CiviBank

Financial Report
at 30 June 2021

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Iscrizione Albo Bankit n. 5758.8.0; Cod. ABI 054841; Codice Fiscale/Partita IVA/Registro Imprese di Udine 00249360306 - Capitale Sociale al 31.12.2020 € 50.913.255,00
Codice LEI (Legal Entity Identifier): 549300B0FLNFTFYQDJ30 - Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale Di Garanzia

Contents

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	Gianluca Pico Massimo Miani
Substitute members	Andrea Volpe Chiara Repetti
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	Mario Crosta
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 Half-Yearly Financial Report at 30 June 2021 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.

Condensed half-yearly financial highlights and balance sheet ratios at 30 June 2021

BALANCE SHEET DATA (thousands of Euro)	30/06/2021	31/12/2020	Var %
Financial assets	1,084,228	968,398	12.0%
Loans to customers	3,117,770	2,978,128	4.7%
Total assets	5,392,946	4,961,060	8.7%
Direct funding	3,280,832	3,070,450	6.9%
Indirect funding	1,230,657	1,162,020	5.9%
- of wich: Assets under management	1,005,706	943,301	6.6%
Total funding	4,511,489	4,232,470	6.6%
Shareholders' equity	292,159	291,192	0.3%

ECONOMIC DATA (thousands of Euro)	30/06/2021	30/06/2020	Change
Net interest income	37,947	33,361	4,586
Net commissions	17,020	15,247	1,773
Dividends	210	28	182
Net trading income	3,055	5,888	(2,833)
Other operating income (expenses)	1,395	308	1,086
Operating income	**59,627**	**54,833**	**4,795**
Operating cost	**(33,143)**	**(31,843)**	**(1,300)**
Income (loss) from operating	**26,485**	**22,990**	**3,495**
Charges/write-backs on impairment of loans and financial assets	(12,892)	(16,715)	3,823
Net provisions for risks and charges	(2,497)	(436)	(2,061)
Profit (loss) on disposal of investments and equity	(26)	(82)	56
Tax on income from continuing operations	(4,432)	(2,282)	(2,149)
Levies and other charges concerning the banking industry at	(1,425)	(1,392)	(33)
Net income	**5,213**	**2,083**	**3,130**

OPERATING STRUCTURE	30/06/2021	31/12/2020
N° of employees	583	581
Branches	64	64

Profitability ratios	30/06/2021	31/12/2020
Net interest income/Operating Income	63.6%	59.5%
Net commision income/Operating Income	28.5%	29.3%
Cost/income	55.6%	59.0%
Net income for the period/Total Assets	0.10%	0.14%
Net income for the period/RWA	0.25%	0.34%

Structure ratios	30/06/2021	31/12/2020
Loans to customers / Total net assets	57.8%	60.0%
Direct funding / Total net assets	60.8%	61.9%
Assets under management / Indirect funding from customers	81.7%	81.2%
Loans to customers / Direct funding from customers	95.0%	96.9%
Total assets / Shareholders' equity	5.4%	5.9%

CREDIT RISK INDICATORS	30/06/2021	31/12/2020
Bad Loans / Loans to customers	4.5%	4.9%
Net bad loans / Loans to customers	1.5%	1.6%
Cost of risk / Income (loss) from operating	58.0%	63.8%
Net bad loans / Regulatory capital	15.9%	15.4%
Bad loans hedging*	8.5%	9.4%
Net Bad loans hedging	4.4%	4.8%
Other impaired loans hedging	51.3%	51.6%
Cost of credit (*)	0.81%	0.89%

(*) Calculated as the ratio between the net adjustments for impairment of loans estimated at the end of the year and the estimated loans at the end of the year.

SOLVENCY RATIOS	30/06/2021	31/12/2020
Risk weighted assets (Rwa)	2,068,028	2,019,256
Tier 1 capital - regulatory	300,161	303,768
Total own funds - regulatory	300,161	303,768
CET1 capital ratio - regulatory	14.51%	15.04%
Total capital ratio - regulatory	14.51%	15.04%
Common Equity Tier 1 - fully phased	*283,961*	282,632
Total own funds - fully phased	*283,961*	282,632
CET1 capital ratio - fully phased	*13.89%*	14.17%
Total capital ratio - fully phased	*13.89%*	14.17%

Half-yearly report on operations
The first half of 2021[1]

Executive summary

The Covid-19 pandemic spread through the world in three waves, which peaked in April 2020, January 2021 and April 2021. During these three waves, economic activity declined severely, mainly due to the restrictions adopted to contain the spread of the virus. On average, in 2020 global trade decreased by 5.4% compared to the previous year. However, after reaching a low point in April 2020, the effect of the restrictions on international trade began to lessen, allowing it to return to pre-Covid-19 levels by year-end. In the first few months of the year, despite the resurgence of case numbers, global trade continued to grow at a robust pace.
The progress of the vaccination campaign resulted in a drop in infections worldwide and enabled a gradual mitigation of social-distancing measures in areas where more of the population is vaccinated, such as the United States, the United Kingdom and the European Union. The emergence of a more contagious variant of the virus gave rise to an increase in case numbers in many countries starting in June. However, this did not entail an increase in deaths where vaccine coverage was greatest.
In the first quarter of 2021, GDP growth accelerated sharply in the United States and China, but slowed considerably in Japan and the United Kingdom. The recovery of global trade continued in the first quarter in line with the improvement in economic activity. According to the Bank of Italy's estimates, trade will increase by 11% in 2021, rising above pre-pandemic levels. According to the forecasts published by the OECD in May, in 2021 global GDP will rise by 5.8% to above pre-pandemic levels, driven by rapid expansion in the United States and China. Compared to the March assessments, global economic activity forecasts were revised upwards by 0.2 percentage points in 2021 and by 0.4 percentage points in 2022. However, medium-term prospects are still heterogeneous between countries: in some emerging economies, such as India, Indonesia and South Africa, they remain weak. In addition, the risks tied to the development of the pandemic, in particular as a result of the new virus variants or delays in the vaccination campaign in some areas, continue to weigh on the entire global economy.

The Italian economy

The pandemic had a very severe impact on the Italian economy. In 2020 GDP declined by 8.9%, closing the year with a quarterly decline of 1.8%. In the first few months of the year, the launch of the vaccination campaign and the gradual easing of the restrictions laid the foundation for an economic recovery.
The acceleration of the vaccination campaign and the consequent easing of the restrictive measures (Law Decree 52/2021) contributed to supporting the Italian economic recovery. On the basis of the set of models used by the Bank of Italy, it may be projected that, overall, in the second quarter GDP growth compared to the three previous months will exceed 1%, with an increase in value added spread to all sectors. High-frequency indicators point to an acceleration of the recovery in the second quarter of the year, which should be further consolidated in the second half of 2021, due above all to the investments envisaged in the Recovery and Resilience Plan.

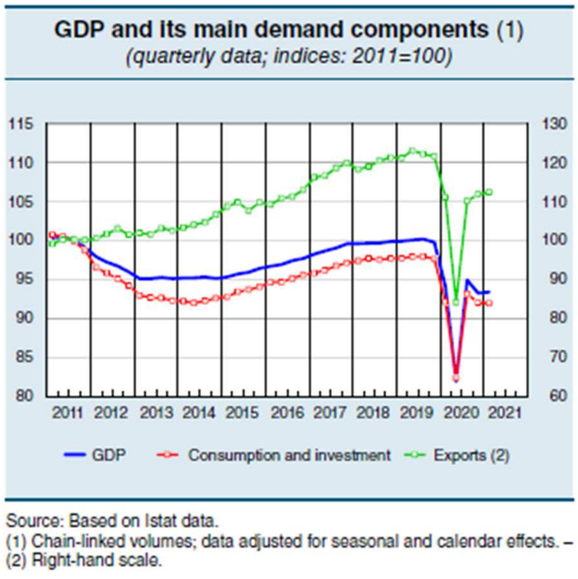
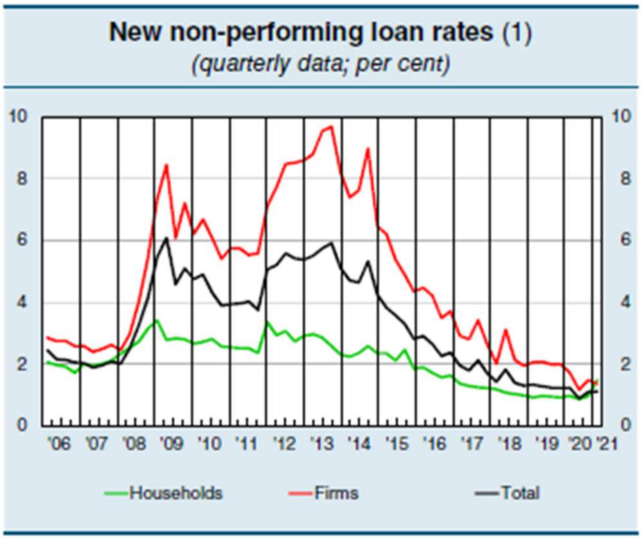


Fig. 1

[1] Sources: *Bank of Italy – Economic Bulletin*
Assopopolari - The 2021-2022 Annual Accounts of Cooperative Banks and the Banking System,
ABI Financial Outlook 2021-2023 Forecast Report

The banking system

In May, credit to the private, non-financial sector increased by 3.2% over three months (net of seasonal factors and on an annualised basis). The growth rate of loans to non-financial companies remains robust (3.3%); there continues to be high demand for government-backed loans. Over the twelve months, credit slowed for manufacturing and service companies compared to February; the performance of loans to construction companies remained essentially stable. Loans to households increased (3.8% over the three months), driven in particular by home mortgages; consumer credit also grew, recording net flows of approximately one billion during the three months ending in May.
From February to May the funding of Italian banks increased, reflecting the increase in both deposits held by residents and in liabilities towards the Eurosystem.
At the level of interest rates, after increasing until mid-May, driven by expectations of rising inflation, EU government bond yields fell. Government bond spreads have remained rather stable since the beginning of May and even fell moderately in the southern Eurozone countries since investors continued to seek the best possible yields. The ECB's monetary policy stance is expected to remain accommodating over the forecasting horizon, with the goal of supporting the economic recovery while safeguarding medium-term price stability. At its most recent June meeting, the ECB's Governing Council confirmed its determination to continue the Pandemic Emergency Purchasing Programme (PEPP) in the third quarter at a significantly higher rate than in the first few months of the year. The PEPP should last until at least March 2022.
The impact of the pandemic has not, for the time being, influenced the quality of assets of Italian banks, which in 2020 continued to improve at a rate that exceeded that of the previous year: the gross NPL ratio fell from 6.7% in 2019 to 4.4%. The decline recorded in 2020 was facilitated by both a significant decrease in the stock of non-performing loans and vigorous loan performance.



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

In detail, by sector, both the downtrend and cyclical fluctuations of the default rate were primarily driven by loans to companies, which on the average in 2020 recorded a default rate of 1.7%, a new all-time low of three-tenths of a point below the figure of one year earlier and nearly one percentage point below the pre-financial crisis values. The marginal risk level of loans to households was stable, fluctuating around the average value of 1% from the previous year; in this case as well, the 2020 figure was one percentage point below the pre-crisis values (fig. 2).

Covid-19 financial information

More than one year from the beginning of the Covid-19 health emergency, the first half of 2021 finally saw the launch of the expected massive vaccination campaigns, which it is hoped will ensure the containment of new waves of the pandemic by the end of the summer, with a subsequent rapid recovery of all sectors of the economy. Although the efficacy of the vaccines has given rise to a certain degree of optimism, it must not be forgotten that the journey towards a recovery continues to be characterised by uncertainties, obstacles and possible unforeseen events. In particular, the difficulty in vaccinating the entire population, in addition to the mutations of the virus that have yielded the new variants, with the ensuing need to extend the restrictive measures designed to limit the spread of the disease, will inevitably have repercussions on the attempted recovery of the real economy. In any event, governments and central banks are showing strong conviction and broad willingness to continue to ensure support to the economy and markets in order to ward off the potential repercussions of an outright recession.

In this regard, the attention of regulators is currently focused on the need to contain possible financial shocks and the resulting pro-cyclical effects, potentially to be expected when the aforementioned measures in support of the real economy come to an end, forcing economic operators to confront a possible liquidity crisis that until that point has been mitigated by the massive support measures in the form of moratoria and government guarantees.
At such a highly delicate time as the present, for financial intermediaries, monitoring and pro-active management of credit risk continue to represent the main issue on which to focus attention, both as regards the area of classification of credit exposures and the resulting assessment of exposures, in accordance with the indications and directives issued by national and international authorities, which took positions on the question on several occasion in 2020, emphasising the importance of the attention that credit institutions must pay to managing credit risk during this delicate phase.
It continues to be a priority to identify promptly all possible signs of deterioration of exposures, so as to ensure the implementation of early intervention aimed at preventing, or at least reducing, the reclassification of exposures to non-performing status.
In regulatory measures in response to the pandemic situation, in the first half of 2021 no further significant action was taken by regulators, who had already taken a position in 2020, establishing a framework that still remains valid.
After a slow beginning to the year caused by further lockdowns tied to the Covid-19 resurgence, expectations regarding the macroeconomic outlook are positive, with a significant recovery of Italian GDP expected already in 2021, driven by the aforementioned acceleration of the vaccination plan and improvement of the health emergency, as well as the arrival of the first European funds of Next Generation EU.
Below a series of information is provided on the impacts of Covid-19, with particular regard to the situation of the moratoria granted by CiviBank and the process adopted to assess significant increases in credit risk and measure the expected losses on performing loans according to the accounting standard IFRS 9.

Loans subject to moratoria as a consequence of the Covid-19 pandemic

At 30 June 2021, in light of the regulatory action already taken to combat the effects of the Covid-19 pandemic in 2020, a significant number of small and medium enterprise customers – accounting for 7.8% of the Bank's total borrowers at 30 June 2021 with a gross book value of loans of €570 million at 30 June 2021 (representing 17.6% of the total gross book value of loans to the Bank's customers) – had applied to the Bank for a moratorium on payments until 30 June 2021. A part of these customers of the Bank – 1.7% of total borrowers at 30 June 2021, with a total book value of loans of €209 million at 30 June 2021 (6.4% of the total gross book value of loans to the Bank's customers) – had applied for an extension of the moratorium on payments, as permitted by current legislation (Art. 16 of the Sostegni Bis Decree-Law), until 31 December 2021. In addition, in accordance with the EBA Guidelines, a number of individual/consumer customers, accounting for 5.3% of the Bank's borrowers at 30 June 2021, with a gross book value of loans of €152 million (4.7% of the total gross book value of loans to the Bank's customers), are benefiting from a moratorium on payments until 30 September 2021.
In 2020, in an economic scenario characterised by the Covid-19 pandemic, CiviBank focused attention on monitoring its customer portfolio to identify segments of customers particularly sensitive to the health crisis in order to formulate a management strategy for subsequent months and years. These activities continued in the first half of 2021, launching a pro-active monitoring approach, in particular for positions subject to moratoria.
In this respect, through a campaign to update historical and prospective financial performance and position data on individual customers, and with the support of the results of the enhanced monitoring measures applied promptly to suspended positions, the Bank swiftly launched a qualified, personalised advisory process to support customers in financial terms, according to their specific characteristics and sector, during the process of gradual resumption of payments, so as to identify promptly, before the end of the moratorium, situations of deterioration or compromise of creditworthiness, until then neutralised by the suspension of payments and, more generally, by the set of support initiatives taken at national level.
The end of the extended suspension pursuant to Article 16 of the Sostegni Bis Decree-Law thus saw the participation of a limited number of customers (as set out above) compared to the portfolio of counterparties that initially had benefited from the support measures set out in the Cure Italy Decree-

Law. For them, the Bank further enhanced its monitoring measures and implemented, over a short-term time horizon, a company plan for revising individual credit positions designed to identify promptly, on the basis of up-to-date financial performance and position prospects, the possible scenarios at the end of the additional moratorium period, and therefore to assess immediately, on a prudential basis, the correctness of the current classification of counterparty risk level.

Stage allocation

Assessment of the significant increase in credit risk (SICR)

In light of the results of the application of the staging allocation criteria based on the snapshot of the quality of the Bank's loan portfolio at 30 June 2021, associated with information and indicators of a quantitative nature that do not yet reflect all the prospective negative effects of the Covid-19 scenario ("freezing effect" to be attributed largely to the amount of moratoria in place until the end of June 2021), it was decided to apply a contingent intervention to the portfolio in keeping with the reference scenario (moratoria and sectors of the economy most severely affected by the pandemic).

In particular, a reclassification to Stage 2 was applied to a total gross exposure of €121,399 thousand: 1) of relationships classified to Stage 1 (following application of the internal policy criteria) with enterprise counterparties belonging to the tourism, restaurant and leisure time sectors that applied for the extension of the moratoria at 31/12/2021 (expiring on 30 June 2021) for a gross exposure of €53,811 thousand; and 2) of relationships classified to Stage 1 with enterprise counterparties belonging to the tourism, restaurant and leisure time sectors that did not apply for the extension of the moratorium at 31/12/2021, but that benefited from the moratoria until 30/6/2021, for a gross exposure of €67,588 thousand. Accordingly, the Stage 2 provision was associated with these relationships (see the management overlay intervention increasing the expected loss described in the following paragraph).

The corrective measures were applied at the portfolio level at 30/6/2021 to take account of the contingent situation, pending an understanding and assessment, in particular of the behaviour of customers that at 1 July 2021 resumed paying loans subject to moratoria until 30/6/2021.

Measurement of expected losses

Expected credit losses (ECLs) are calculated at the level of each transaction or tranche of a security, based on the internal models developed at the consortium level by the IT provider (to which the Bank has fully outsourced IT activities and services), through the parameters probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are subject to appropriate calibration measures inclusive of each bank's historical series.

With regard to the impacts of Covid-19 on the expected loss on performing loans, which had increased significantly in 2020, the average percent coverage ratio at 30 June 2021 (of 0.73%) was essentially stable compared to 31 December 2020.

In particular, the main refinements of the model introduced compared to December 2020 involved:

- alignment in the estimate of the "point-in-time" and "forward-looking" components of risk parameters by updating the macroeconomic scenarios and related models in order to incorporate the current and prospective course of the reference situation into estimates, as provided for in accounting standard IFRS 9;
- the introduction of specific "management overlay" measures designed to include ad hoc corrections, not captured by the models in use, to better reflect in the assessment of loans the particular nature of the reference situation (moratoria and identification of the economic sectors most severely affected by the pandemic and with the lowest prospects of a recovery).

With regard to forward-looking information, the calculation provided by the IT provider (CSE Consortium), introducing the estimates included in the "Guidelines for the Forecast Report – March 2021", a document named "Macroeconomic and Financial Stress Scenarios" dated April 2021 by Prometeia, in which the base scenario sees an increase in GDP in Italy of 4.7% in 2021, followed by further growth over the next three years (+4.2% in 2022, +2.4% in 2023 and +1.5% in 2024). In the base scenario, the unemployment rate for 2021 has been estimated at 10.7%, whereas for the three following years 2022, 2023 and 2024 it has been estimated at 11.2%, 10.8% and 10.1%, respectively.

The probabilities of occurrence of the associated macroeconomic scenarios are as follows: 90% for the base scenario, 5% for the downside scenario and 5% for the upside scenario.

The satellite models adopted at the consortium level (already upon first-time adoption of IFRS 9) are used to estimate the probability of default parameters within the framework of IFRS 9 in order to analyse the relationship existing between average run-off rates (transfers to non-performing status provided by the Bank of Italy) for a set of geo-sectoral clusters and various macroeconomic factors. To this end, a series of econometric models were estimated with differentiation by economic category (consumer households, producer households, financial companies, government and non-financial companies, considering for this latter cluster a sub-subdivision into 30 sectors by economic activity according to the ATECO code and for five geographical macro-areas) and specification of the underlying variable.
In addition, in calculating the expected loss on performing loans, the Bank also assessed the adoption of management overlays for the purposes of inclusion of ad hoc corrections, not captured by the model, to take account of: 1) credit relationships with counterparties that applied for the extension of the moratoria at 31/12/2021 (expiring on 30/6/2021); and 2) the current and prospective performance of specific sectors of the economy within the current particular Covid-19 situation (particularly as regards the tourism, restaurant and leisure time sectors). In this respect, an increase in the provision has been introduced to be summed with the expected loss result deriving from the calculation of the model for the IFRS 9 scope, "Performing loans", of +€4,465 thousand, associating with the calculated Stage 2 provision: (A) all relationships calculated to Stage 1 (post application of the staging allocation criteria) with enterprise counterparties that have applied for the moratoria at 31/12/2021, following the expiry of the moratoria at 30/06/2021 (add-on of +€2,565 thousand); and (B) all relationships classified to Stage 1 (remaining after those in point A) belonging to the sectors tourism, restaurants and leisure time, among the sectors most severely affected by the pandemic, but also in terms of lower recovery prospects (add-on of +€1,898 thousand).

Outlook

The projections for the Italian economy take account of budgetary policy support, with the use of Italian resources and European funds while maintaining favourable monetary and financial conditions. The forecasts call for Italian ten-year government bond yields to remain stable over the current year and then rise gradually over the following two years.
Credit access conditions are assumed to remain relaxed: the cost of credit to companies is expected to average 1.5% in 2021. The projections also incorporate a favourable global trade performance with foreign demand in Italy expected to rise by 8.8% in 2021 and by 4.7% on average over the next two years.
On the basis of these forecasts, following on the recovery in the first half of 2021, GDP is expected to accelerate significantly beginning in the third quarter. At the annual average level, the increase in GDP may currently be estimated at 5.1% in 2021; it is expected to stay high over the following two years (coming to 4.4% in 2022 and 2.3% in 2023). GDP is forecast to return to pre-pandemic crisis levels in the second half of 2022.
The performance of credit activity over the next three years will be characterised by the need to finance intense investments by companies, incentivised by the implementation of the Recovery Plan and the normalisation of household spending habits. Intermediation activity will then have to cope with the effects on credit quality of the health emergency, which will come to light over the three years of the forecasting period, albeit with a significantly lower intensity than witnessed in the previous recessionary phases. Starting this year, the default rate will reflect the significant decline in GDP recorded in 2020 with a significant increase in new non-performing loan flows, to be associated with a slowdown in management activity relating to the pre-existing stock of non-performing loans; however, despite this recovery, the increase in Italian banks' NPL ratios will be decidedly contained in comparison to recent previous recessionary episodes: in the Italian Banking Association's forecasts, the risk ratio will tend to rise throughout 2022 and as early as 2023 a downwards correction phase will begin with a final NPL ratio level lower than that seen at the end of 2019. Bank funding will tend to slow throughout the forecasting period in keeping with a scenario of constantly improving investor confidence, while remaining more than adequate to the financing needs of lending to the private sector.
The main elements of uncertainty that surround growth prospects are related to the course of the pandemic and the efficacy of support policies. During the year, case numbers may affect confidence and consumption and investment decisions. In subsequent years, the intensity of the recovery will depend largely on how the projects associated with the NRP will be executed: delayed and less effective implementation and, more generally, premature removal of support for economic policies could weaken

it. Conversely, growth could benefit from more rapid execution of the measures – capable of positively affecting confidence, saving and the propensity to spend – and an impact of NRP projects and reforms on potential growth already during the three-year forecasting period. The rate of the recovery of activity will also depend on the consumption behaviour response to the reopening of the economy.

Banca di Cividale

The Banca di Cividale branch network

The Bank's branch network consisted of 64 operational branches at 30 June 2021.

The human resources of Banca di Cividale
At 30 June 2021 human resources numbered 583, compared to 581 at 31 December 2020.

Key operating events in the first half of the year
Update to strategic plan
During the half-year the Board of Directors approved the Update to the Strategic Plan for 2021-2023.

Transformation of the Bank from "cooperative company limited by shares" to "joint-stock company"
During the meeting on 11 May 2021, the Bank's Board of Directors, having verified the satisfaction of the condition to which the company transformation was subject, declared effective the approval of the transformation of the bank from a "cooperative company limited by shares" to a "joint-stock company" and the new Articles of Association containing the amendments relating to the transformation as approved by the Extraordinary Shareholders' Meeting of 12 April 2021, including those relating to the adoption of the status of "benefit company", i.e. a company that "in the exercise of an economic activity, in addition to the aim of sharing its profits, pursues one or more common benefit goals and operates in a responsible, sustainable and transparent manner towards individuals, communities, territories and the environment".
Following the transformation from a "cooperative company limited by shares" into a "joint-stock company", the right of withdrawal pursuant to Art. 2437, paragraph 1, letter b), of the Italian Civil Code was validly exercised by 1,788 members and shareholders, accounting for 10.89% of the total, and for 2,459,020 CiviBank shares, representing 14.49% of the Bank's share capital, for a total liquidation value of €12,983,625.60.
The transformation was completed by the "option and pre-emption offer" of the shares arising from withdrawal, where, inter alia, the member Cassa di Risparmio di Bolzano S.p.A - Sparkasse purchased a total of 1,531,740 shares for an outlay of €8,087,587, bringing its interest in CiviBank S.p.A. to 9.18%. This transaction, which follows on discussions with Cassa di Risparmio di Bolzano S.p.A., may lay the foundation for the development of further industrial and/or strategic collaboration between the two institutions.

Events after 30 June 2021

After 30 June 2021, on 16 July 2021 the Board of Directors exercised the authority delegated by the Shareholders' Meeting on 13 April 2019, therefore resolving to increase share capital, for payment and on a divisible basis, up to a maximum amount (including any issue premium) of €49,976,595.75, to be carried out through the issuance of new ordinary shares of the Company to be offered on option to the shareholders. During that same session, the Bank's Board of Directors also approved the terms and conditions of the capital increase, and in particular resolved: (i) to set the unit subscription price at €5.27 for each new share, of which €3.00 to be allocated to capital and €2.27 to issue premium; (ii) to issue 9,483,225 new shares; and (iii) to set the assignment ratio at three new shares per every five CiviBank ordinary shares held.

On 29 July 2021, following the conclusion of its review, CONSOB notified the Bank that it had authorised the publication of the prospectus for the offer under option by the Bank to holders of CiviBank ordinary shares, pursuant to Art. 2441, paragraph 1, of the Italian Civil Code, of the 9,483,225 new shares for a total value of €49,976,595.75.

With the exception of the foregoing, from the end of the first half of 2021 to the date of approval of this report there were no other material events with a significant effect on either the financial performance and financial position of the Company or the representation thereof.

Business outlook and the going-concern assumption

With regard to the going-concern assumption, in 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 30/06/2021

Earnings results

In the first half of 2021, Banca di Cividale recorded a net income of €5,213 thousand.

Net interest income for the half-year came to €37,947 thousand, up by 13.7% compared to 30 June 2020. 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 (€1,156 thousand in the first six months of 2021, compared to €1,444 thousand in the same period of the previous year). Net of this reclassification, net interest income increased by 15.27%. The business with customers component was positive (+1.7%, or €459 thousand) and the financial assets component also increased (+36.4%, or €1,094 thousand).

Net commission income amounted to €17,020 thousand, up by 11.6% compared to €15,247 thousand in the first half of 2020.

In detail, commissions rose by 6.8% on commercial banking activity and by 22.4% on management, intermediation and advisory (asset management, insurance products and securities placement). Within this item, there was a 10.6% increase in the securities intermediation and placement component and a 2.7% increase in the asset management service component, whereas the insurance product component rose by 57.4%.

Net trading income was €3,055 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 €2,396 thousand; trading activities yielded gains of €291 thousand, whereas assets mandatorily measured at fair value recorded net losses of €253 thousand.

Net operating revenues amounted to €59,627 thousand, up by 8.7% from €54,833 thousand in the first half of 2020.

Operating expenses totalled €33,143 thousand. Personnel expenses amounted to €21,261 thousand, up by 4.9% on 30 June 2020, whereas other administrative expenses amounted to €9,738 thousand, up by 4.1% on June 2020. Net adjustments to property, plant and equipment and intangible assets came to €2,144 thousand, essentially unchanged compared to the first half of 2020.

Net impairment losses for credit risk amounted to €12,868 thousand, down by 20.6% on the same period of 2020. The total coverage rate for non-performing loans was 51.3%.

The total coverage rate for non-performing loans was 51.3%.

Net impairment losses on financial assets and **profits (losses) on equity investments** amounted to total losses of €24 thousand and referred primarily to the measurement of HTC and HTCS securities.

Net provisions for risks and charges came to net charges of €2,497 thousand, of which (i) €1,916 thousand relating to the provision for tax risk following the filing of the judgment rendered by the Provincial Tax Commission of Trieste, which partially granted the petitions relating to the ongoing dispute with the Italian Agency of Revenue, (ii) €998 thousand of provisions for law suits and (iii) €536 thousand for credit risk on guarantees granted. The recoveries included €750 thousand relating to provisions recognised in previous years for voluntary departures, including in connection with non-acceptance by several employees.

Income before tax from continuing operations thus amounted to €11,070 thousand. Income taxes for the period amounted to net taxes of €4,432 thousand, whereas net taxes and levies relating to the banking system (SRF-NRF) amounted to €1,425 thousand (€2,100 thousand gross of the tax effect).

The net income for the period thus amounted to €5,213 thousand.

Balance sheet aggregates

At 30 June 2021 **loans to customers** amounted to €3,117,770 thousand, up by 4.7% from €2,978,128 thousand as at 31 December 2020.

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 €366,318 thousand, of which €245,843 thousand to small and medium enterprises and €120,475 thousand to households, a total growth of 37.9% compared to the first half of 2020. In detail, there was an increase of €50,821 thousand on the first six months of the previous year in loans to companies (+26.1%); loans to households also increased by €49,942 thousand (+70.8%).

At the end of the period, non-performing exposures (NPEs), net of adjustments, amounted to €136,280 thousand, **down by 5.3%** compared to December 2020, with a coverage ratio of 51.3%. In detail, net non-performing exposures were €47,780 thousand, **an increase of 1.9%** compared to December 2020, with a coverage ratio of 67.3% (69.6% in December 2020). Unlikely to pay exposures stood at €80,721 thousand, **a reduction of 6%** with respect to the end of the previous year, resulting in a coverage ratio of 32.5% (34.1% in December 2020), whereas past due exposures were €7,779 thousand (down by 30.6% compared to December 2020), with a coverage ratio of 16.5% (13.7% in December 2020).

Direct funding, presented net of the component attributable to central counterparties, amounted to €3,280,832 thousand, up by 6.9% compared to the end of 2020.

Indirect funding came to €1,230,657 thousand, up by 5.9% compared to 31 December 2020. Assets under management totalled €1,005,706 thousand, an increase of 6.6% compared to 31 December 2020 and an increase of 15.84% compared to 30 June 2020.Assets under administration came to €224,951 thousand, an increase of 2.8% compared to 31 December 2020.

Financial assets were €1,084,228 thousand, up by 12% compared to the end of 2020, and were essentially represented by short-term Italian government bonds carried in the HTC and HTCS portfolios with an average duration of 2.11 years. Reserves on the HTCS and OCI portfolios, taken to equity net of the tax effect, amounted to a positive €797 thousand.

The total one-month **net liquidity balance** was €948,200 thousand. The total eligible assets available amounted to €1,652,998 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 €1,087,350 thousand. The LCR regulatory liquidity profile fell from 194% in December 2020 to 180.4% in June 2021.

Shareholders' equity and capital ratios

Shareholders' equity

Shareholders' equity amounted to €292,159 thousand at 30 June 2021 (+0.3% compared to December 2020).

Own funds and capital adequacy

Own funds stood at €300,161 thousand at 30 June 2021.

Own Funds and Solvency Ratios	30/06/2021	31/12/2020
OWN FUNDS	-	-
Common Equity Tier 1 (CET1) net of regulatory adjustments	300,161	303,768
Additional Tier 1 (AT1) capital net of regulatory adjustments	-	-
TIER 1 CAPITAL (tier 1)	**300,161**	**303,768**
Tier 2 capital (T2) net of regulatory adjustments	-	-
Total Own Funds	**300,161**	**303,768**
RISK-WEIGHTED ASSETS	0	0
Credit and Counterparty Risk	2,032,088	1,979,048
Settlement and Market Risk	42	73
Operational Risk	14,870	14,870
Other specific Risk	21,027	25,265
RISK-WEIGHTED ASSETS	**2,068,028**	**2,019,256**
SOLVENCY RATIOS %		
Common Equity Tier 1 ratio	14.51%	15.04%
Tier 1 ratio	14.51%	15.04%
Total Capital Ratio	14.51%	15.04%

Own funds, risk weighted assets and solvency ratios at 30 June 2021 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 and amended by Regulation (EU) No 2019/876 (CRR II), which transpose into the European Union the standards set by the Basel Committee on Banking Supervision ("Basel 3 Framework"). The above provisions were rendered operational by the related Bank of Italy Circular 285 "Supervisory regulations for Banks", by the European implementing regulations that lay down the implementing technical standards and the delegated European regulations intended to complement certain specific issues.

The transitional period of introduction of the "Basel 3" regulatory framework, which called for partial inclusion in or deductibility from own funds of certain cases in order to permit a gradual impact of the new regulations, in accordance with Directive 2013/36/EU (CRD IV) and the CRR, was concluded in 2017. In addition, at 30 June 2021, CiviBank no longer holds any subordinate instruments subject to the specific transitional provisions ("grandfathering", which was to conclude in 2021) aimed at gradual exclusion from own funds of instruments that do not meet the requirements set by the new regulations.

Furthermore, the transitional period (2018-2022) for mitigating the financial impacts of the introduction of the new accounting standard IFRS 9 began on 1 January 2018. 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.

In light of the Covid-19 pandemic situation, in order to mitigate any adverse effects of the current crisis, Regulation (EU) No 2020/873 of 24 June 2020 was published according to an expedited approval process ("quick fix"), amending Regulations (EU) No 575/2013 and (EU) No 2019/876 containing temporary provisions in support of capital and liquidity. This Regulation establishes that entities that decide to apply the provisions relating to the new IFRS 9 transitional regime on value adjustments to loans after 31 December 2019, amending that introduced by Regulation (EU) No 2017/2395 and/or the temporary treatment of unrealised gains and losses measured at fair value taken to other comprehensive income ("prudential filter" for exposures to central governments classified to the FVTOCI category), in addition to publishing the information required by Part Eight of the CRR, are required to publish the amounts of own funds, Common Equity Tier 1 capital and Tier 1 Capital, total capital ratio, Common Equity Tier 1 capital ratio, Tier 1 Capital ratio and leverage ratio that they would present if such treatments were not applicable. In this regard, CiviBank has elected to adopt the "dynamic approach" permitted by Regulation (EU) No 2020/873 for loan value adjustments. This approach enables the re-introduction into common equity of a progressively decreasing percentage ending in 2024 (100% in 2020, 100% in 2021, 75% in 2022, 50% in 2023 and 25% in 2024) of the impact of value adjustments, calculated net of the tax effect, measured in accordance with the Regulation. Civibank has also adopted the permitted prudential filter for exposures to central governments classified to the FVTOCI category. 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 2021, considering the transitional treatment, own funds amounted to €300,161 thousand, compared to risk-weighted assets of €2,068,028 thousand, primarily deriving from credit and counterparty risks, and, to a lesser extent, from operational and market risks. At 30 June 2021, non-application of the transitional scheme provided for in Art. 473(a) of Regulation (EU) No 575/2013 would result in an increase in own funds of €283,961 thousand, against weighted assets of €2,043,866 million.

The net income for the year in progress at 30 June 2021 has not been taken into account when determining Common Equity Tier 1 capital.

On the basis of the foregoing, solvency ratios at 30 June 2021, calculated according to the transitional treatment had the following values:

- ✓ Common Equity Tier 1 ratio: 14.51%;
- ✓ Tier 1 ratio: 14.51%;
- ✓ Total Capital ratio: 14.51%.

In the absence of the transitional rules (fully loaded), solvency ratios were as follows at 30 June 2021

- ✓ Common Equity Tier 1 ratio: 13.89%;
- ✓ Tier 1 ratio: 13.89%;
- ✓ Total Capital ratio: 13.89%.

Finally, it should be noted that on 6 April 2020 Civibank received a notice of "conclusion of prudential review procedure" relating to the capital requirement to be met 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	30/06/2021	31/12/2020
Shareholders' equity	292,159	290,640
Shareholders' equity	**292,159**	**290,640**
Regulatory adjustments (including adjustments of the transitional period)	**8,002**	**13,128**
- Non eligible net income	(5,213)	(4,700)
- Deductions for CET1 instruments on which the institution has a real or purchase obligation	(864)	(102)
- Deductions relating to intangible assets	(136)	(147)
- Deductions relating to deferred tax assets that are based on future profitability	(1,758)	(2,888)
- Deductions relating to investments not significant beyond the threshold	-	-
- Regulatory value adjustments	(227)	(172)
- Regulatory adjustments relating to deferred tax assets	-	-
- Regulatory adjustments: other prudential filters	-	-
- Transitional provisions	16,200	21,137
Common Equity Tier 1 (CET 1) net of regulatory adjustments	**300,161**	**303,768**

Common Equity Tier 1 capital declined slightly compared to 31 December 2020, mainly due to the effect (i) of the purchase of own shares after the period of withdrawal (following the transformation of the issuer's company form) for €4,367 thousand, (ii) the application of the transitional rules under the CRR for €4,937 thousand, in part offset (iii) by the increase attributable to the increase of 2020 profit in the calculation of own funds.

Performance of risk-weighted assets

Performance of risk-weighted assets	
Risk weighted assets as at 31/12/2019	**2,019,256**
Credit risk	53,040
Market and Regolamentory risks	(31)
Operational risk	-
Other specific risks	(4,238)
Risk weighted assets as at 30/06/2021	**2,068,028**

Assets weighted for credit risks increased by approximately €48 million during the half-year. The analysis of prudential portfolios showed (i) an increase in exposures to companies (+€45 million compared to the end of 2020) and exposures guaranteed by real properties (+€10 million compared to the end of 2020), (ii) greater absorption of exposures to UCIs (+€12 million) due to the application of Regulation (EU) No 2019/876 and (iii) a decrease in defaulted exposures (approximately -€8 million compared to the end of 2020), to be associated with the decrease in the balance of non-performing loans, as well as greater increases in adjustments to the value of loans.

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		30/06/2021		31/12/2020	
10	Cash and cash equivalents		941,643,155		773,289,953
20	Financial assets measured at fair value through profit or loss		23,660,657		21,684,830
	a) financial assets held for trading	407,354		939,862	
	c) other financial assets mandatorily measured at fair value	23,253,303		20,744,968	
30	Financial assets measured at fair value through other comprehensive income		200,541,494		147,242,810
40	Financial assets measured at amortised cost		4,010,820,810		3,810,152,393
	a) due from banks	37,557,719		37,051,431	
	b) loans to customers	3,973,263,091		3,773,100,962	
70	Equity investments		2,359,063		2,359,063
80	Property and equipment		84,307,716		85,103,514
90	Intangible assets		136,293		146,972
100	Tax assets		56,284,406		62,173,767
	a) current	3,569,157		3,740,361	
	b) deferred	52,715,249		58,433,406	
120	Other assets		73,192,795		58,907,147
	Total assets		**5,392,946,389**		**4,961,060,449**

Balance sheet - liabilities and shareholders' equity		30/06/2021		31/12/2020	
10	Financial liabilities measured at amortised cost		4,969,638,038		4,600,793,547
	a) due to banks	1,204,540,880		1,107,629,138	
	b) due to customers	3,737,449,815		3,487,225,471	
	c) securities issued	27,647,343		5,938,938	
20	Financial liabilities held for trading		65,160		62,635
60	Tax liabilities		1,107,085		1,710,056
	a) current	247,477		974,366	
	b) deferred	859,608		735,690	
80	Other liabilities		121,481,905		59,554,309
90	Employee termination benefits		3,602,053		3,776,261
100	Provisions for risk and charges:		4,892,663		3,971,924
	a) commitments and guarantees given	1,316,386		780,131	
	c) other provisions for risks and charges	3,576,277		3,191,793	
110	Valuation reserves		209,925		865,141
140	Reserves		75,909,139		68,267,154
150	Share premiums		167,021,562		167,021,562
160	Share capital		50,913,255		50,913,255
170	Treasury shares (-)		(7,107,397)		(2,658,396)
180	Net income (loss) (+/-)		5,213,000		6,783,000
	Total liabilities and shareholders' equity		**5,392,946,389**		**4,961,060,449**

Income statement

Income Statement		30/06/2021		30/06/2020	
10	Interest income and similar revenues		47,503,655		41,015,011
	of which: interest income calculated using the effective interest rate method	47,481,377		40,774,344	
20	Interest expense and similar charges		(9,556,413)		(7,653,802)
30	**Net interest income**		**37,947,242**		**33,361,209**
40	Commission income		19,397,744		17,134,504
50	Commission expense		(2,377,704)		(1,887,429)
60	**Net commission income**		**17,020,040**		**15,247,075**
70	Dividends and similar income		209,835		27,869
80	Net trading income		290,569		475,932
100	Profit (loss) on disposal or repurchase of:		2,804,181		5,955,714
	a) financial assets measured at amortised cost	2,689,157		5,408,170	
	b) financial assets measured at fair value through other comprehensive income	115,027		545,167	
	c) financial liabilities	(3)		2,377	
110	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss		253,886		(335,281)
	b) other financial assets mandatorily measured at fair value	253,886		(335,281)	
120	**Total income**		**58,525,753**		**54,732,518**
130	Charges/write-backs on impairment of:		(13,158,411)		(16,927,798)
	a) financial assets measured at amortised cost	(13,145,592)		(16,886,982)	
	b) financial assets measured at fair value through other comprehensive income	(12,819)		(40,816)	
140	Profits (Losses) on changes in contracts without derecognition		(27,368)		4,446
150	**Net Financial income**		**45,339,974**		**37,809,166**
160	G&A expenses:		(36,691,154)		(35,534,135)
	a) personnel expenses	(21,261,016)		(20,276,625)	
	b) other administrative expenses	(15,430,138)		(15,257,510)	
170	Net provisions for risks and charges		(2,496,706)		(435,562)
	a) commitments and guarantees given	(536,256)		(148,714)	
	b) other net provisions	(1,960,450)		(286,848)	
180	Net impairment/write-backs on property, plant and equipment		(2,107,047)		(2,181,506)
190	Net impairment/write-backs on intangible assets		(37,044)		(27,629)
200	Other operating income (expenses)		4,987,435		4,157,128
210	**Operating cost**		**(36,344,516)**		**(34,021,704)**
220	Profit (loss) on equity investments		-		(76,573)
230	Valuation differences on property, equipment and intangible assets measured at fair value		-		-
250	Profit (loss) on disposal of investments		(25,938)		(5,079)
260	**Income (loss) before tax from continuing operations**		**8,969,520**		**3,705,810**
270	Tax on income from continuing operations		(3,756,520)		(1,622,810)
280	**Income (loss) after tax from continuing operations**		**5,213,000**		**2,083,000**
300	**Net income**		**5,213,000**		**2,083,000**

Statement of other comprehensive income

	Items	30/06/2021	30/06/2020
10	**Net profit for the year**	**5,213,000**	**2,083,000**
	Other comprehensive income (net of tax) that may not be reclassified to the		
20	Equity instruments designated at fair value through other comprehensive income	367,942	(302,528)
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	44,560	(27,145)
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	(209,125)	(173,747)
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**	**203,376**	**(503,421)**
180	**Total other comprehensive income (net of tax)**	**5,416,376**	**1,579,580**

Statement of changes in shareholders' equity

Year 2021	Balance at 31/12/2020	Change in opening balance	Balance at 01/01/2021	Allocation of result for previous period		Changes during the year								
							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	Shareholders' equity at 30/06/2021
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	**68,267,154**	-	**68,267,154**	**6,783,000**	-	**775,065**	-	**393**	-	-	-	-	**83,527**	**75,909,139**
a) income	68,267,154	-	68,267,154	6,783,000	-	775,065	-	393	-	-	-	-	83,527	75,909,139
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**865,141**	-	**865,141**	-	-	**(775,065)**	-	-	-	-	-	-	**119,849**	**209,925**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(2,658,396)**	-	**(2,658,396)**	-	-	-	-	**(4,449,001)**	-	-	-	-	-	**(7,107,397)**
Net income (loss) for the period	**6,783,000**	-	**6,783,000**	**(6,783,000)**	-	-	-	-	-	-	-	-	**5,213,000**	**5,213,000**
Shareholders' equity	**291,191,716**	-	**291,191,716**	-	-	-	-	**(4,448,608)**	-	-	-	-	**5,416,376**	**292,159,484**

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							Total comprehensive income at 31/12/2020	Shareholders' equity at 31/12/2020
							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		
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**			-							**22,672**	**865,141**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(2,124,581)**		**(2,124,581)**					**(533,815)**						**(2,658,396)**
Net income (loss) for the period	**2,733,000**		**2,733,000**	**(2,733,000)**		-	-	-	-	-	-	-	**6,783,000**	**6,783,000**
Shareholders' equity	**284,919,859**	-	**284,919,859**	-	-	-	-	**(533,815)**	-	-	-	-	**6,805,672**	**291,191,716**

Statement of cash flows

OPERATING ACTIVITY	30/06/21		30/06/20	
1. Operations		**23,410,232**		**24,480,528**
- interest income received (+)	45,088,751		40,757,998	
- interest expense paid (-)	(8,714,249)		(10,037,547)	
- dividends and similar revenues	209,835		27,869	
- net commissions (+/-)	19,052,081		20,726,501	
- staff costs	(23,571,160)		(22,228,273)	
- other expenses (-)	(13,712,767)		(15,512,821)	
- other revenues (+)	5,223,490		10,733,782	
- taxes and duties (-)	(165,749)		13,019	
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-		-	
2. Liquidity generated/absorbed by financial assets: (+/-)		**(277,777,685)**		**(134,104,821)**
- financial assets held for trading	532,508		334,061	
- financial assets recognised at fair value	-		-	
- financial assets available for sale	(2,508,335)		913,197	
- loans to custumers	(53,033,641)		(5,382,579)	
- due from banks: repayable on demand	(211,443,587)		(121,224,879)	
- other assets	(11,324,629)		(8,744,622)	
3. Liquidity generated/absorbed by financial liabilities: (+/-)		**427,169,656**		**85,925,697**
- due to banks: repayable on demand	368,844,491		73,334,900	
- due to banks: other	(62,635)		(125,375)	
- due to customers	-		-	
- other liabilities	58,387,800		12,716,172	
Net liquidity generated/absorbed by operating activity A (+/-)		**172,802,203**		**(23,698,597)**
INVESTING ACTIVITY				
1. Liquidity generated by: (+)		-		-
- disposal of equity investments	-		-	
- 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 (+/-)		-		-
FUNDING ACTIVITY				
- issue/purchase of own shares	(4,449,001)		(190,491)	
- issue/purchase of capital instruments	-		-	
- distribution of dividends and other uses	-		-	
Net liquidity generated/absorbed by funding activity C (+/-)		**(4,449,001)**		**(190,491)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD D = A +/- B +/- C		**168,353,202**		**(23,889,088)**

Notes

Accounting policies

General basis of preparation of the Financial Report at 30 June 2021

The Financial Report at 30 June 2021 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 Financial Report at 30 June 2021 consists of the condensed half-yearly financial report and is accompanied by an interim report on operations containing significant events during the half-year, disclosure of related-party transactions and a description of the main risks and uncertainties, including those relating to the business outlook.

The accounting standards adopted in preparing the condensed half-yearly financial 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 2020 financial statements, to which the reader is referred for a full account.

The condensed half-yearly financial report, prepared in accordance with the provisions of IAS 34 on interim financial reporting, consists of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows presented in euro, and these notes; the notes have been drafted in thousands of euro when relating to specific items of the financial statements.

The financial statements have been prepared in application of the provisions of Bank of Italy Circular No. 262 of 22 December 2005, "Bank financial statements: presentation and rules for compilation", as updated.

The condensed half-yearly financial report at 30 June 2021 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

The following standards, amendments and interpretations are applicable to the reporting year.

Amendments to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

On 31 March 2021 the IASB published the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, whereby it extended by 12 months the possibility of not accounting for amendments to lease contracts associated with the Covid-19 as lease modifications and not to proceed, under certain circumstances, with the remeasurement of the lease liabilities for payments originally due by 30 June 2022.

There have not been any significant impacts on the accounting treatment and classification of existing leases, inasmuch as the Bank has not received any significant concessions that would render the application of this amendment necessary, as already commented upon in the annual financial statements. The date of entry into force of the standard is 1 April 2021. At present, the amendment has yet to be endorsed by the European Union.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Within the framework of the project IBOR Reform and its Effects on Financial Reporting – for a detailed illustration of which see the general basis of preparation and measurement of the annual financial statements – the IASB has concluded the second phase of the project, intended to manage impacts during the period after the entry into force of the new benchmark rates. On 25 August 2020 the IASB published the amendment Interest Rate Benchmark Reform – Phase 2. The new rule confirms that accounting hedging relationships do not cease as a result of the rate reform and governs the modification of the contractual cash flows from the financial instruments deriving from the reform. This amendment does not entail the derecognition of the financial instrument, but only the update of the effective interest rate to reflect the changed benchmark rate.

The amendment has been in effect since 1 January 2021. The amendment was endorsed on 13 January 2021.
From the analysis performed by the Bank, through a specific assessment project, on the whole, no significant impacts have been detected to date with regard to assets and liabilities linked to such benchmark rates, derivative pricing and existing hedging relationships.

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 "*Loans subject to moratoria as a consequence of the Covid-19 pandemic*" below, specific information has been provided regarding the scenario caused by the Covid-19 pandemic and the specific actions taken.

In this context it is emphasised that the Bank's liquidity remains at high levels. The total one-month net liquidity balance was €949 million. The total eligible assets available amounted to €1,653 million, 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 €1,087 million. The regulatory liquidity profile LCR is 180%; the NSFR is 121%.

At 30 June 2021 own funds, calculated considering the current transitional treatment, amounted to €300,161 thousand, compared to risk weighted assets of €2,068,028 thousand, primarily reflecting credit and counterparty risk and, to a lesser extent, operational and market risks. The total capital ratio was 14.51% and the CET1 ratio 14.51%, 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 2020, 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.

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 2021 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 2020 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 condensed half-yearly financial report at 30 June 2021, 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 2021. 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.

Contributions to European deposit guarantee schemes and resolution mechanisms

In the first half of 2021 the Bank recognised a contribution of €2,100 thousand, gross of the tax effect, to the National Resolution Fund for the rescue of struggling banks, in addition to the €26,938 thousand paid in 2015 and 2020.

Earnings results

Reconciliation of the income statement and reclassified income statement

Recalssified income statement	Income Statement	30/06/2021	30/06/2020
Net interest income	30 - Net interest income	37,947	33,361
	90 - Fair value adjustments in hedge accounting	-	-
Total Net interest income		**37,947**	**33,361**
Net commisions	**60 - Net commissions**	**17,020**	**15,247**
Dividends	70 - Dividends and similar income	210	28
Total Dividends		**210**	**28**
Net trading income		**3,055**	**5,888**
	80 - Net trading income	291	476
	100 - Profit (loss) on disposal or repurchase of:	2,689	5,408
	a) financial assets measured at amortised cost	(293)	(208)
	b) financial assets measured at fair value through other comprehensive income	115	545
	c) financial liabilities -	0	2
	110 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss a) financial assets and liabilities designated at fair value	-	
	110 - Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss b) other financial assets mandatorily measured at fair value	254	(335)
Total Gains (losses) from purchase/sale of loans and financial assets		**3,055**	**5,888**
Other operating income/expenses (net of recovered expenses)	200 - Other operating income (expenses)	4,987	4,157
	200 (partial) - Other operating income (expenses) - Recovery of indirect taxes	(3,593)	(3,849)
Total Other operating income/expenses (net of recovered expenses)		**1,395**	**308**
Income (loss) from operating		**59,627**	**54,832**
Personnel expenses (net of recovered expenses)	160 a) personnel expenses	(21,261)	(20,277)
Other administrative expenses (net of recovered expenses)	160 b) other administrative expenses	(15,430)	(15,258)
	160 b) other administrative expenses - Levies and other charges concerning the bar	2,100	2,052
	200 (partial) - Other operating income (expenses) - Recovery of indirect taxes	3,593	3,849
Total other administrative expenses (net of recovered expenses)		**(9,738)**	**(9,357)**
Net impairment/write backs on property, plant and equipment and intangible assets (excluding	180 - Net impairment/write-backs on property, plant and equipment	(2,107)	(2,182)
	190 - Net impairment/write-backs on intangible assets	(37)	(28)
Total Net impairment/write backs on property, plant and equipment and intangible assets (excluding goodwill)		**(2,144)**	**(2,209)**
OPERATING COST		**(33,143)**	**(31,843)**
INCOME (LOSS) FROM OPERATING		**26,485**	**22,989**
Charges/write-backs on impairment of loans		**(12,868)**	**(16,201)**
	130 - Charges/write-backs on impairment of loans a) loans measured at amortised cost**	(13,162)	(16,409)
	100 - Profit (loss) on disposal or repurchase of: a) loans measured at amortised cost*	293	208
Charges/write-backs on impairment of other financial assets		**(24)**	**(514)**
	130 - Charges/write-backs on impairment of loans a) financial assets measured at amortised cost**	(11)	(474)
	130 - Charges/write-backs on impairment of loans b) financial assets measured at fair value through other comprehensive income	(13)	(41)
Goodwill impairment	240 - Goodwill impairment	-	-
Profit (loss) on equity investments	220 - Profit (loss) on equity investments	-	**(77)**
Profit (loss) on disposal of investments	250 - Profit (loss) on disposal of investments	**(26)**	**(5)**
Net provisions for risks and charges		**(2,497)**	**(436)**
	170 - Net provisions for risks and charges a) commitments and guarantees given	(536)	(149)
	170 - Net provisions for risks and charges b) other net provisions	(1,960)	(287)
Income (loss) before tax from continuing operations		**11,070**	**5,757**
Tax on income from continuing operations		**(4,432)**	**(2,282)**
	270 - Tax on income from continuing operations	(3,757)	(1,623)
	of which: taxes on levies and other charges concerning the banking industry	(675)	(660)
Levies and other charges concerning the banking industry after tax		**(1,425)**	**(1,392)**
	160 b) other administrative expenses - Levies and other charges concerning the bar	(2,100)	(2,052)
	of which: taxes on levies and other charges concerning the banking industry	675	660
Profit (loss) on disposal of investments net of taxes	Voce 280 - Profit (loss) on disposal of investments net of taxes		
Net income		**5,213**	**2,083**

** The component relating to gains and losses on the sale of loans derives from the reclassification from the item "net trading income" to the item "net impairment on loans".*

*** Within the item "net impairment losses for credit risk", impairment losses on loans to customers and on financial assets are presented separately.*

Reclassified income statement

RECLASSIFIED INCOME STATEMENT (thousands of Euro)	30/06/2021	30/06/2020	Var %
Net interest income	37,947	33,361	13.7%
Net commissions	17,020	15,247	11.6%
Dividends	210	28	652.9%
Net trading income	3,055	5,888	-48.1%
Other operating income (expenses) (3)	1,395	308	352.3%
Operating income	**59,627**	**54,833**	**8.7%**
Personnel expenses	(21,261)	(20,277)	4.9%
Other administrative expenses (1)	(9,738)	(9,357)	4.1%
Net impairment/write backs on property, plant and equipmer	(2,144)	(2,209)	-2.9%
of which right of use depreciation - IFRS 16	*(1,041)*	*(1,050)*	-0.8%
Operating cost	**(33,143)**	**(31,843)**	**4.1%**
Income (loss) from operating	**26,485**	**22,990**	**15.2%**
Charges/write-backs on impairment of loans	(12,868)	(16,201)	-20.6%
Charges/write-backs on impairment of other financial assets	(24)	(514)	-95.3%
Charges/write-backs on impairment of goodwill and equity ir	-	(77)	-100.0%
Profit (loss) on disposal of investments	(26)	(5)	410.7%
Net provisions for risks and charges	(2,497)	(436)	473.2%
Income (loss) before tax from continuing operations	**11,070**	**5,757**	**92.3%**
Tax on income from continuing operations	(4,432)	(2,282)	94.2%
Levies and other charges concerning the banking industry after tax	(1,425)	(1,392)	2.4%
Net income	**5,213**	**2,083**	**150.3%**

(1) Other administrative expenses include recoveries of taxes and duties and other recoveries recognised under "200. Other operating income/expenses" (€3,593 thousand in 2021 and €3,849 thousand in 2020). 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 "200. Other operating income/expenses" net of the reclassifications presented above.
(4) Net trading income or loss corresponds to "Item 80. Net trading income or loss, Item 100. Profits (losses) on disposal or repurchase of financial assets measured at amortised cost net of profits/losses on loans, Item 100. Profits (losses) on the sale or repurchase of financial assets measured at fair value through comprehensive income and financial liabilities and Item 110. Profits (losses) on other financial assets and financial liabilities designated at fair value through profit or loss".

Net interest income

Net interest income	30/06/2021	30/06/2020	%	Abs
Relations with customers	27,651	27,198	1.7%	454
Financial liabilities	(44)	(52)	-15.3%	8
Net income from customers	**27,607**	**27,146**	**1.7%**	**461**
Financial assets	4,078	2,765	47.5%	1,312
Capitalization policies	22	241	-90.7%	(218)
Financial assets	**4,100**	**3,006**	**36.4%**	1,094
Relations with banks	5,259	1,963	167.9%	3,296
Other net interest	-	-	0.0%	-
Total net interest (exl. Reversal)	**36,966**	**32,115**	**15.1%**	**4,851**
Interest income on impaired financial assets	1,156	1,447	-20.1%	(291)
IFRS 16	(174)	(201)	-13.1%	26
Total net interest income	**37,947**	**33,361**	**13.7%**	**4,586**

Dividends

	30/06/2021		30/06/2020		%
	Dividends	Income from UCI	Dividends	Income from UCI	
A. Financial assets held for trading	-	-	-	-	-
B. Financial assets available for sale	-	-	-	-	-
C. Financial assets recognised at fair value	210	-	28	-	652.9%
D. Equity investments	-	X	-	X	-
Total	**210**	**-**	**28**	**-**	**652.9%**

Net commission income

Net commissions	**30/06/2021**	**30/06/2020**	**%**	**Abs**
Guarantees issued	446	393	13.3%	52
Collection and payment services	2,414	2,161	11.7%	253
Current accounts	2,915	2,870	1.6%	45
Commisions on credit facilities	3,678	3,506	4.9%	173
Credit and debit cards	1,217	1,069	13.8%	148
Commercial banking activities	**10,670**	**9,999**	**6.7%**	**671**
Trading and placement of securities (including mutual funds)	2,510	2,269	10.6%	241
Currency dealing	140	141	-0.8%	(1)
Portfolio management	1,263	1,230	2.7%	33
Distribution of insurance products	2,439	1,550	57.4%	889
Management, intermediation and advisory services	**6,352**	**5,190**	**22.4%**	**1,162**
Other net fee and commission income	(1)	58	-102.4%	(60)
Net fee and commission income	**17,020**	**15,247**	**11.6%**	**1,773**

Profit (loss) on financial assets

Financial assets - securities and derivatives	**30/06/2021**	**30/06/2020**	**%**
Net trading income	**291**	**476**	**n.c.**
Profit (loss) on disposal or repurchase of:	**2,511**	**5,748**	**-56.3%**
a) financial assets measured at amortised cost	2,396	5,200	-53.9%
b) financial assets measured at fair value through other comprehensive income	115	545	-78.9%
c) financial liabilities	(0)	2	-100.1%
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	**254**	**(335)**	**n.c.**
a) financial assets and liabilities measured at fair value	-	-	n.c.
b) other financial assets mandatorily measured at fair value	254	(335)	-175.7%
Total	**3,055**	**5,888**	**-48.1%**

Other operating income (expenses)

Other operating income	**30/06/2021**	**30/06/2020**	**%**
Out-of-period expenses and reductions in assets	(723)	(899)	19.6%
Total operating expenses	**(723)**	**(899)**	**19.6%**
Other income - rentals and fees	198	155	28.1%
Expenses charged to others on deposits and current accounts	-	-	-
Expenses charged to others - other	1,102	421	161.8%
Out-of-period income and reductions in liabilities	817	632	29.3%
Total operating income	**2,117**	**1,207**	**75.4%**
Total operating income and expenses	**1,395**	**308**	**352.3%**

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	30/06/2021	30/06/2020	%
Wages and salaries	14,386	13,775	4.4%
Social security contributions	3,778	3,735	1.1%
Other personnel expenses	3,097	2,766	11.9%
Total personnel expenses	**21,261**	**20,277**	**4.9%**
Expenses for maintenance and repairs	371	344	7.8%
Electricity, energy and condominium fees	509	504	1.0%
Cleaning of premises	314	270	16.1%
Rentals	-	6	-100.0%
Real estate management costs	**1,194**	**1,124**	6.2%
Expenses for certifications and related mandatory activities	315	156	101.9%
Legal and judiciary expenses for credit recovery	472	852	-44.6%
Legal and judiciary expenses banking activity	282	496	-43.1%
Expenses for consultancy fees	714	729	-2.1%
Professional and consultancy expenses	**1,783**	**2,233**	-20.1%
Printing, stationery and consumables expenses	78	74	5.5%
Postal, telegraphic and telephone expenses	189	206	-7.9%
Insurance costs	192	155	23.8%
Association fees	258	255	1.0%
Company inquiries	384	385	-0.4%
Transport and related services expenses (including counting of valuables)	210	208	1.2%
General structure costs	**1,311**	**1,282**	2.2%
Transport and related services expenses	**273**	**243**	12.3%
Advertising and promotional expenses	**575**	**608**	-5.4%
Outsourcing costs and other services provided by third parties	**4,277**	**3,890**	10.0%
Taxes and duties	**3,572**	**3,403**	5.0%
Other costs	**347**	**424**	-18.0%
Recovery of expenses and charges	**(3,593)**	**(3,849)**	-6.7%
Administrative expenses - partial	**9,738**	**9,357**	**4.1%**
Net impairment/write-backs on property, plant and equipment	2,107	2,182	-3.4%
of which right of use depreciation - IFRS 16	1,041	1,050	-0.8%
Net impairment/write-backs on intangible assets	37	28	34.1%
Total net impairments	**2,144**	**2,209**	**-2.9%**
Total operating costs	**33,143**	**31,843**	**4.1%**

Operating income

Operating income stood at €26,485 thousand, up by 15.2% compared to 30 June 2020.

Net adjustments due to credit risk

Net impairment/write-backs on loans and other assets	30/06/2021	30/06/2020	%
Bad loans	(5,250)	(6,458)	-18.7%
Unlikeliy to pay	(5,513)	(2,536)	117.4%
Past due loans	(980)	(1,501)	-34.7%
Performing loans	(1,099)	(5,710)	n.c.
Net impairment losses on loans	**(12,841)**	**(16,204)**	**-20.8%**
Profits (Losses) on changes in contracts without derecognition	**(27)**	**4**	**-100.0%**
Total	**(12,868)**	**(16,200)**	**-20.6%**

Net provisions for risks and charges

Net provisions for risks and charges	30/06/2021	30/06/2020	%
Legal and tax disputes	(2,733)	(287)	-852.3%
Charges for staff	773	-	-
Net provisions for risks and charges for credit risk relating to commitments and financial guarantees issued	(536)	(149)	-259.9%
Total	**(2,496)**	**(436)**	**-472.5%**

Income (Loss) before tax from continuing operations

Income before tax from continuing operations in the first six months of 2021 stood at €11,070 thousand.

Tax on income from continuing operations

Taxes accrued in the second quarter of 2021, including both current taxes and prepayments, amounted to net tax of €4,432 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 €1,425 thousand (€2,100 thousand gross of the tax effect).

Net income (loss)

The net income for the period amounted to €5,213 thousand.

Balance sheet aggregates

Reconciliation between the balance sheet and reclassified balance sheet

RECLASSIFIED BALANCE SHEET - Assets	Balance sheet - Assets	30/06/2021	31/12/2020
Cash and cash equivalents	10 - Cash and cash equivalents	941,643	773,290
Financial assets measured at fair value through profit or loss	20 - Financial assets measured at fair value through profit or loss	23,661	21,685
	a) financial assets held for trading	407	940
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	23,253	20,745
Financial assets measured at fair value through other comprehensive income	30 - Financial assets measured at fair value through other comprehensive income	200,541	147,243
Financial assets measured at amortised cost	40 - Financial assets measured at amortised cost	4,010,821	3,810,152
a) Due from banks	a) due from banks	37,558	37,051
b) Loans to customers	b) loans to customers	3,973,263	3,773,101
Derivati di copertura	Voce 50 - Derivati di copertura	-	-
Investments in associates and companies subject to joint	70 - Equity investments	2,359	2,359
Property, plant and equipment and intangible assets		84,444	85,250
	80 - Property and equipment	84,308	85,104
	90 - Intangible assets	136	147
Other assets		129,477	121,081
	100 - Tax assets	56,284	62,174
	Voce 110 - Attività non correnti e gruppi di attività in via di dismissione	-	-
	120 - Other assets	73,193	58,907
Total assets		5,392,946	4,961,060

RECLASSIFIED BALANCE SHEET - Liabilities	Balance sheet - Liabilities and shareholders' equity	30/06/2021	31/12/2020
Financial liabilities measured at amortised cost	10 - Financial liabilities measured at amortised cost	4,969,638	4,600,794
a) Due to banks	a) Due to banks	1,204,541	1,107,629
b) Due to customers	b) Due to customers	3,737,450	3,487,225
c) Securities issued	c) Securities issued	27,647	5,939
Financial liabilities held for trading	20 - Financial liabilities held for trading	65	63
Passività finanziarie designate al fair value	Voce 30 - Passività finanziarie designate al fair value	-	-
Other liabilities		122,589	61,264
	Voce 40 - Derivati di copertura	-	-
	Voce 50 - Adeguamento di valore delle passività finanziarie oggetto di copertura ger	-	-
	60 - Tax liabilities	1,107	1,710
	a) current	247	974
	b) deferred	860	736
	Voce 70 - Passività associate a gruppi di attività in via di dismissione	-	-
	80 - Other liabilities	121,482	59,554
Specific provisions		8,495	7,748
	90 - Employee termination benefits	3,602	3,776
	100 - Provisions for risk and charges:	4,893	3,972
	a) commitments and guarantees given	1,316	780
	b) quiescenza e obblighi simili	-	-
	c) other provisions for risks and charges	3,576	3,192
Shareholders' equity		292,159	291,192
	110 - Valuation reserves	210	865
	Azioni rimborsabili	-	-
	Strumenti di capitale	-	-
	140 - Reserves	75,909	68,267
	150 - Share premiums	167,022	167,022
	160 - Share capital	50,913	50,913
	170 - Treasury shares (-)	(7,107)	(2,658)
	180 - Net income (loss) (+/-)	5,213	6,783
Total liabilities		5,392,946	4,961,060

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)	30/06/2021	31/12/2020	Var %
Cash and cash equivalents	941,643	773,290	21.8%
Financial assets measured at fair value through profit or loss	23,661	21,685	9.1%
Loans to customers	*1,757*	*1,734*	*1.4%*
Other financial assets	*21,903*	*19,951*	*9.8%*
Financial assets measured at fair value through other comprehensive income	200,541	147,243	36.2%
Other financial assets	*200,541*	*147,243*	*36.2%*
Financial assets measured at amortised cost	4,010,821	3,810,152	5.3%
Due from banks	*33,025*	*32,554*	*1.4%*
Loans to customers	*3,116,012*	*2,976,395*	*4.7%*
Other financial assets	*861,783*	*801,204*	*7.6%*
Investments in associates and companies subject to joint	2,359	2,359	0.0%
Property, plant and equipment and intangible assets	84,444	85,250	-0.9%
Owned	*71,902*	*71,805*	*0.1%*
Rights of use aquired with leases - IFRS 16	*12,542*	*13,446*	*-6.7%*
Tax assets	56,284	62,174	-9.5%
Other assets	73,193	58,907	24.3%
Total assets	**5,392,946**	**4,961,060**	**8.7%**

LIABILITIES (thousands of Euro)	30/06/2021	31/12/2020	Var %
Due to banks measured at amortised cost	1,675,943	1,516,483	*10.5%*
Due to customers measured at amortised cost	3,253,185	3,064,511	*6.2%*
Securities issued measured at amortised cost	27,647	5,939	*365.5%*
Financial liabilities held for trading	65	63	4.0%
Tax liabilities	1,107	1,710	-35.3%
Other liabilities	134,345	73,416	83.0%
of which leasing liabilities - IFRS 16	*12,863*	*13,861*	*-7.2%*
Specific provisions (1)	8,495	7,748	9.6%
Shareholders' equity (2)	292,159	291,192	0.3%
Total liabilities	**5,392,946**	**4,961,060**	**8.7%**

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) for the year".
Amounts payable to institutional counterparties (Cassa Compensazione e Garanzia) have been reclassified from "Due to customers" to "Due to banks".

Financial assets measured at amortised cost

Loans to customers: composition

Type of operations / Amounts	30/06/2021		31/12/2020		%
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	
Loans	**2,979,733**	**136,279**	**2,832,444**	**143,950**	**4.7%**
1. Current accounts	172,090	19,551	177,817	20,494	-3.4%
2. Repurchase agreement	-	-	-	-	0.0%
3. Mortgage loans	2,096,327	102,370	1,953,837	109,653	6.6%
4. Credit cards, personal	55,971	1,417	50,509	1,454	10.4%
5. Finance leases	249,736	9,857	234,645	9,765	6.2%
6. Factoring	-	-	-	-	0.0%
7. Other	405,610	3,086	415,635	2,584	-2.3%
Debt securities	**857,251**	**-**	**796,707**	**-**	**7.6%**
8. Structured	-	-	-	-	0.0%
9. Other debt securities	857,251	-	796,707	-	7.6%
Total	**3,836,984**	**136,279**	**3,629,151**	**143,950**	**5.3%**

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	**146,226**	**98,446**	**47,780**	**154,369**	**107,475**	**46,894**
Bad loans	124,518	43,797	80,721	130,316	44,472	85,844
Unlikely to pay	9,312	1,533	7,779	12,986	1,773	11,213
Past due loans	3,001,525	21,792	2,979,733	2,852,842	20,398	2,832,444
Performing loans	**2,682,174**	**13,555**	**2,668,619**	**2,639,298**	**12,514**	**2,626,784**
Stage 1	319,351	8,237	311,114	213,545	7,884	205,660
Stage 2	857,769	518	857,251	797,213	507	796,706
Performing loans represented by securities	**856,822**	**510**	**856,312**	**795,408**	**477**	**794,931**
Stage 1	947	8	939	1,805	30	1,775
Stage 2	4,139,350	166,086	3,973,263	3,947,726	174,626	3,773,101
Total Loans to customers measured at amortised cost	**3,283,337**	**165,568**	**3,973,263**	**-**	**-**	**3,773,101**

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	30/6/2021		31/12/2020		Change %
	Value	indic.%	Value	indic.%	
Bad loans	47,780	1.5%	46,894	1.6%	1.9%
Unlikely to pay	80,721	2.6%	85,845	2.9%	-6.0%
Past due loans	7,779	0.2%	11,213	0.4%	-30.6%
Total impaired assets	**136,280**	**4.4%**	**143,951**	**4.8%**	**-5.3%**
Performing loans	2,981,489	95.6%	2,834,177	95.2%	5.2%
Loans represented by securities	-	0.0%	-	0.0%	0.0%
Loans to customers	**3,117,769**	**100.0%**	**2,978,128**	**100.0%**	**4.7%**

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

	30/06/2021	31/12/2020	inc%	Change %
Direct funding	**3,280,832**	**3,070,450**	**72.7%**	**6.9%**
Indirect funding:	**1,230,657**	**1,162,020**	**27.3%**	**5.9%**
Assets under administration	224,951	218,719	5.0%	2.8%
Assets under management	1,005,706	943,301	22.3%	6.6%
Total funding	**4,511,489**	**4,232,470**	**100%**	**6.6%**

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.

Direct funding	30/06/2021	inc. %	31/12/2020	inc. %	Var.%
Current accounts and deposits	2,966,468	90.4%	2,776,319	90.4%	6.8%
Term deposits	-	0.0%	-	0.0%	-
Other debts	286,717	8.7%	288,191	9.4%	-0.5%
Certificates of deposit	-	0.0%	-	0.0%	-
Subordinated liabilities	-	0.0%	-	0.0%	-
Debts securities issued	27,647	0.8%	5,939	0.2%	365.5%
Total direct funding	**3,280,832**	**100.0%**	**3,070,450**	**100.0%**	**6.9%**

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.

Indirect funding	30/06/2021		31/12/2020		% change
	Amounts	% breakdown	Amounts	% breakdown	
Mutual Funds	585,545	47.6%	550,493	47.4%	6.4%
Portfolio management	178,594	14.5%	169,649	14.6%	5.3%
Life technical reserves and financial liabilities	241,567	19.6%	223,159	19.2%	8.2%
Assets under management	**1,005,706**	**81.7%**	**943,301**	**81.2%**	**6.6%**
Assets under administration	**224,951**	**18.3%**	**218,719**	**18.8%**	**2.8%**
Indirect funding	**1,230,657**	**100.0%**	**1,162,020**	**100.0%**	**5.9%**

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

Financial assets - securities and derivatives	30/06/2021	30/06/2020	%
Financial assets measured at fair value through profit or loss	21,903	19,951	9.8%
Financial assets measured at fair value through other comprehensive income	200,541	147,243	36.2%
Financial assets measured at amortised cost	861,783	801,204	7.6%
Totale financial assets	**1,084,228**	**968,398**	**12.0%**
Financial liabilities - securities and derivatives			
Financial liabilities held for trading	65	63	4.0%
Financial liabilities at fair valute	-	-	0.0%
Total financial liabilities	**65**	**63**	**4.0%**

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 €21,903 thousand, up by 9.8% compared to 2020.
Financial assets designated at fair value through other comprehensive income came to €200,541 thousand, mostly classified to Stage 1, and were up by 36.2%.
Securities measured at amortised cost totalled €861,783 thousand, an increase of 7.6%.

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 Spa as at 30 June 2021 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	Spain	San marino	European Union
Financial assets measured at fair value through profit or loss	-	395	-	-
a) financial assets held for trading	-	395	-	-
Financial assets measured at fair value through other comprehensive income	150,556	-	313	1,523
Financial assets measured at amortised cost	790,880	-	-	-
b) loans to customers	-	-	-	-
Total	941,436	395	313	1,523

Net interbank position

Interbank position	30/06/2021	31/12/2020	Absolute	Change %
Cash and cash equivalents	941,643	773,290	168,353	21.8%
Loans to banks	33,025	32,554	472	1.4%
Due to banks	(1,675,943)	(1,516,483)	(159,460)	10.5%
NET INTERBANK POSITION	**(701,274)**	**(710,639)**	**9,365**	**-1.3%**

Changes in provisions for risks and charges

	Revocatory actions	Customer disputes	Other provisions	Commitments and Guarantees issued
A. Opening balance	**1,987**	**847**	**358**	**780**
B. Increases	**2,902**	**12**	**-**	**536**
B.1 Provision for the year	2,902	12	-	536
B.2 Changes due to time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B4. Other changes	-	-	-	-
C. Decreases	**1,698**	**832**	**-**	**-**
C.1 Use during the year	1,569	7	-	-
C.2 Changes due to changes in the discount rate	-	-	-	-
C3. Other changes	129	825	-	-
D. Closing balance	**3,191**	**27**	**358**	**1,316**

Provisions for risks and charges consist of the following:

Provision for revocatory actions
This provision stood at €257 thousand as at 30 June 2021 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
This provision amounted to €3,576 thousand at 30 June 2021 and consisted of €1,660 thousand of accruals for customer complaints and legal disputes and €1,916 thousand of liabilities associated with ongoing tax disputes.

The Bank's shareholders' equity

The Bank's shareholders' equity stood at €292,159 thousand at 30 June 2021.

Earnings per share

Basic Earning per share	30/06/2021	30/06/2020
Adjusted attributable profit	5,213	2,083
Weighted average number of shares	16,971,085	16,971,085
Basic Earning per share	**0.31**	**0.12**

**The potential adjustment to the weighted number of shares due to the assignment of the warrants, as described below, amounts to 3,951,344, and therefore the weighted average number of shares in issue for the purposes of diluted earnings per share is 20,922,429. Basic earnings per share, calculated including the potential dilution effect, were €0.25.*

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.
At 30 June 2021 Banca di Cividale has not issued financial instruments that grant their holders the right to obtain ordinary shares.

In addition, following the authorisation from CONSOB of publication of the prospectus, on 2 August 2021 the Bank launched the option offer, to holders of CiviBank ordinary shares, pursuant to Art. 2441, paragraph 1, of the Italian Civil Code, of 9,483,225 new shares for a total of €49,976,595.75.

The new shares are offered on option to the shareholders of the issuer pursuant to Art. 2441, paragraph 1, of the Italian Civil Code. Accordingly, the capital increase will not have any dilution effects in terms of the percent equity interest in total share capital held for shareholders of the issuers who exercise the options to which they are entitled in full.
By contrast, shareholders of the issuer who decide not to exercise the options to which they are entitled and therefore do not subscribe to the new shares arising from the options would see their equity interests in the issuer's total capital diluted. The maximum percent dilution (calculated assuming the full subscription of the capital increase) will be 64.15%.
In addition, the exercise of the capital increase in service of the warrants may have diluting effects on (i) the shareholders of the issuer at the date of commencement of the Option Offer who do not exercise the warrants assigned to them; and (ii) non-shareholders of the Bank at the date of the commencement of the Option Offer who subscribe for the capital increase and who are not entitled to receive the warrants. The warrants (which grant the right to subscribe for the warrant compendium shares at the ratio of one warrant compendium share per each four warrants exercised) will be issued and assigned free of charge on the date of commencement of the Option Offer to all members of the Bank holding shares at that same date, at the ratio of one warrant per each share in issue at that date.
For further information regarding the capital increase in service of the warrants and the characteristics of the warrants, see Part C, Section IV, Paragraph 4.6 of the Prospectus.
For further information regarding the diluting effects of the capital increase and the capital increase in service of the warrants, see Part C, Section IX, Paragraph 9.1 of the Prospectus.

Valuation reserves

Valuation reserves (net of the tax effect) amounted to €210 thousand at 30 June 2021. The aggregate presented a net decline of €655 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 2020 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	30/06/2021 L1	30/06/2021 L2	30/06/2021 L3	31/12/2020 L1	31/12/2020 L2	31/12/2020 L3
1. Financial assets measured at fair value through profit or loss	405	4,357	18,898	712	1,792	19,181
a) financial assets held for trading	405	2	-	712	228	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	4,355	18,898	-	1,564	19,181
2. Financial assets measured at fair value through other comprehensive income	179,741	698	20,102	127,351	680	19,213
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**180,146**	**5,055**	**39,000**	**128,063**	**2,472**	**38,394**
1. Financial liabilities held for trading	-	65	-	-	63	-
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	**65**	-	-	**63**	-

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: 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	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balance	-	-	-	**19,181**	**19,213**	-	-	-
2. Increasese	-	-	-	**149**	**3,719**	-	-	-
2.1. Purchases	-	-	-	-	2,500	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1.Income statement	-	-	-	-	-	-	-	-
- of which unrealised gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	914	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	149	305	-	-	-
3. Decreases	-	-	-	**432**	**2,830**	-	-	-
3.1. Sales	-	-	-	-	2,003	-	-	-
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	-	-	-	432	827	-	-	-
4. Closing balance	-	-	-	**18,898**	**20,102**	-	-	-

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	30/06/2021 BV	30/06/2021 L1	30/06/2021 L2	30/06/2021 L3	31/12/2020 BV	31/12/2020 L1	31/12/2020 L2	31/12/2020 L3
1. Financial assets measured at amortised cost	4,010,821	811,822	62,521	3,588,336	3,810,152	757,672	56,217	3,439,486
2. Investment property	9,540	-	-	9,540	9,673	-	-	9,673
3. Non-current assets or groups of assets being divested	-	-	-	-	-	-	-	-
Total	**4,020,361**	**811,822**	**62,521**	**3,597,876**	**3,819,825**	**757,672**	**56,217**	**3,449,159**
1. Financial liabilities measured at amortised cost	4,969,638	-	27,635	4,937,791	4,600,794	-	5,888	4,598,724
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**4,969,638**	-	**27,635**	**4,937,791**	**4,600,794**	-	**5,888**	**4,598,724**

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

Risk management and monitoring

Risk management

CiviBank 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 regulations. 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 the Bank 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.

Credit risk

In accordance with its mission and business model, the Bank is primarily exposed to credit risk.
The Bank continued its lending activity in support of the community in the first half of 2021, disbursing total new loans of €366.3 million, an increase of 37.9% on the first six months of 2020 (+€100.8 million), to be attributed to both loans disbursed to companies, up +26.2% or +€51 million compared to the same period of the previous year, and to consumer households (+70.8% or +€49.9 million compared to the figure recorded at 30 June 2020). The new loans disbursed in the first half of 2021 represent the highest figure by amount of the past three years (in reference to the first halves of the years 2018-2021).
The snapshot of the Bank's loan portfolio quality at 30 June 2021, deriving in particular from quantitative information and indicators, does not reflect all the prospective negative effects of the Covid-19 scenario. Particular attention should be drawn to the "freezing effect" associated largely with the amount of the moratoria in place at the end of June (approximately 24% of the gross exposure of performing loans to customers), combined with additional government support measures activated by the banking system (including loans backed by government guarantees).
After a slow beginning to the year caused by further lockdowns tied to the Covid-19 resurgence, expectations regarding the macroeconomic outlook are positive, with a significant recovery of Italian GDP expected already in 2021, driven by the acceleration of the vaccination plan and improvement of the health emergency, as well as the arrival of the first European funds of Next Generation EU.
However, there continue to be strong signs of uncertainty and the effects of the crisis remain uneven: the progressive return to pre-crisis conditions will not occur for all sectors of the economy, due to changed consumer habits following the pandemic and structural changes in the market or the restrictions still imposed, in particular on personal mobility (above all for the tourism, restaurant and leisure time sectors and related sectors such as air transport, travel agencies, events, etc.).
A further area of attention relates to credit dynamics "conditioned" by the impacts of the Covid-19 pandemic crisis and the methods for measuring and monitoring exposures to avoid the "cliff effect" in accordance with supervisory expectations. While acknowledging the importance of ongoing analysis and monitoring of the situation of each company, greater risk is associated with customers who have benefited from a moratorium during this period, who applied, after the expiry date of 30 June 2021, for an extension until 31/12/2021 or who belong to the sectors of the economy most severely affected by the pandemic and who present lower recovery prospects in 2021.
In close consideration of the foregoing, and in light of the result obtained by calculating expected loss under the IFRS 9 models and the application of staging allocation criteria, in order to maintain an adequate coverage level of performing loans (at least at the levels of the end of 2020), at 30 June 2021 the Bank assessed the adoption of management overlay interventions to include ad hoc corrections, not captured by the models, to take account of: 1) credit relationships with counterparties that applied for the extension of the moratoria at 31/12/2021 (expiring on 30/6/2021); and 2) the current and prospective performance of specific sectors of the economy within the current particular Covid-19 situation (particularly as regards the tourism, restaurant and leisure time sectors). These interventions were applied contingently at the portfolio level at 30 June 2021, pending an understanding and assessment, in particular, of the behaviour of customers who at 1 July 2021 resumed repayment of loans subject to moratoria until the end of June to CiviBank and to the banking system for customers with positions with multiple banks.
In the first half of 2021 the Bank also continued to pursue its goal of reducing non-performing loans, as set in the update to the 2021-2023 NPL Plan sent at the end of March 2021 to the supervisory authority and prepared in continuity with the strategy also adopted in previous years, focused to a large extent on recovery activity through internal management and, where advisable, on multiple-originator GACS-backed non-performing loan sales. Against the increase in performing loans recorded in the first six months of 2021 and the decrease in the gross exposure to non-performing loans (deriving in particular from write-offs of non-performing loans), there was a further decrease in the gross NPL ratio from 9.4% at 31 December 2020 to 8.5% at 30 June 2021. This result was also driven by the containment of the flow of new non-performing loans, with a default rate in the first six months at the same level as seen in the first half of 2020 (0.45% versus 0.49%), very far from the forecasts included in the NPL plan for 2021 (forecast annual rate of 2.6%). Mention should also be made of the maintenance of an average coverage level in excess of 51% of total non-performing loans (a level similar to that at 31/12/2020), with an increase in coverage for the classes "exposures past-due by more than 90 days" and "unlikely to

pay", whereas the decrease for the non-performing loan class is largely to be attributed to write-offs on counterparties with high coverage levels.

Concentration risk of the customer loan portfolio

The exposure to concentration risk for loans to customers, 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 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 regulatory trading book and the associated market risk profile are modest in extent. The current composition of assets entails an exposure to sovereign risk linked to the size of the portfolio invested in Italian government bonds and, to a residual extent, in exposures to securitisations (among which two senior securities with GACS deriving from multi-originator NPL sale transactions) and private debt securities. Overall, the securities are classified hold-to-collect for approximately 80% of the total exposure of the proprietary portfolio. The exposure to the Italian Republic changed in the first six months of the year as a function of the size of the portfolio, showing a moderate increase compared to 31 December 2020. 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. By contrast, a rise in medium-to-long term interest rates would result in a depreciation of the values of the portfolios and a decline in the unrealised component, which according to supervisory regulations should be deducted from Common Equity Tier 1 capital and own funds only to the extent relating to securities classified as HTCS (held-to-collect-and-sell). In this regard, this risk factor is mitigated by the size of the Bank’s HTCS portfolio and the Bank's adoption of the temporary treatment that allows entities to exclude from the calculation of elements of Common Equity Tier 1 capital unrealised gains and losses, measured at fair value, taken to comprehensive income, during the transitional period 1 January 2020 - 31 December 2022 (Art. 468 of Regulation (EU) No 575/2013 (CRR) as amended by Regulation (EU) No 2020/873 of 24 June 2020). The average duration of the Bank’s proprietary securities portfolio decreased from 2.3 years at 31 December 2020 to 2.1 years at 30 June 2021.

Operational risks (including legal risk, privacy risk and behavioural 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 sustaining losses due to the inadequacy or improper functioning of procedures, human resources, internal systems, or to external events. Within the risk map adopted by the Bank, operational risk also includes legal operational risk and privacy risk.

The exposure to operational risks increased compared to the observation at 30 June 2020, to be attributed to the categories "bankruptcy claw-back" and "tax disputes".

IT risk
This is the risk of current or potential losses due to the inadequacy or failure of technical infrastructure hardware and software capable of compromising the availability, integrity, accessibility and safety of such data infrastructure.
With particular regard to payment services, in accordance with Bank of Italy Circular No. 285/2013, the Bank conducted an annual analysis of operational and security risks for 2020, which yielded an assessment of the residual risk associated with PSD2 IT payment systems of a "low" level for all risk scenarios, except for the "branches" channel, for which the assessment amounted to a "medium-low" level and a residual operational risk assessment of "low" level.
In the first half of 2021 no significant dysfunctions of IT systems, external IT attacks or similar intrusions resulting in a disruption of activities or unauthorised release of information concerning the Bank or its customers were identified.
Following a case of attempted fraud in January 2021 through a clone website of the Internet banking site provided by the IT provider on a fully outsourced basis using the CiviBank brand, after taking specific actions (including a criminal complaint and action against the clone site, internal and external communications measures and protection of customers), the Bank decided to enhance its normal security measures with additional specific measures represented by acquiring a cyber-threat intelligence system with the related specialist service for analysing and generating detailed reports. It should be noted that this fraudulent activity, classifiable as phishing, has not yet resulted in any losses for customers or CiviBank.

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 recorded in the first half of 2021 and the continuation of the European Central Bank's monetary policy, at 30 June 2021 the Bank's exposure, according to an historical simulation approach of the annual changes in interest rates over a period of six years, presents a decrease in economic value under ordinary conditions, calculated on the basis of the simplified method in accordance with supervisory regulations (Bank of Italy Circular 285/2013), greater than the figure at 31/12/2020, but within the internal operating limits set within the RAF. Applying the stress scenarios envisaged in the Guidelines EBA/GL/2018/02 on the management of interest rate risk arising from non-trading book activities, at 30 June 2021 the worst decline in the value of economic capital continued to be that generated by the "steepener" scenario (decline in short-term rates and increase in long-term rates). The threshold of 20% of own funds relating to the scenario of a change in rates of +/- 200 basis points and the threshold of 15% of Common Equity Tier 1 capital relating to the worst result of the six stress scenarios provided for in Guidelines EBA/GL/2018/2 (in the specific case, the "steepener" scenario as described above) were both respected.

Liquidity risk
In the first half of 2021, the structural equilibrium between loans to customers and direct funding (the funding gap) was maintained. The Bank's liquidity profile is at adequate levels, in line with the annual objectives set in the funding plan. At 30 June 2021 the regulatory liquidity indicators LCR and NSFR, adopted among the main internal metrics for measures liquidity risk, are far above the requirements set by the supervisory authority.
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 as at 30 June 2021 that entail the encumbrance of proprietary assets remain 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 (such as guarantees) may prove less effective than expected and is primarily generated by the credit process. In the first half of 2021 there were no significant variations in the exposure to this risk in terms of "unexpected loss" compared to the end of the previous year.

Excessive leverage risk
The leverage indicator falls at a value deemed normal at the company level and far exceeds the minimum level according to supervisory regulations of 3.0%.

Reputational risk
In the first half of 2021 there were not found to be any significant 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 risk remained at a medium-high level in 2021, a view based on assessments focused in particular on external factors relating to the market and regulatory environment in which the Bank operates, as also present in previous years. In this regard, the profitability of banks in the euro area continues to be affected by persistently low interest rates, competition from the banking and non-banking sector (new fintech operators) and rising compliance costs. In addition, technological progress is pushing the frontier of efficiency and driving significant investments to be able to meet customers' new needs. The spread of the COVID-19 pandemic also introduces a level of greater uncertainty and complexity regarding future scenarios, with a particular focus that needs to be placed on the development of credit risk and the potential greater provisions with an impact on the income statement. Accordingly, there continues to be a strong focus, including on the part of the supervisory authorities, on the sustainability of business models and the profitability levels achieved by credit institutions.

Associated party risk
Credit exposures to associated parties did not undergo significant changes in the first half of 2021. The limits set by prudential regulations were fully observed

Securitisation risk
This is the risk associated with the significant transfer of credit risk within the framework of the securitisation transactions involving multi-origination sales of bad loans backed by GACS guarantees.
This represents the "risk that the economic substance of a securitisation transaction is not fully reflected in risk assessment and management decisions".
In view of the objectives for reducing NPL volumes set in the operating plans for reducing non-performing loans, the Bank participated in: 1) the multi-originator sale through securitisation designated "POP NPLs 2019", backed by GACS guarantee, structured by Luigi Luzzatti - *Società consortile per azioni* finalised on 10 December 2019; the derecognition of the loans was certified by a specific report by the bank's auditor on 17 February 2020 and then the government guarantee on the senior notes was issued on 27 April 2020; 2) the multi-originator securitisation of a portfolio of non-performing loans designated "POP NPLs 2020", structured by Luigi Luzzatti - *Società consortile per azioni*, finalised on 4 December 2020; on 12 May 2021 the Minister of Economy and Finance issued a decree attesting to the granting of the GACS, whereas the derecognition of the loans was certified by a specific report by the Bank's auditor on 10 March 2021. After obtaining the GACS, the Bank prepared the notice of the significant transfer of credit risk, which marked the completion of the Bank of Italy procedure, as provided for in the CRR and supervisory regulations.
In accordance with regulatory provisions, the Bank has adopted a "Policy for the significant transfer of credit risk of securitised portfolios" and an internal document entitled the "Guidelines for the process of recognising the SRT and the certification of maintenance of the SRT" which provides a summary, for each phase of the transaction (structuring, closing, periodic monitoring), of the "operating" process to be followed, already present in part in the policy (from the periodic reports that the originating function

sends the other responsible functions, verification of the requirements for derecognising transferred loans and the related ongoing maintenance of the SRT to be activated by Risk Management, etc.).

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 and medium-low average risk level.

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), the Bank 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. 679/2016, 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 Chapter E of the notes, Risks and hedging policies, of the 2020 financial statements.
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.

Related-party transactions
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).
In the first half of 2021 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 TRP 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 https://www.civibank.it/civibank/corporate-governance/procedura-parti

Major transactions
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 2021 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 in the first six months of 2021 with related parties are part of the Bank's ordinary operations and are normally governed by market conditions and meet the requirement of mutual economic expedience in accordance with the internal procedures cited above.

Detailed information regarding related-party transactions, including information on the impact of outstanding transactions and positions with related parties on the Bank's financial performance and financial position, accompanied by tables summarising those effects, are set forth in Chapter H of the Notes to the 2020 financial statements.

Information on transactions with related parties

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

✓ subsidiaries, companies over which Banca di Cividale S.p.A. directly or indirectly exercises control, as defined in IAS 27;

✓ associated companies, companies over which Banca di Cividale S.p.A directly or indirectly exercises a significant influence, as defined in IAS 28;

✓ joint ventures, companies over which Banca di Cividale S.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.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.p.A.; and

✓ subsidiaries, joint ventures and companies subject to significant influence by the Directors, Statutory Auditors, General Managers and Assistant General Managers of Banca di Cividale S.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 table.

	ASSOCIATED COMPANIES	COMPANIES SUBJECT TO JOING CONTROL	EXECUTIVES AND CONTROL BODIES	OTHER RELATED PARTIES	% of
Assets					
Loans to customers	***5,186***	***-***	***540***	***9,531***	***0.49%***
Board of Directors			109	8,897	0.29%
Board of Statutory Auditors			328	568	0.03%
Managers with strategic responsibilities			103	66	0.01%
Liabilities			-	-	0.00%
Due to customers	***98***	***213***	***1,158***	***2,693***	***0.13%***
Board of Directors			599	2,325	0.09%
Board of Statutory Auditors			118	249	0.01%
Managers with strategic responsibilities			441	119	0.02%
Income statement			-	-	0.00%
Net interest income	***40***	***-***	***(1)***	***68***	***0.28%***
Board of Directors			-	64	*0.17%*
Board of Statutory Auditors			1	4	*0.01%*
Managers with strategic responsibilities			(2)	-	*-0.01%*
Net commission income	***1***	***2***	***12***	***15***	***0.18%***
Board of Directors			8	11	*0.11%*
Board of Statutory Auditors			1	4	*0.03%*
Managers with strategic responsibilities			3	-	*0.02%*
Administrative expenses	***-***	***-***	***770***	***-***	***3.62%***
Board of Directors (*)			241	-	*1.13%*
Board of Statutory Auditors			66	-	*0.31%*
Managers with strategic responsibilities			463	-	*2.18%*
Guarantees and commitments	**-**	**-**	**-**	**-**	***0.00%***
Board of Directors			-	-	*0.00%*
Board of Statutory Auditors			-	-	*0.00%*
Managers with strategic responsibilities			-	-	*0.00%*
Indirect funding	**-**	**-**	***2,990***	***883***	***0.31%***
Board of Directors			1,757	791	*0.21%*
Board of Statutory Auditors			43	75	*0.01%*
Managers with strategic responsibilities			1,190	17	*0.10%*

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 *	1,451
b) Post-employement benefits	-
c) Other long-term benefits	-
d) Termination benefits	-
c) Share-based payments	-
Total	**1,451**

** The amount indicated includes the remuneration paid to directors of €241 thousand, to the Board of Statutory Auditors of €48 thousand and to the Supervisory Board of €19 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	30/06/2021			30/06/2020		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Net interest income	3,082	34,865	37,947	3,103	30,258	33,361
Net commissions	(61)	17,081	17,020	(34)	15,281	15,247
Dividends	-	210	210	-	28	28
Net trading income	221	2,834	3,055	84	6,012	6,096
Other operating income (expenses)	99	1,296	1,395	150	158	308
Operating income	**3,341**	**56,286**	**59,627**	**3,303**	**51,738**	**55,041**
Personnel expenses	(236)	(21,025)	(21,261)	(238)	(20,039)	(20,277)
Other administrative expenses	(306)	(9,432)	(9,738)	(219)	(9,138)	(9,357)
Net impairment/write backs on property, plant and equipment and intangible assets	(163)	(1,981)	(2,144)	(162)	(2,047)	(2,209)
of which right of use depreciation - IFRS 16	-	(1,041)	(1,041)	-	(1,050)	(1,050)
Operating cost	**(705)**	**(32,438)**	**(33,143)**	**(619)**	**(31,224)**	**(31,843)**
Income (loss) from operating	**2,636**	**23,849**	**26,485**	**2,684**	**20,514**	**23,198**
Charges/write-backs on impairment of loans	(1,257)	(11,611)	(12,868)	(1,232)	(15,177)	(16,409)
Charges/write-backs on impairment of other financial assets	-	(24)	(24)	-	(514)	(514)
Charges/write-backs on impairment of goodwill and equity investments	-	-	-	-	-	-
Goodwill impairment	-	(26)	(26)	-	-	-
Profit (loss) on disposal of investments	-	-	-	-	(82)	(82)
Net provisions for risks and charges	-	(2,497)	(2,497)	-	(436)	(436)
Income (loss) before tax from continuing operations	**1,379**	**9,690**	**11,070**	**1,452**	**4,305**	**5,757**
Tax on income from continuing operations	(539)	(3,892)	(4,432)	(518)	(1,764)	(2,282)
Levies and other charges concerning the banking industry after tax	-	(1,425)	(1,425)	-	(1,392)	(1,392)
Net income	**840**	**4,373**	**5,213**	**934**	**1,149**	**2,083**

Segment results – Balance-sheet data

ASSETS	30/06/2021			31/12/2020		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial assets measured at fair value through profit or loss	-	23,661	23,661	-	21,685	21,685
Financial assets measured at fair value through other comprehensive income	-	200,541	200,541	-	147,243	147,243
Financial assets measured at amortised cost	272,754	3,738,067	4,010,821	265,938	3,544,214	3,810,152
Due from banks	-	33,025	33,025	-	32,554	32,554
Loans to customers	272,754	2,843,258	3,116,012	265,938	2,710,457	2,976,395
Securities	-	861,783	861,783	-	801,204	801,204

LIABILITIES	30/06/2021			31/12/2020		
	LEASING	BANK	TOTAL	LEASING	BANK	TOTAL
Financial liabilities measured at amortised cost	-	4,956,775	4,956,775	-	4,586,932	4,586,932
Due to banks	-	1,675,943	1,675,943	-	1,516,483	1,516,483
Due to customers	-	3,253,185	3,253,185	-	3,064,511	3,064,511
Securities issued	-	27,647	27,647	-	5,939	5,939

Cividale del Friuli, 11 August 2021
The Board of Directors

Independent Auditors' Report

KPMG

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Limited audit report on the condensed half-yearly financial report

To the Board of Directors of Banca di Cividale Società per Azioni

Introduction

We have conducted a limited audit of the appended condensed half-yearly financial report, consisting of the balance sheet at 30 June 2021, income statement, statement of other comprehensive income, statement of changes in equity, statement of cash flows and notes of Banca di Cividale Società per Azioni at and for the six months ended 30 June 2021. The directors of Banca di Cividale Società per Azioni are responsible for preparing the condensed half-yearly financial report in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union. We are responsible for expressing a conclusion on the condensed half-yearly financial report on the basis of our limited audit.

Scope of the limited audit

We carried out our work in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The limited audit of the condensed half-yearly financial report consists of conducting interviews, primarily with personnel of the Bank responsible for financial and accounting matters, conducting financial statement analysis and other limited auditing procedures. The scope of a limited audit is substantially narrower than that of a full audit conducted in accordance with the International Standards on Auditing. Accordingly, it does not provide us with the certainty that we are aware of all significant events that could be identified by conducting a full audit. Accordingly, we do not express an opinion on the condensed half-yearly financial report.

Banca di Cividale Società per Azioni
Independent auditors' conclusions on the condensed half-yearly financial report at 30 June 2021

Conclusions

On the basis of the limited audit performed, we are not aware of any elements indicating that the appended condensed half-yearly financial report of Banca di Cividale Società per Azioni at and for the period ended 30 June 2021 has not been prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial information (IAS 34) adopted by the European Union.

Trieste, 1 September 2021

KPMG S.p.A.

[signature]
Pietro Dalle Vedove
(Partner)