by the Bank generate such risk. Operational risk may be defined as the risk of losses caused by inadequate or dysfunctional processes, human resources and internal systems, or by external events, including legal risk. Such risks include losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters.

In the risk map adopted by the Bank, operational risk also includes legal operational risk, privacy risk and behavioural risk, whereas, in accordance with the definitions provided in the 32nd update to Bank of Italy Circular no. 285/2013, IT risk (which is defined as the current or potential risk of loss due the inadequacy or failure of technical infrastructure hardware and software capable of jeopardising the availability, integrity, accessibility and security of such infrastructure and data) is presented as an independent risk type.

Risk is contained through regulatory, organisational, procedural and training actions.

Since the beginning of the COVID-19 health emergency, with regard to operational risks the Bank has decided to adopt preventative initiatives aimed at ensuring the continuity of company operations, focusing on the organisational aspects, in view of the need to limit personnel actively present in service through the use, where possible, of flexible working arrangements, and adopting all necessary safety measures within branches and the relationship with the public, with the primary goal of ensuring the provision of fundamental services to customers. In measures to protect the health of personnel and customers, the Bank purchased and distributed protective equipment such as face masks and gloves, supplied sanitising gel and periodically disinfected company premises.

Interest rate risk on the banking book

This is the risk associated with assets not held for trading, deriving from the possibility that a change in the rates on which the bank's assets and liabilities are indexed may result in an adverse effect on net interest income or the present value of assets and liabilities, and thus a decrease in the Bank's economic value.

Considering the interest rate levels witnessed during the year and the continuation of the European Central Bank's monetary policy, and in the light of the new COVID-19 scenario, the Bank's exposure to instantaneous rate shocks remained at a level deemed moderate into the first half of 2020. If the same calculation method is applied (new criteria of the simplified method for measuring the interest-rate risk on the banking book in terms of changes in economic value, as defined in the 32nd update to Bank of Italy Circular no. 285/2013, published on 21 April), at 30 June 2020 the decline in economic capital in ordinary terms (base scenario of the 99th percentile increase) came to the same levels as seen at the end of 2019.

For the adverse scenario, the Bank applies the six scenarios envisaged in the EBA Guidelines in accordance with the requirements set in Bank of Italy Circular no. 285/2013, 32nd update of 21 April 2020. At 30 June 2020 the decline in economic value in higher stress conditions reflected the application of the “steepener shock” scenario (decline in short-term rates and an increase in long-term rates).

Liquidity risk

Following the spread of the COVID-19 pandemic, in March, April and early June the European Central Bank (ECB) introduced specific expansionary monetary policy initiatives designed to ensure loose liquidity conditions (new LTRO auctions, improved conditions for TLTRO III auctions, easing of suitability criteria and monitoring of collateral risk in refinancing operations with the central bank) and to intervene flexibly in the public and private securities market and combat increases in spreads (enhancement of the asset purchase programme - APP). With regard to extraordinary measures to expand the value of assets eligible to be used as collateral for monetary policy operations, the Bank of Italy also expanded the national scheme for additional credit claims (ACCs), thus allowing banks to allocate loans backed by guarantees from the Italian government pursuant to the Liquidity Decree. Other measures permit the contribution of loans disbursed to microenterprises and households for consumption needs. Within this framework, the interbank market continues to benefit from the extensive liquidity injected by the ECB.

Starting in the second quarter of 2020, the Bank’s liquidity reserve level and LCR liquidity index (which is far above the regulatory level of 100%) benefited not only from the measures taken by the ECB and the Bank of Italy mentioned above, but also from the positive performance of direct funding (a trend that continued in the summer months of July and August) and the new RMBS securitisation transaction closed in April, in accordance with the planning formulated in the guidelines for the operational funding plan for 2020.

At 30 June 2020 the NSFR indicator was far in excess of the regulatory level of 100%, up on the end of 2019, considering the participation in June in the new TLTRO III auctions with a three-year maturity (as outlined in the funding plan) and the resulting extension of the average duration of liabilities. The Bank's plan calls for participation in the auctions for TLTRO II medium-/long-term refinancing operations with a three-year duration (in the 30 September window, in addition to participation for a portion achieved in December 2019 and June 2020), for a maximum nominal amount of €988,400 thousand (with the concurrent early termination of the TLTRO II auctions maturing).

The top-priority goal for the Bank's funding policies remains pursuing a structural balance between loans to customers and stable forms of funding, with the essential stability of the funding gap and maintenance of an appropriate level of the LCR and NSFR liquidity indicators.

The process of assessing the adequacy of the Bank's liquidity profile also includes the risk associated with the level of encumbered assets ("asset encumbrance"), i.e. the risk that such assets may increase due to situations of significant tension, such as plausible, while improbable, shocks, including as regards the downgrading of the Bank's credit rating (where present), the write-down of collateral and increased margin requirements. The main transactions outstanding at 30 June 2020, just as at 31 December 2019, that entail the encumbrance of proprietary assets are funding operations with the ECB, in which the Bank also makes use of securities created through self-retained securitisation operations, repurchase agreements and funding transactions with the European Investment Bank (EIB).

Residual risk

Residual risk is the risk that the recognised techniques for mitigating credit risk used by the Bank may prove less effective than expected and is primarily generated by the credit process. In the first half of 2020 there were no significant variations in the exposure to this risk in terms of "unexpected loss" compared to the end of the previous year.

Reputational risk

During the first six months there were not found to be any elements that modified – or that might significantly modify in the near term – the positive perception of the Bank by the various groups of its stakeholders (customers, counterparties, shareholders, investors and supervisory authorities). The overall assessment of this type of risk is tied to the specific activity performed by the banking industry at large and the many potential processes capable of generating reputational risks, in the complex current general scenario, considering, inter alia, factors of uncertainty tied to the system and supervisory regulation.

Strategic and business risk

The degree of exposure to strategic and business risk remains medium-to-high for 2020, a view based on assessments focused in particular factors external to the Bank, already present in 2019 but "amplified" by the significant change in the scenario related to the COVID-19 pandemic (low interest rates, overlapping of the banking and non-banking sector, acceleration of digitalisation, sustainability of business models and profitability levels of credit institutions and constant evolution of supervisory regulations).

Securitisation risk

The risk associated with securitisation is linked to the recognition of the significant transfer of credit risk in the framework of securitisation of non-performing or performing loans.

In 2019 the Bank participated for the first time in a transaction involving the sale of non-performing loan (NPL) portfolios within the framework of the multioriginator securitisation transaction entitled "POP NPLs 2019", backed by a guarantee from the Economy and Finance Ministry pursuant to Decree-Law 18/2016 ("GACS"). The transaction was closed in December 2019 and the government guarantee was issued on 27 April 2020 by ministerial decree. The securitisation was structured to effect a significant risk transfer ("SRT") pursuant to Art. 244(1)(a) and (2)(b) of Regulation (EU) No. 575/2013, as amended by Regulation (EU) No. 2017/2401 of the European Parliament and the Council of 12 December 2017. In the light of the above transaction and the completion of the supervisory process as well (involving the submission of the notification required by the regulations and receipt of a positive response), securitisation risk has been added to the company risk map for 2020, considering that the methods used to structure the transaction entailed, as specified above, the transfer to third parties of all the risks and benefits linked to the portfolio of loans transferred (“derecognition”).

As the transferor, the Bank, as required by supervisory regulations, adopted a specific policy governing the principles, roles and responsibilities of the company bodies, committees and functions involved, as well as a single overall structure for monitoring, information flows and the related escalation processes, in accordance with the risk appetite expressed in the Risk Appetite Framework (RAF) and Strategic Plan.

Excessive leverage risk

At 30 June 2020 the leverage indicator was well above the minimum threshold established in supervisory regulations.

Property risk

The current or prospective risk of potential losses due to fluctuations in the value of the Bank’s proprietary real estate portfolio, or to the reduction of the income generated by that portfolio, remains at stable levels compared with the previous year.

Compliance risk

Compliance risk is 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, governance codes). According to the supervisory provisions concerning the internal control system, supervision of compliance has been extended to all rules and procedures concerning company activity, albeit variously adapted to the traditional, directly applicable areas and other specialistic areas, such as taxation, for which there are already other forms of supervision. The exposure to compliance risk is primarily assessed in reference to regulations governing the core business of the banking industry proper. The risks associated with some regulatory areas (banking transparency, usury, conflicts of interest, related parties, market abuse and ICT compliance) are monitored by assigning various phases of the oversight process to personnel assigned to other organisational units, through the appointment of a liaison officer, who is coordinated by the head of the Compliance function.

These areas are in addition to other regulatory areas that are already expressly subject to forms of specialised oversight (protection and safety in the workplace and tax legislation). In contrast, following the entry into force of GDPR (25 May 2018), privacy is now managed by the Data Protection Officer, appointed within the Compliance function.

Privacy risk

Although privacy risk has not been expressly defined by either the Bank of Italy provisions or Regulation (EU) No. 679/2016 (GDPR), Banca di Cividale views it in general terms as the failure by the Bank to adopt technical and organisational measures adequate to ensuring that it is able to demonstrate that personal data regarding natural persons is processed in accordance with the regulations. However, with reference to the specific data protection impact assessment process, privacy risk is considered the likelihood of occurrence of a threat that may compromise the confidentiality, integrity or availability of personal information that may give rise to a breach of the rights and freedoms of natural persons.

Privacy risk is to be regarded as a subset of operational risk, with some overlap with both legal risk and IT risk; it is essentially made up of the following components:

- ✓ a regulatory component, which represents the direct consequence of the failure to define or comply with, or of the inadequate definition or compliance with, standards, rules, processes, procedures, controls and security measures “in compliance” with Regulation No. 679/206, the instructions from the European Data Protection Board, Legislative Decree No. 196/2003 (Privacy Code), as amended by Legislative Decree No. 101/2018, and the instructions from the Data Protection Authority;
- ✓ a reputational component, which represents the direct consequence of the personal data breach and entails a negative external perception of the company associated with the inefficacy or insufficiency of the security measures adopted;

- ✓ an economic component, consisting in the application to the Bank of administrative fines by the supervisory authority, in the event of non-compliance with the provisions of Regulation (EU) No. 679/2016, and in compensation for material or non-material damages suffered by the data subject due to a breach of Regulation (EU) No. 679/2016.

The company has adopted various measures to protect against this type of risk, including the appointment of an internal Data Protection Officer (DPO) assigned to the Compliance Function, in the belief that it is more effective and efficient to entrust this role to an internal staff member of the Compliance Function, which takes a risk-based approach to conducting its activity. In addition to ensuring ongoing advice regarding the protection of the data of all company units, the DPO ensures prompt planning and reporting of his activities to company bodies, preparing an annual report containing a summary of the audits conducted, the results obtained, any weaknesses identified and the measures proposed to remedy them.

Money-laundering risk

Money-laundering risk is the risk of being involved in a set of transactions designed to give a lawful appearance to capital that is in fact illicit in origin, thus making it more difficult to identify and recover, where applicable. To protect against this type of risk, the law provides for a thorough system of safeguards that include, among other elements, a due diligence procedure and a specific company function tasked with ensuring that the Bank's operations are compliant with laws and supervisory regulations on an ongoing basis. This task is assigned to the Anti-Money Laundering Function, which also conducts preliminary reviews in cases of suspicious transactions reports, in support of the specific company officer.

For a complete description of the organisational structure and operating procedures covering the various areas of risk and methods used to measure and prevent those risks, refer to the 2019 Financial Statements, Risks and hedging policies.

The public disclosure documents, which essentially reflect the contents of the annual ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) are available from the Bank's website, www.civibank.it.

The internal control system

According to supervisory regulations, the internal control system is "the fundamental element of a bank's overall governance system. It ensures that company activity is in line with company strategies and policies and is guided by principles of sound and prudent management."

The Bank's Board of Directors plays a fundamental role in risk management, establishing strategic guidelines, approving risk management policies and assessing the degree of efficiency and adequacy of the internal control system, with particular regard to risk control.

For the preliminary and advisory phases of internal control and monitoring of company risk management, the Board of Directors relies on the internal Risk Committee, composed of a majority of independent directors. The Committee interfaces with the Bank's three control functions, whose work it analyses and whose adequacy it assesses.

The Board of Statutory Auditors also plays a central role, attending meetings of the Risk Committee and performing supervisory duties relating to the efficacy and adequacy of the risk management and control system, in addition to internal auditing of the functioning and adequacy of the overall internal control system.

In accordance with the supervisory regulations, the Bank has instituted the following permanent, independent company control functions: i) Compliance; ii) Risk Management; and iii) Auditing. The former two functions are responsible for level-two controls, whereas Auditing is responsible for level-three controls. The Anti-Money Laundering Function is also a part of the company control functions. These functions are assured functional independence, since they possess the authority, resources and competencies necessary to discharge their duties and are situated in an adequate hierarchical and functional position. In particular, the heads of the risk management, compliance and internal auditing functions report directly to the Board of Directors, the body with the strategic supervision function.

In short, the Bank's internal control system includes the following three levels of control:

- ✓ 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;

- ✓ level-two controls: these include, as stated above, risk management, compliance and anti-money laundering activity. They are intended to ensure, among other objectives: the proper implementation of the risk management process; the observance of the operating limits assigned to the various functions; and the compliance of company operations with laws and regulations, including self-imposed regulations. Level-two control functions are independent of assumption and management functions (production and management units). They contribute to defining risk governance policies and the risk management process.
- ✓ level-three controls: this is the internal auditing activity conducted by the Auditing Function aimed at identifying anomalous performances and breaches of rules and procedures, as well as at periodically assessing the completeness, adequacy, functionality (in terms of efficiency and efficacy) and reliability of the organisational structure of the other components of the overall internal control system; it is conducted on an ongoing basis, with periodic frequency, or in exceptional cases, by units independent of production units, including through onsite inspections.

Relations with 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 substantive 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 lays down 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).

During the half-year, Banca di Cividale, in accordance with the combined provisions of the regulations cited above, adopted its Procedures for Transactions with Related Parties and Associated Parties (the "BPC RPT Procedures").

On 3 December 2014 the Board of Directors approved the document Dealings with Related Parties and Parties Identified Pursuant to Article 136 of the Consolidated Banking Act and Article 2391 of the Italian Civil Code with the aim of grouping together internal conflict of interest rules into a single document. This document brings together the pre-existing rules and procedures issued in application of the supervisory provisions concerning activities at risk with associated parties (ninth update to Circular 263/06), the Consob Regulation on Transactions with Related Parties (Resolution 17221 of 12 March 2010), Article 136 of the Consolidated Banking Act, Obligations of Bank Officers and the related supervisory instructions and, finally, Article 2391 of the Italian Civil Code, Interests of Directors. In accordance with applicable regulations, the document has been published on the website at the address http://www.civibank.it/investor-relations/corporate-governance/procedura-parti-correlate.

Major transactions - per note
No transactions with related parties considered major transactions pursuant to the Procedures for Related-Party Transactions cited above were undertaken during the reporting period. In the first six months of 2020 there were no additional 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 with related parties at 30/06/2020 are part of the Bank's ordinary operations, are generally at arm's length conditions and meet the requirement of a mutual economic interest in accordance with the internal procedures cited above.
Detailed information regarding related-party transactions, including information on the impact of outstanding transactions and positions with such counterparties on the Group's financial performance and financial position, is set out in the tables below.

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

- ✓ subsidiaries, companies over which Banca di Cividale S.c.p.A. directly or indirectly exercises control, as defined in IAS 27;
- ✓ associated companies, companies over which Banca di Cividale S.c.p.A directly or indirectly exercises a significant influence, as defined in IAS 28;
- ✓ joint ventures, companies over which Banca di Cividale S.c.p.A. directly or indirectly exercises joint control, as defined in IAS 31;
- ✓ managers with strategic responsibilities and control bodies: the Directors, Statutory Auditors and General Manager of Banca di Cividale S.c.p.A.;
- ✓ other related parties, including:
- ✓ immediate family members (cohabitants, children, cohabitants' children, dependants of the person concerned or cohabitant) of Directors, Statutory Auditors or the General Manager of Banca di Cividale S.c.p.A.; and
- ✓ subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, and General Manager of Banca di Cividale S.c.p.A., in addition to their immediate family members, as defined above.

The effects of transactions with related parties as defined above on the balance sheet are presented in the following summary tables.

	ASSOCIATED COMPANIES	COMPANIES SUBJECT TO JOING CONTROL	EXECUTIVES AND CONTROL BODIES	OTHER RELATE D PARTIES	% of
Assets					
Loans to customers	***728***	***649***	***491***	***5,971***	***0.27%***
Board of Directors			62	5,595	0.20%
Board of Statutory Auditors			77	193	0.01%
Managers with strategic responsibilities			352	183	0.02%
Liabilities			-	-	0.00%
Due to customers	*-*	***17***	***1,441***	***6,893***	***0.31%***
Board of Directors			586	6,470	0.26%
Board of Statutory Auditors			76	211	0.01%
Managers with strategic responsibilities			779	212	0.04%
Income statement			-	-	0.00%
Net interest income	***9***	***5***	*-*	***21***	***0.10%***
Board of Directors			-	16	*0.05%*
Board of Statutory Auditors			1	2	*0.01%*
Managers with strategic responsibilities			(1)	3	*0.01%*
Net commission income	*-*	***2***	***8***	***29***	***0.26%***
Board of Directors			5	24	*0.19%*
Board of Statutory Auditors			1	3	*0.03%*
Managers with strategic responsibilities			2	2	*0.03%*
Administrative expenses	*-*	*-*	***729***	*-*	***3.59%***
Board of Directors (*)			226	-	*1.12%*
Board of Statutory Auditors			60	-	*0.30%*
Managers with strategic responsibilities			442	-	*2.18%*
Guarantees and commitments	-	-	-	***103***	***0.02%***
Board of Directors			-	103	*0.02%*
Board of Statutory Auditors			-	-	*0.00%*
Managers with strategic responsibilities			-	-	*0.00%*
Indirect funding	-	-	***1,969***	***1,928***	***0.36%***
Board of Directors			1,186	1,307	*0.23%*
Board of Statutory Auditors			33	53	*0.01%*
Managers with strategic responsibilities			750	568	*0.12%*

1. Information concerning the compensation of key management personnel

The following table reports the compensation of the directors, executives and other key management personnel of the Bank.

	Amount
a) Short-term benefits *	1,300
b) Post-employement benefits	-
c) Other long-term benefits	-
d) Termination benefits	-
c) Share-based payments	-
Total	**1,300**

** The amount indicated includes the remuneration paid to directors of €226 thousand, to the Board of Statutory Auditors of €48 thousand and to the Supervisory Board of €13 thousand.*

Segment reporting

Criteria for identifying and aggregating operating segments

In application of IFRS 8, operating segments for the purposes of segment reporting were identified on the basis of the following business segments:

- ✓ *Retail and Corporate Bank*, the segment dedicated to banking activity;
- ✓ *Leasing*, the segment dedicated to leasing activity.

The figures from the comparative period have been restated as appropriate.

Segment results – Income-statement data

RECLASSIFIED INCOME STATEMENT	30/06/2020			30/06/2019		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Net interest income	3,103	30,258	33,361	2,715	28,516	31,231
Net commissions	(34)	15,281	15,247	85	15,935	16,020
Dividends	-	28	28	-	74	74
Net trading income	84	6,012	6,096	-	3,791	3,791
Other operating income (expenses)	150	158	308	196	91	287
Operating income	**3,303**	**51,738**	**55,041**	**2,996**	**48,407**	**51,403**
Personnel expenses	(238)	(20,039)	(20,277)	(226)	(20,441)	(20,667)
Other administrative expenses	(219)	(9,138)	(9,357)	(317)	(9,240)	(9,557)
Net impairment/write backs on property, plant and equipment and intangible assets	(162)	(2,047)	(2,209)	(139)	(2,046)	(2,185)
Operating cost	**(619)**	**(31,224)**	**(31,843)**	**(682)**	**(31,726)**	**(32,408)**
Income (loss) from operating	**2,684**	**20,514**	**23,198**	**2,314**	**16,680**	**18,994**
Charges/write-backs on impairment of loans	(1,232)	(15,177)	(16,409)	(191)	(18,038)	(18,229)
Charges/write-backs on impairment of other financial assets	-	(514)	(514)	-	(82)	(82)
Charges/write-backs on impairment of goodwill and equity investments	-	-	-	-	-	-
Goodwill impairment	-	(82)	(82)	-	(84)	(84)
Net provisions for risks and charges	-	(436)	(436)	-	1,697	1,697
Income (loss) before tax from continuing operations	**1,452**	**4,305**	**5,757**	**2,123**	**173**	**2,296**
Tax on income from continuing operations	(518)	(1,764)	(2,282)	(405)	617	212
Levies and other charges concerning the banking industry after tax	(94)	(1,298)	(1,392)	(93)	(1,262)	(1,355)
Net income	**840**	**1,243**	**2,083**	**1,625**	**(472)**	**1,153**

Segment results – Balance-sheet data

ASSETS	30/06/2020			31/12/2019		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial assets measured at fair value through profit or loss	-	34,413	34,413	-	35,660	35,660
Financial assets measured at fair value through other comprehensive income	-	171,972	171,972	-	167,107	167,107
Financial assets measured at amortised cost	263,354	3,644,313	3,907,667	262,076	3,540,040	3,802,116
Due from banks	-	33,882	33,882	-	28,397	28,397
Loans to customers	263,354	2,575,075	2,838,430	262,076	2,556,187	2,818,263
Securities	-	1,035,356	1,035,356	-	955,456	955,456

LIABILITIES	30/06/2020			31/12/2019		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial liabilities measured at amortised cost	-	4,038,618	4,038,618	-	3,964,054	3,964,054
Due to banks	-	1,325,456	1,325,456	-	1,266,666	1,266,666
Due to customers	-	2,701,229	2,701,229	-	2,685,040	2,685,040
Securities issued	-	11,933	11,933	-	12,348	12,348

Cividale del Friuli, 06 August 2020
The Board of Directors

Independent Auditors' Report

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim financial statements

To the board of directors of
Banca di Cividale Società Cooperativa per Azioni

Introduction

We have reviewed the accompanying condensed interim financial statements of Banca di Cividale Società Cooperativa per Azioni (the "bank"), comprising the statement of financial position as at 30 June 2020, the income statement and statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The bank's directors are responsible for the preparation of these condensed interim financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

Scope of the review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of Banca di Cividale Società Cooperativa per Azioni as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Banca di Cividale Società Cooperativa per Azioni
Independent auditors' report
30 June 2020

Other matters

The bank's condensed interim financial statements as at and for the six months ended 30 June 2019 were neither audited nor reviewed.

Trieste, 5 October 2020

KPMG S.p.A.

(signed on the original)

Pietro Dalle Vedove
Director of Audit